Societal Logics, Institutional Entrepreneurship and Organizational Identity: The Case of Private Entrepreneurship in China

by

Grace Hong FAN

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Imperial College London
Imperial College Business School
Exhibition Road
London SW7 2AZ

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ABSTRACT

This thesis expands existing understanding of institutional logics, institutional entrepreneurship and organizational identity based on longitudinal data from China. It consists of three empirical studies, focusing on the societal, organizational and individual levels.

At the societal level, study one illuminates the process by which changes in societal logics of the state and the market shape field practices in the context of entrepreneurial firms over a period of 30 years. The results indicate that as field experimentation embodying the market logic evolves and becomes institutionalized, the corresponding societal logics of the state and the market further evolve and become further institutionalized. This study advances institutional analysis by offering a more nuanced understanding of the relationship between societal logics and field practices.

At the organizational level, study two incorporates a political dimension to illuminate the process by which institutional entrepreneurs develop four distinctive strategies in building a new category of firm in a heavily politically-controlled context. Each strategy is associated with a particular outcome at different system levels. A sequential development is apparent whereby micro level economic acceptance of a new category of firm was a precondition for meso level political acceptance, and political acceptance then opened up the possibility of macro level social acceptance. The study offers a more nuanced understanding of how central and peripheral actors work together in driving institutional change.
At the individual level, study three investigates the process by which entrepreneurs drew on multiple institutional logics to construct organizational identity during the formative stages of entrepreneurial firms. The results indicate that the construction of individual organizational identity preceded that of collective identity. Individual organizational identity construction efforts, although shaped by existing and emergent logics, aggregated and lent support to emergent logics. They were crucial for organizational survival, and ultimately legitimacy. Entrepreneurs leveraged emergent logics to support and/or influence existing logics in constructing collective identity. Institutional logics were transformed in the process. This study contributes to a more nuanced understanding of the relationship between institutional logics and organizational identity.
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INTRODUCTION

My work has focused on connecting conventional understandings of institutional processes with new theoretical perspectives such as institutional logics, institutional entrepreneurship and organizational identity. Empirically, I examine the institutional changes associated with the Reform programme in China at the levels of society, organization and individual. The thesis is composed of three empirical studies.

The first study draws on the notion of institutional logics perspective, a rapidly growing research area in organizational theory (see Thornton, Ocasio & Lounsbury, 2012 for a review) to explore how changes in societal logics shape field practices in the context of entrepreneurial firms over a period of 30 years in China. Despite Friedland and Alford’s (1991) plea that the lens of institutional logics should be used to understand changes in society, there are almost no studies exploring how changes in societal logics take place and how these changes shape field practices. Institutional orders and the societal logics associated with them “are interdependent and yet also contradictory”. This implies that multiple institutional logics interact and compete for influence in all societal domains. Contradictions between the logics of different institutional orders provide the sources for change within institutions. Changes in societal logics are likely to have a profound impact on a society, and on the organizations and individuals within it. Therefore examining how changes in societal logics shape field practices has the potential to capture more fully the complex relationships among logics, organizations and individuals. China is a unique context because it has witnessed changes in societal logics of the state and the market over the past 30 years. It offers an appropriate setting to examine: How do changes in societal logics shape field practices? I identify two interrelated processes - political theorization and field
experimentation – that connect changes in societal logics to field practices. The results indicate that as field experimentation embodying the market logic evolves and becomes institutionalized, the corresponding societal logics of the state and the market further evolve and become further institutionalized. This study advances institutional analysis by offering a more nuanced understanding of the relationship between societal logics and field practices.

The second study incorporates a political dimension in exploring the process of institutional entrepreneurship in a heavily politically-controlled environment. Building a new category of firm within a country’s business system is a major institutional innovation (Stinchcombe 1965; Scott 1995). It depends on securing social legitimacy and is likely to require considerable institutional entrepreneurship (Garud, Hardy & Maguire 2007; Greenwood & Suddaby 2006; Selznick, 1969). Although institutional entrepreneurship is necessarily a political process involving the development of strategies towards the authorities that grant institutional approval (Fligstein 1997; Lawrence 1999; Seo & Creed 2002), the incorporation of a political dimension into institutional theory remains limited (DiMaggio & Powell, 1991; Hirsch & Lounsbury 1997; Selznick 1949). Since political control of the business environment occurs to some degree in all countries, understanding strategies that institutional entrepreneurs employ in an environment where such control is salient has wider relevance. Selznick (1969:121) stressed the importance of adding a political dimension to institutional analysis in order to explain ‘the creation of new organizations, the struggle for recognition and power, the demand for new foundations of authority and new forms of participation’. The assumption that government agencies play a passive rather than an interventionist role in the business context has never been a wholly tenable one, even in a neo-liberalist free market economy like the U.S.A. (Lin 2011). Given that politically controlled business environments exist to some degree in all countries, theorizing building a new category of firm that breaks
with existing institutions requires the inclusion of a political dimension. Understanding the strategies that institutional entrepreneurs employ in an environment where such control is salient has wider relevance. This motivates the aim of this study which is to address the question: how does the process of institutional entrepreneurship take place in a heavily politically-controlled context? The study identifies four strategies that institutional entrepreneurs have developed in building a new category of firm. These are directed at three levels – micro, meso and macro. A sequential development is apparent whereby micro level economic acceptance of a new category of firm was a precondition for meso level political acceptance, and political acceptance then opened up the possibility of macro level social acceptance. It offers a nuanced understanding of how central and peripheral actors work together in driving institutional change.

The third study explores the relationship between institutional logics and organizational identity. Existing studies have tended to associate organizational identity with a single institutional logic, rather than with multiple logics (see Goodrick & Reay, 2011 for a review). Only recently have scholars begun to explore how competing logics (albeit only two) can be combined and reconfigured to create a hybrid identity that differs from either of the competing logics (Battilana & Dorado, 2010; Lok, 2010; Meyer & Hammerschmid, 2006). Despite these advances, there has not been a systematic examination of how multiple institutional logics can influence organizational identity construction, and simultaneously continue to reside in the emerged organizational identity. This is partly because identity literature has tended to focus on identity dynamics in the context of organizational change (Dutton & Dukerich, 1991; Glynn, 2000), but much less so in the context of organizational founding or emergence when organizational identity is being formed (see Navis & Glynn, 2010, 2011 for exceptions). Organizational identity construction efforts during the formative
stages require that entrepreneurs skilfully balance the need for strategic distinctiveness against that of normative appropriateness in order to achieve “optimal distinctiveness” (Brewer, 1991). Entrepreneurship may be a particularly suitable site for bridging micro and macro approaches to the study of organizational identity (Lounsbury & Glynn, 2001). Studies focusing on the process of organizational identity construction in an entrepreneurial setting are emerging. I focus specifically on the following questions: How do entrepreneurs draw on multiple institutional logics to construct organizational identity, and why? What is the relationship between institutional logics and organizational identity? The findings suggest that individual organizational identity construction preceded collective identity construction. Individual organizational identity construction efforts, although shaped by existing and emergent logics, aggregated and lent support to emergent logics. They were crucial for organizational survival, and ultimately legitimacy. Entrepreneurs leveraged emergent logics to support and/or influence existing logics in constructing collective identity. This study offers a more nuanced understanding of the relationship between institutional logics and organizational identity, integrates micro and macro approaches to the study of organizational identity, and extends the notion of cultural entrepreneurship.

The three studies were written in the preferred styles of their targeted journals. Study one was intended for submission to American Journal of Sociology, study two had received a “revise and resubmit” with Organization Studies, and study three was intended for submission to Administrative Science Quarterly. I now proceed to present the three studies in their entirety.
INTRODUCTION AND OVERVIEW

Institutional logics are “a set of material practices and symbolic constructions which constitutes its organizing principles and which is available to organizations and individuals to elaborate” (Friedland & Alford, 1991:248). Society is conceptualized as an inter-institutional system, and that each institutional order, such as the state, the market, the family, religions, corporations, professions and communities, is associated with a distinctive institutional logic (Friedland & Alford, 1991; Thornton, Ocasio & Lounsbury, 2012). Friedland and Alford (1991:241) emphasized that “institutions cannot be analyzed in isolation from each other, but must be understood in their mutually dependent, yet contradictory relationships”. They were interested in theorizing the contradictions of the inter-institutional system, for example between the market and the family, and between the state and the market.

Despite Friedland and Alford’s (1991) original intention of applying institutional logics to understanding society, only a few studies have focused on societal level logics (see Greenwood et al., 2011 for a review). They have tended to explore how the interplay of logics of the market and the family shapes field practices (Bhappu, 2000; Greenwood et al., 2010; Heimer, 1999; Marquis & Lounsbury, 2007; Miller, Le Breton-Miller & Lester, 2010). Bhappu (2000) highlighted how the prevalence of the family logic insulated Japanese firms from the full impact of the market logic. Non-market logics such as that of the state are seldom examined or theorized. As an exception, Marquis and Lounsbury (2007) connected
competing logics of the federal state (a community logic of governance versus a national logic of governance) to alternative logics in the banking sector (a community logic of bank versus a banking logic emphasizing efficiency). They explicated the change in geographical difference in terms of distance (see also Lounsbury, 2007). Another notable exception is the work by Greenwood et al. (2010). They explored how logics of the regional state, the family, the market and religions shaped organizational downsizing decisions in different geographic communities with different characters and different outcomes. They highlighted that changes in societal logics as rooted in geography. How societal institutional logics change, however, is not well understood.

Existing studies using the notion of institutional logics have tended to focus on the field level analysis (Greenwood et al., 2011). This stream of literature has shifted from an earlier focus on “a dominant logic” where one logic replaces the other (Kitchener, 2002; Lounsbury, 2002; Rao, Monin & Durand, 2003; Thornton & Ocasio, 1999; Zajac & Westphal, 2004) to an emphasis on the existence of competing logics within the field (Dunn & Jones, 2010; Glynn & Lounsbury, 2005; Goodrick & Reay, 2011; Lok, 2010; Lounsbury, 2007; Marquis & Lounsbury, 2007; Purdy & Gray, 2009; Reay & Hinings, 2005, 2009; Scott et al., 2000). These studies have tended to treat changes in the field level as resulting from exogenous changes in societal logics. For example, Haveman and Rao (1997) examined how the rise of Progressivism shaped organization forms in the California thrift industry. They found that a regulatory logic replaced the thrift logic, and both were later replaced by the market logic. Rao et al. (2003) analyzed how the social movements in French gastronomy resulted in nouvelle cuisine replaced classical cuisine. In instances of co-existence of competing logics, Lounsbury (2007) revealed that Boston and New York were centres of trustee and performance logics respectively, resulting in different patterns of field logics in two cities.
The rise of performance based logic in New York represented parallel shifts from professional to market logics in other fields. However, performance-based market logic did not replace trustee logic, and the two logics continued to co-exist and compete. Dunn and Jones (2010) identified the logics of care and science central to the profession that persisted over time, and how fluctuation in the influence of two logics shaped practices in medical education.

Empirical studies exploring endogenous change in the field level have started to emerge. They represented processes when the majority (core) of the existing material practices and symbolic representations remain intact, while others change. For example, Murray (2010) analyzed the enforcement of patents to a key technology on academic geneticists, and found that scientists were successful in incorporating patenting practices (part of a commercial or market logic) into academic geneticists’ scientific practices to reinforce academic (professional) logic. Nigam and Ocasio (2010) found that the logic of managed care was originally associated with health care organizations as a new organizational form, but over time, it became the overall organizing principle of the hospital field as the term “managed care” took on new meanings. Scholars using a multilevel lens have emphasized how societal level logics shape field practices at one point in time, separating one relatively stable period from another. For example, Scott et al. (2000) examined changes in the field of health care, rooted in the change from the once dominant logic of the medical professions to the influences by logics of the state, the corporation, and the market. The link between changes in field level practices and societal level logics is usually (but not always) implied, but not explicitly specified (Greenwood et al., 2011). Therefore we have little insights into the process by which changes in societal logics shape field practices.
The relative neglect of attention to changes in societal logics stems partly from the relative stability of societal logics in the Western context. Admittedly, societal logics in the Western context are evolving, albeit at a slower rate. Hence opportunities to examine changes in societal logics are rare. Institutional logics are rarely explored in an international context. For an exception, Chung and Luo (2008) explored how competing logics of the family, the market and the state influenced restructuring strategies of firms in emerging economies. Friedland and Alford (1991:243) posited that institutional orders and the societal logics associated with them “are interdependent and yet also contradictory”. This implies that multiple institutional logics interact and compete for influence in all societal domains. Societal institutional logics may cooperate, but often they are in conflict, and their interdependence varies over time (Thornton et al. 2012). Contradictions among the logics of different institutional orders provide actors with opportunities to theorize symbolic meanings and pioneer material practices to challenge old institutional logics and create new ones. Inter-institutional contradictions are the bases of important political conflicts in society, and it is through these political struggles that the institutional orders are transformed. These political struggles are acted out by individuals and organizations, and the outcomes of these struggles alter the inter-institutional system constituting a society. It therefore follows that changes in societal logics are likely to have a profound impact on a society, and on the organizations and individuals within it (Friedland & Alford, 1991; Greenwood et al., 2011). Therefore investigating the process by which changes in societal logics shape field practices may be the first step towards capturing more fully the complex relationships among logics, organizations and individuals.

In order to address the theoretical and empirical gaps identified above, I chose China as an extreme case or outlier to investigate how changes in societal logics of the state and the
market shape field practices. Outliers aid theory exploration because the dynamics being examined are much more transparent and visible than in other context (Eisenhardt, 1989; Lee, Mitchell & Sabyinski, 1999). China is a unique context because it has witnessed changes in societal logics of the state and the market over the past 30 years. Entrepreneurial firms exemplify changes in societal logics. It offers an appropriate setting to examine: *How do changes in societal logics shape field practices?* This study examines the process by which changes in societal logics shape field practices, identifies the actors involved, and explicates the mechanisms by which social logics interact with field practices.

**INSTITUTIONAL LOGICS IN CHINA**

To address this research question, I drew on a study of changes in societal logics of the state and the market in China from 1978 to 2010. During this period, China underwent major institutional transformation at the societal level, which allowed for an examination of how changes in the logics of the state and the market shaped field practices. The re-emergence of China as a central player in the global economy has been widely recognized as one of the most important social changes in the past three decades (Keister & Zhang, 2008). Its transition has attracted attention from policy-makers, practitioners and academic scholars who are keen to understand the workings of societal institutional change. Further, there is a significant amount of research concerning China that I can draw on. Consistent with Greenwood et al (2010), the state logic used in this study refers to “policy regimes” (Dobbin & Dowd, 1997; Polsby, 1963), which is the basic orientation of the state in securing social and political order. There are two key dimensions: the relative tolerance towards political representation and plurality of expression, and the extent to which state power is centrally controlled/concentrated or devolved to the local level (Polsby, 1963). In China, the state
remained politically intolerant, however, the other dimension of the state logic went through a process of decentralization (Qian, 1999). I present below an analytical and chronological narrative of changes in societal logics, based on multiple archival sources.

The State Logic (1978 – 1992)

Before 1978, virtually all production assets were controlled by the state (Walder, 1995). The state logic was dominant, and the market logic was non-existent. The state logic was driven by the Party’s political needs and command. The principles governing enterprises were to serve the good of the Party and the public (Yang, 2003). However, there were small-scale industrial activities outside the command economy (Boisot & Child, 1996), in the form of commune-brigade enterprises (CBEs).

The 3rd Plenary Session of the 11th Communist Party of China (CPC) Central Committee in 1978 signalled the start of the Reform programme. The goal was developing the economy without weakening the Party’s control of the political system (Qian, 1999). Deng Xiaoping’s slogan “crossing the river by touching the stones underfoot” symbolized its experimental nature. The legacy of the dominant state logic left a perpetual shortage of certain essential goods, a situation exploited by rural enterprises (Lin, 1995). Rural enterprises led the surge in meeting this demand. During this period, entrepreneurial firms were explicitly outlawed by the state as a capitalist tool for exploitation (Tsui, Bian & Cheng, 2006). Deng’s “wait and see” instruction towards entrepreneurial firms reflected his pragmatic stance of being guided by what works, rather than debates. The first constitutional amendment conferred legal status to entrepreneurial firms in 1988. The market logic began to emerge, challenging the previously unquestioned dominance of the state logic.
One dimension of the state logic – the extent to which state power is centrally controlled (Polsby, 1963) – went through a process of decentralization. Decentralization included fiscal decentralization, more autonomy in decision-making granted to SOEs and opening up the economy (Tsui et al., 2006). A shrinking share of tax revenue accruing to the central government increased the incentives for the local governments to use retained revenues for local economic development. Deng selected areas in which the planned economy was weakest to experiment with opening up. He coined the phrase “tequ” – special economic zones (SEZs). SEZs were later adopted by 14 other coastal cities. The share of industrial output for rural enterprises increased from 9.09 percent in 1978 to 36.29 percent in 1993, for entrepreneurial firms increased from zero percent to 10.16 percent, and for state-owned enterprises (SOEs) dropped from 77.63 percent in 1978 to 43.13 percent in 1993 (Statistical Yearbook of China, 1994:373, 375).

Societal debates centred on whether the reform was for the good of the public or for the individual. Reform in the southern regions (away from the power centre of Beijing) accelerated despite a lack of guidance from the Party after the political incident in 1989 (Wu, 2007). Deng toured away from the power centre of Beijing to marginalize the conservatives, and relied on regional support (southern cities) to resume reform. During his tour of southern cities, Deng commented that “both plans and markets are economic means”, which put an end to the “public” or “private” debate.


The goal of the Reform programme shifted to developing a market system with socialist characteristics. The 14th Party Congress endorsed the socialist market logic. The Party were at pains to emphasize that a market economy did not equate to capitalism, in the same sense that
a command economy did not equate to socialism (Boisot & Child, 1996). It justified the shift as extending Marx theory of building a socialist economy, and created the phrase “building a socialist market economy with Chinese characteristics”. The principles were keeping the Party in power while developing the economy using whatever means.

One dimension of the state logic continued to evolve through a process of decentralization. Decentralization included continued delegation of power from the central to the local governments, and a steady shrinking of the state-owned component of industrial output so that more autonomy could be granted to SOEs. In 1999, the term “corporate governance” – separating the government from the enterprise - first appeared in a Party document. The share of industrial output for entrepreneurial firms embodying the market logic increased from 10 percent in 1993 to 33 percent in 2001, for SOEs embodying the state logic decreased from 43.13 percent in 1993 to 30 percent in 2001 (Statistical Year Book of China, 2002).

Three consecutive milestones during this period signalled the emergence of the market logic. In 1993, the landmark document “decision on issues concerning the establishment of a socialist market economic structure” addressed two issues: (1) building market supporting institutions, and (2) property rights and ownership. The market logic was driven by the growth of entrepreneurial firms (Guthrie, 1999). The privatization of SOEs and TVEs added to the expansion of entrepreneurial firms (Peng, 2001). Private ownership was officially recognized as “an important component of the socialist market economy” in 1997. In 1999, Article 5 of the Constitution was amended to include the principle of “governing the country according to law and establishing a socialist, rule of law country”.
Societal debates centred on whether the surname of the reform was “socialist” or “capitalist” regarding the property rights reform. The Chinese concept of ownership (suoyouzhi) is “appreciably more ambiguous and is a political and ideological consideration rather than an economic and legal one” (Child, 1994:19). Reformers embodying the market logic used Deng’s instruction “do not debate” on this issue to justify their experiments. At the 15th Party Congress in 1997, Jiang Zeming, the Party Secretary, introduced the notion of mixed property rights (hunhe suoyouzhi) to SOEs. It became a critical part of the enterprise reform programme (Redding & Witt, 2007), ending the “socialist” or “capitalist” debate.


The goal of the Reform programme shifted to building a harmonious society (Zhao, 2009). Hu Jingttao, the Party Secretary General, announced that the 11th five-year plan for national economic and social development should follow the principle of “harmony” and “scientific development” (Dan, 2008). This was perceived as a departure from the earlier principles of growing the economy using whatever means. More than two decades of double digit economic growth gave rise to the widening income gap between regions along the coast and inland areas. The Party acknowledged the need to tackle pressing social and environmental issues. At the 6th Plenary of the 16th CPC Central Committee, the Party stated that enterprises should “conduct extensive activities to build stability, promote a harmonious society, and take on social responsibility”.

The acceptance of entrepreneurs as a new social class signalled the co-existence of the market logic and the state logic. Entrepreneurial firms embodying the market logic have become the largest contributor to GDP growth, and are likely to remain a key contributor to economic growth. The 3rd Plenary Session of the 16th CPC Central Committee in 2003 set out the most
comprehensive principles of socialist market economy systems. This was viewed as the official institutionalization of the market logic (Redding & Witt, 2007). Article 13 of the Constitution was amended in 2004 so that “citizens’ lawful private property is inviolable” and “the state, in accordance with law, protects the rights of citizens to private property and to its inheritance.” For the first time, the state explicitly offered the protection of private property.

Societal debates centred on finding a sustained model of pursuing economic growth whilst maintaining social stability (Naughton, 2007; Zhao, 2009). Xiaokang, a Confucian concept meaning moderate prosperity, emerged as a key vocabulary that the Party used to guide the debates (Lin, 2011). Deng originally equated xiaokang to achieving a GDP of US$ 1,000 per capita. In 2002, the Party extended this notion beyond its economic origin to include political, socio-cultural and technological goals. At the Party Congress in 2007, Hu Jingtiao announced that the construction of a xiaokang society was the historical mission of the Party. The concept of xiaokang stresses harmony, order and respect for authority and concern for all. There was overlap between xiaokang and the Party’s goal of achieving a certain level of overall prosperity whilst maintaining social stability. The Party effectively linked xiaokang to socialism. Table 1-1 summarizes the key historical events that illustrate changes in societal logics and field practices.
The State Logic (1978 – 1992)  

<table>
<thead>
<tr>
<th>Year</th>
<th>Field Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>Economic Reform programme began - 3rd Plenary of the 11th CPC Central Committee; Deng Xiaoping said, “letting some people get rich first, and gradually all the people get rich together.” “practice is the sole judge of truth”, echoing his though in 1962 that “It doesn’t matter whether a cat is white or black so long as it catches mice.”</td>
</tr>
<tr>
<td>1979</td>
<td>8 SOEs selected for experimenting with giving more autonomy; Deng coined the phrase “tequ” – special economic zone (SEZ); The State Council allowed individual industrial household (“getihu”) to operate; Deng instructed “wait and see” towards entrepreneurial firms; Deng equated modernization to xiaokang, attaining a GDP of $1,000 per capita.</td>
</tr>
<tr>
<td>1980</td>
<td>Fiscal decentralization began – “fiscal contracting system”.</td>
</tr>
<tr>
<td>1981</td>
<td>“Crossing the river by feeling the stones underfoot” first appeared.</td>
</tr>
<tr>
<td>1982</td>
<td>Individual economy acknowledged by the Party.</td>
</tr>
<tr>
<td>1983</td>
<td>Tax reform aimed at giving more initiatives to SOEs.</td>
</tr>
<tr>
<td>1984</td>
<td>SOEs reform deepened, adopting “contract responsibility system” Dual-track approach to market liberation;</td>
</tr>
<tr>
<td>1985</td>
<td>Bankruptcy Law (December)</td>
</tr>
<tr>
<td>1986</td>
<td>Private enterprises officially acknowledged by the State Council</td>
</tr>
<tr>
<td>1987</td>
<td>Enterprise Law; Entrepreneurial firms conferred legal status – constitution amendment.</td>
</tr>
<tr>
<td>1991</td>
<td>Deng said, “Economic development is the absolute principle”</td>
</tr>
</tbody>
</table>

A Socialist Market Logic (1993 – 2001)  

<table>
<thead>
<tr>
<th>Year</th>
<th>Field Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>Deng’s tour of southern cities aimed to resume the Reform programme; Deng said, “Both plans and markets are economic means.” 14th Congress of CPC endorsed the socialist market logic; Shanghai and Shenzhen stock exchanges opened.</td>
</tr>
<tr>
<td>1993</td>
<td>Landmark document “decision on issues concerning the establishment of a socialist market economic structure” issued; Private enterprises acknowledged as “supplementary component of the economy”; Company Law.</td>
</tr>
</tbody>
</table>

Household responsibility system initiated by Xiaogang Production Brigade of Fengyang County in Anhui, supported by its governor, Wan Li; Giving more autonomy to SOEs initiated in Sichuan province, supported by Deng advocated its Party secretary, Zhao Ziyang.*

Collectives emerged in Zhejiang, Jiangsu and Guangdong provinces;* Shenzhen pioneered the practice of leasing land for cash to develop SEZ;* Scholars found evidence in Marx that hiring fewer than eight nonfamily members did not constitute exploitation.*

The local governments incentivized to develop the local economy. Nian Guangju’s “idiot seeds” became a nationwide brand.* Country party secretary initiated and supported Yiwu small goods market.*

OPEN letter from 55 managers of SOEs to the party secretary and governor of Fujian province, asking for more autonomy; “Jumping into the sea” (“xiahai”) most popular phrase in the media. Entrepreneurs pioneered joint-stock cooperative (“gufen hezuo”).* First SOE bankruptcy in Shenyang province (August).*

Entrepreneurs pioneered the notion of “mutual interests of the enterprise”;* Words like entrepreneurs began to have positive connotations. “Stability” the most popular phrase in the media; Mayor of Zhucheng started to sell off weak-performing small SOEs;* Shenzhen started to sell SOEs to western firms; Sichuan encouraged acquisition of weak SOEs.
<table>
<thead>
<tr>
<th>Year</th>
<th>Societal Logics</th>
<th>Field Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>Major tax and fiscal reform introduced – national and local taxes</td>
<td>10 entrepreneurs initiated investment into inland regions with the intention of creating &quot;mutual wealth&quot;.*</td>
</tr>
<tr>
<td>1996</td>
<td>Zhu Rongji endorsed “Zhucheng experience” of selling off small SOEs.</td>
<td>Some regions allowed CPC membership for private business leaders.*</td>
</tr>
<tr>
<td>1997</td>
<td>The State Council issued “Grasp the large, release the small” policy; Entrepreneurial firms as “an important component of the socialist market economy”; Privatization of TVEs sanctioned; Jiang Zemin, the Party Secretary, introduced the concept of mixed property rights (hunhe suoyouzhi).</td>
<td>Entrepreneurs initiated the idea of giving back to the society.*</td>
</tr>
<tr>
<td>1999</td>
<td>Private ownership and rule of law incorporated into the constitution; The term “corporate governance” first appeared in the Party document.</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>Jiang Zemin promised private business owners the rights of party membership;</td>
<td>Entrepreneurs stressed the importance of a sustained growth model in building a harmonious society.</td>
</tr>
<tr>
<td>2002</td>
<td>16th Congress of CPC, entrepreneurial firms acknowledged as important engines of the economy, and entrepreneurs acknowledged as “builders of socialist market economy”); The Party laid down two unwavering principles – “consolidate and develop public economy”, and “encourage, support and guide the development of non-state economy”.</td>
<td>More than 500 entrepreneurs consulted on national constitution issues; Entrepreneurs campaigned for moving up the value chain and upgrading industry standards; Entrepreneurs contributed to drafting social responsibility charter.</td>
</tr>
<tr>
<td>2003</td>
<td>3rd Plenary of the 16th CPC Central Committee, institutionalization of market economy; “Scientific development” was introduced; High-tech firms are promoted regardless of ownership.</td>
<td>Entrepreneurs and academic researchers discussed and theorized about the meaning of “scientific development”.</td>
</tr>
<tr>
<td>2004</td>
<td>Article 13 of the National Constitution amended – “the State, in accordance with law, protects the rights of citizens to private property and to its inheritance”;</td>
<td>Extensive consultation with entrepreneurs and academic researchers.</td>
</tr>
<tr>
<td>2005</td>
<td>Landmark document of “36 stipulations about non-state economy” published.</td>
<td>Entrepreneurial firms led in investments into inland regions.*</td>
</tr>
<tr>
<td>2007</td>
<td>17th Party Congress “two equals” for the public and non-state economy: equal protection in a legal sense and equal competition in an economic sense; The concept of “scientific development” was developed further; Harmony has been adopted as the main goal of the economic development.</td>
<td>Entrepreneurs campaigned for equal treatment, breaking the “glass door”; Entrepreneurial firms led the independent R&amp;D efforts with nearly 80% of patents coming from the private sector.*</td>
</tr>
<tr>
<td>2008</td>
<td>Massive stimulus package aimed at the global financial crisis.</td>
<td>Entrepreneurs donate to the recovery aid of Sichuan earthquake; Shanghai municipal government led public consultation with entrepreneurial firms – the first time;</td>
</tr>
<tr>
<td>2009</td>
<td>National think-tank formed to aid government policy making process</td>
<td>More than 100 entrepreneurs published an open letter promising not to lay off employees nor reduce employee wages;* Entrepreneurs campaigned for industry restructuring.</td>
</tr>
</tbody>
</table>

** All data were derived from the original database which consisted of historical archival data and secondary publications.
* Denotes situations where the experiments were initiated by leading entrepreneurs and the local governments.
METHODOLOGY

I conducted a longitudinal, qualitative study because the focal phenomenon – how changes in societal logics shape field practices – is under examined (Lee, 1999; Marshall & Rossman, 1995). The relative stability of the state logic in the Western context serves to conceal its influence (Greenwood et al. 2010). Further, I adopted an interpretive approach (Van Maanen, 1979) because it stayed true to the cognitive origin of institutional logics as proposed by Friedland and Alford (1991).

Data Collection

I relied on two primary data sources – archives and interviews - during the data collection period in order to achieve trustworthiness (Lincoln & Guba, 1985). In total, I collected over 8,000 pages of archival data and conducted two rounds of field interviews from 2009 to 2010. My approach involved an iterative process of collecting, analyzing and comparing data across data sources and over time. For clarity of explanation, however, I discuss archival data and interviews separately.

Archival data. In order to construct an analytical narrative of changes in societal logics chronologically (Langley, 1999), I gathered archival data from five sources: (1) published works of Deng Xiaoping and Zhu Rongji, the chief architects of the Reform programme, (2) classified internal government documents and memos, (3) government policy booklets, (4) records of changes in the constitution, and (5) press releases and presentations delivered by the Party. By using archival data, I accessed real-time accounts of changes in societal logics rather than retrospective ones. I also used secondary sources, such as published journal articles and books to triangulate the chronological narrative (Jick, 1979).
I identified three distinctive periods characterized by major changes in the constitution, corroborated from numerous sources of archival data. Several scholars have identified similar periods (Qian & Wu, 2005; Zhao, 2009). Relying on institutional logics as a method of analysis (Thornton and Ocasio, 2008), I developed indicators that helped me to organize the chronological narrative. Using existing literature on institutional logics (Greenwood et al 2010; Thornton 2004), I identified (1) goal, (2) principals, (3) policy orientation, and (4) outcome as indicators of changes in societal logics of the state and the market. I induced two indicators from the archival data: (1) societal slogans, and (2) societal contestations. They were salient to the research question, the analytical lens and the research context (Thornton et al., 2012). In addition, three academic scholars, three government officials and five entrepreneurs validated these indicators (Nag, Corley & Gioia, 2007). I added vocabularies as another indicator, because both (1) the prevalence of specific words and phrases, and (2) the meanings embodied by words and phrases can serve as indicators of changes in societal level logics (Dunn & Jones, 2010; Nigam & Ocasio, 2010; Suddaby & Greenwood, 2005). Table 1-2 summarizes changes in societal logics of the state and the market for the three periods, organized along the seven indicators identified above.
## Table 1-2
Changes in Societal Logics of the State and the Market

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State logic</td>
<td>Market logic</td>
<td>State logic</td>
</tr>
<tr>
<td>Goals</td>
<td>Developing the economy</td>
<td>Developing a socialist market system with Chinese characteristics</td>
<td>Building a harmonious society</td>
</tr>
<tr>
<td>Principals</td>
<td>Command</td>
<td>Non-existent</td>
<td>“economic development is the absolute principle”</td>
</tr>
<tr>
<td>Policy orientation/constitutional change</td>
<td>(1) fiscal decentralization; (2) autonomy to SOEs initiated; (3) opening up the economy; (4) reform within the government.</td>
<td>Individual economy acknowledged in 1982; private enterprises acknowledged in 1987.</td>
<td>(1) Continued deregulation of power from the central to local governments; (2) “grasping the large, releasing the small” policy for SOEs; (3) SOEs to concentrate in four areas only.</td>
</tr>
<tr>
<td>Outcome</td>
<td>Supplementing - the share of industrial output for SOEs embodying the state logic dropped from 77.63% in 1978 to 43.13% in 1993</td>
<td>An important component - the share of industrial output for private enterprises embodying the market logic increased from 20% in 1993 to 60% in 2001.</td>
<td>Equal footing - entrepreneurs have emerged as a new social class.</td>
</tr>
<tr>
<td>Societal slogans</td>
<td>“crossing the river by feeling the stones underfoot”</td>
<td>“both plans and markets are economic means” “Do not debate is my invention. Be brave in experiment.”</td>
<td>Theorizing xiaokang beyond Deng’s original definition</td>
</tr>
<tr>
<td>Societal Contestations</td>
<td>for the good of the public or the individual</td>
<td>the surname of the reform was “socialist” or “capitalist”</td>
<td>the best route to build societal harmony</td>
</tr>
<tr>
<td>Vocabularies</td>
<td>“individual industrial household” (getihu) appeared; “Entrepreneurs” appeared in the official Chinese dictionary with new meaning.</td>
<td>“Corporate governance” first appeared in the Party document; Created the phrase “building a socialist market economy with Chinese character”.</td>
<td>Redefined “capitalist”, “socialist.”</td>
</tr>
</tbody>
</table>
**Interviews.** The analytical narrative revealed the tipping point that demarcated discrete periods in the initial emergence of the market logic, and later the co-existence of the market logic and the state logic. This enabled me to identify that three key actors were instrumental in the change process: the state, the local governments and pioneering entrepreneurs. The narrative also revealed that entrepreneurial firms embodying the market logic appeared first in the Zhejiang, Jiangsu and Guangdong provinces. I added Shanghai, a late adopter of entrepreneurial firms, to introduce variation and diversity to the research setting. This diverse setting offered firmer grounding for theory elaboration (Harris & Sutton, 1986). Concentrating semi-structured interviews in the fore-mentioned locations allowed me to gain a deeper understanding of how changes in societal logics played out through the three actors identified above. I conducted two rounds of interviews from May to October 2009, and from May to June 2010. Overall my interpretive approach involved an iterative process of collecting, analyzing and comparing data across informants and over time. I adopted a “snowball technique” (Lincoln & Guba, 1985), seeking new informants based on my analysis and the information that was deemed important by prior informants. This process resulted in a focused sample until I reached theoretical saturation (Glaser & Strauss, 1967), i.e. no additional themes occurred.

I conducted a total of 82 interviews: entrepreneurs (41), local government officials (20), industry experts (7), academic scholars (8) and central government officials (6). The interviews varied in length from 45 minutes to 2.5 hours. They were recorded and transcribed. The initial questioning focused on (1) major events that led to changes in the constitution and policy orientation, (2) societal debates surrounding these changes, and (3) informants’ own activities and experience during the period. These key events drew attention to the different categories of activities that the three actors performed. As patterns began to emerge, I focused
the interviews on investigating these themes in more depth. The interviews enabled me to probe deeper into these themes to uncover both patterns and inconsistencies across informants, and to explore relationships among them. They were also useful in validating the chronological narrative derived from the archives, thus triangulating the data (Jick, 1979). A key advantage of interviews was identifying activities that were not recorded in the archival data (e.g. debates within the Party elite, bargaining between the central government and the local governments, and negotiation and cooperation between the local governments and leading entrepreneurs). Use of multiple informants helped to mitigate the potential bias of any individual informant by allowing information to be confirmed by several sources (Golden, 1992). It also enabled building richer and more vivid pictures because different informants typically focused on complementary elements of major activities (Schwenk, 1985). Overall, the combination of archival data and interviews enabled a rich, triangulated, and relatively accurate understanding of the phenomenon, and provided a solid base for performing rigorous analysis. Table 1-3 summarizes a detailed list of all data sources.
<table>
<thead>
<tr>
<th>Data type</th>
<th>Quantity</th>
<th>Original data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviews</td>
<td>82</td>
<td>Informants</td>
</tr>
<tr>
<td>The complete works of Deng Xiaoping</td>
<td>950 pages</td>
<td>Public sources</td>
</tr>
<tr>
<td>The complete works of Zhu Rongji</td>
<td>800 pages</td>
<td>Public sources</td>
</tr>
<tr>
<td>Classified government documents</td>
<td>180 pages</td>
<td>Internal sources</td>
</tr>
<tr>
<td>Classified government memos</td>
<td>80 pages</td>
<td>Internal sources</td>
</tr>
<tr>
<td>Government policy booklets</td>
<td>500 pages</td>
<td>Public sources</td>
</tr>
<tr>
<td>Records of changes in the Constitution</td>
<td>200 pages</td>
<td>Public sources</td>
</tr>
<tr>
<td>Press releases and presentations</td>
<td>160 pages</td>
<td>Public sources</td>
</tr>
<tr>
<td>Published journal articles on China</td>
<td>1,500 pages</td>
<td>Public sources</td>
</tr>
<tr>
<td>Published books on Chinese reform</td>
<td>3,600 pages</td>
<td>Public sources</td>
</tr>
<tr>
<td>Videos and audio files</td>
<td>30 files</td>
<td>Public sources</td>
</tr>
</tbody>
</table>
Data Analysis

Applying the processes of naturalist inquiry (Lincoln & Guba, 1985), I worked back and forth among the data, emerging themes and the literature to develop a deeper understanding of the process by which changes in societal logics shaped field practices (Glaser & Strauss, 1967). I categorized data by three key actors – the state, the local governments and entrepreneurs - over time, tracking events as they unfolded (Hodder, 2000). I paid particular attention to actors’ statements, actions and their framing at the time when changes occurred. Their account and interpretation formed the foundation of the first-order analysis (Van Maanen, 1979). My task as a researcher was to present the interpretations of the actors in light of both the research question and existing literature (Strauss & Corbin, 1990) and formulate deeper and more abstract second-order interpretations (Siggelkow, 2007).

In the first stage of analysis, I systematically analyzed the interview transcripts in order to identify categories of activities by the three actors, and arranged them chronologically in tabular form (Miles & Huberman, 1984). I developed 39 first-order codes (Van Maanen, 1979) based on the language used by the informants. Here I was more concerned with ensuring that my analysis captured the range of activities performed by the informants. Later I blended the interview data into the narrative derived from the archival data to form the original database. I applied the first-order codes to the whole database using the constant comparative method, comparing data over time and across informants to identify nesting and overlaps in the first-order codes (Glaser & Strauss, 1967). I also went back to the archival data to check that I have not left out activities that did not fit into 39 first-order codes. Then I consolidated the first-order codes into 12 informant-centric categories, relying on the informants’ own language (Strauss & Corbin, 1998). For instance, the acknowledgment of household responsibility systems, and the sanctioning of selling off small SOEs were grouped
together as “adopting locally initiated activities as national policies”. Similarly, the debates on the meaning of words such as entrepreneurs and capital, and the coining of new phrases like socialist market economy were grouped together as “infusing new meanings into words that previously had negative connotations, and creating new phrases and theorizing their contents”. Examples of first order categories included providing symbolic meaning and guidance to changes in the society, amending the constitution, and taking cues from the Party to discern political direction and Party policies etc.

I checked the reliability of the coding framework using a method similar to that of other qualitative studies, to ensure the trustworthiness of my analysis (Isabella, 1990). I engaged two researchers who were trained in the coding framework (Miles & Huberman, 1984). They were given samples of raw data. I asked them to identify activities performed by the three actors from their given sample. Then I asked them to repeat the coding steps by grouping the activities of the three actors together, and collapsing the initial codes into categories. The initial agreement on coding, derived from dividing the number of agreed coding by the total number (Miles & Huberman, 1984), was 87%. After discussing these differences, I made adjustments and modifications to the coding framework. The proportion of agreed coding increased to 95%. Although interpretive approach does not usually require inter-coder agreement assessments, I wanted the assurance that I had stayed true to the original data and there was agreement on key aspects of the coding scheme. This additional step helped to ensure the trustworthiness of the coding scheme and the emergent themes, and boosted confidence in the plausibility of my interpretation (Lincoln & Guba, 1985).

In the second stage of the analysis, I applied axial coding to systematically analyze first-order categories at a higher level of theoretical abstraction (Strauss, 1987). Theoretical coding
consisted of identifying common themes that linked earlier categories together (Locke, 2001). I again applied constant comparison techniques to discern second-order themes (Glaser & Strauss, 1967). Then I used prior literature on theorization (Strang & Meyer, 1993), mechanism (Swedberg, 2005) and sensemaking (Weick, 1995) to refine the emerging themes. For instance, the following categories were collapsed into a theme labelled “bending rules”: leveraging the works of Marx and Deng to justify market experiments, and finding loopholes in existing rules, breaking rules when nobody said no, and inventing new rules. Similarly, taking cues from the Party to discern political direction and Party policies, and assessing the macro environment and taking actions accordingly, were collapsed into a theme labelled “sensemaking”. Six second-order themes emerged: giving meaning, legitimizing experiments, constructing harmony, sensemaking, bending rules and initiating cooperation.

In the third stage of the analysis, I organized the second-order themes into theoretical dimensions. I searched for underlying dimensions that would integrate all theoretical themes in a coherent manner, and consolidated the second-order themes into more abstract dimensions. Two aggregated theoretical dimensions emerged: political theorization and field experimentation. In order to enhance validity, triangulation was applied at every stage of data analysis through multiple sources of data and informants (Jick, 1979). Validity was also enhanced through prolonged engagement and familiarity with the data, alternative explanation building, and constant cross-checking of emergent dimensions. Figure 1-4 illustrates the data structure. I developed the findings and the relationship among them based on this analysis. These aggregated theoretical dimensions were the ones that best explained the process by which changes in societal logics of the state and the market took place (Nag et al., 2007).
### FIGURE 1-4
Overview of Data Structure

<table>
<thead>
<tr>
<th>1&lt;sup&gt;st&lt;/sup&gt; Order Categories</th>
<th>2&lt;sup&gt;nd&lt;/sup&gt; Order Themes</th>
<th>Aggregated Theor Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Infusing new meanings into words that previously had negative connotations, and</td>
<td>a. Giving meaning</td>
<td></td>
</tr>
<tr>
<td>2. Providing symbolic meaning and guidance to changes in the society</td>
<td>b. Legitimizing experiments</td>
<td>Political theorization</td>
</tr>
<tr>
<td>3. Adopting locally initiated activities as national policies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Amending the constitution to grant legitimacy to the market logic</td>
<td>c. Constructing harmony</td>
<td></td>
</tr>
<tr>
<td>5. Issuing changes in constitutions to further develop market-supporting institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Involving entrepreneurs, industry experts and academics to aid policy making</td>
<td>d. Sensemaking</td>
<td>Field experimentation</td>
</tr>
<tr>
<td>7. Taking cues from the Party-state to discern political direction and Party policies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Assessing the macro environment and taking actions accordingly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Finding loopholes in existing rules, breaking rules when nobody said no, and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Leveraging the works of Marx and Deng to justify market experiments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Initiating activities that provide wider societal benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Championing entrepreneurial firms by the local governments and campaigning for a</td>
<td></td>
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</tbody>
</table>
FINDINGS

As the research focus was on the way in which changes in societal logics shaped field practices, I organized the findings into theoretical dimensions derived from the data analysis. I used the tipping point identified from the narrative to segment the presentation into two transition phases: (1) transition phase 1 - from the state logic to a socialist market logic; and (2) transition phase 2 – the co-existence of the state logic and the market logic. The interplay among theoretical dimensions and their constituent second-order themes was not as straightforward as suggested by the data structure depicted in Figure 1. Activities underlying two of the themes – giving meaning and sensemaking – occurred throughout the change process. Activities underlying two other themes – legitimizing experiments and bending rules – occurred only in transition phase 1. Activities underlying the remaining two themes – constructing harmony and initiating cooperation – occurred only in transition phase 2. These themes occurring at different transition phases led to the development of a grounded process model of changes in societal logics, articulated after the findings section. For clarity of explanation, however, I discuss the emergent dimensions and their constituent themes individually, while acknowledging their complexity and sequential nature. Table 1-5 provides representative supporting data for each second-order theme. The data were corroborated across multiple sources and informants to mitigate the possibility of problems associated with retrospective accounts (Miller, Cardinal & Glick, 1997).

Transition Phase 1: From the State Logic to a Socialist Market Logic

Political theorization

Political theorization provided a template for changes in societal logics of the state and the market to emerge. It also created an abstract model for understanding these changes. Two
themes - giving meaning and legitimizing experiments – constituted the political theorization process.

**Giving meaning (a)** is defined as the state provided guidance to changes in society, created new vocabularies, and gave positive meanings to words that previously had negative connotations. Deng’s slogans like (1) “crossing the river by feeling the stones underfoot”, (2) “it doesn’t matter whether a cat is white or black so long as it catches mice”, and (3) “practice is the sole judge of truth” provided a cognitive template which actors could draw on and use to decide what was socially acceptable. Deng said it was acceptable for some people and some regions to get rich first. The State Council allowed individual industrial household to operate, and the phase “getihu” was created. As individual industrial household (“getihu”) started to employ people, scholars from the Party schools found evidence in Marx that employing fewer than eight non-family members as employees did not constitute exploitation (archives). Individual economy was subsequently acknowledged by the state in 1982. When the political incident in 1989 put the Reform programme in jeopardy, Deng’s instruction that “stability is the overwhelming guiding principle” provided guidance again. “Stability” became one of the most popular phrases used in the media that year. During his tour of southern cities in 1992, Deng insisted, “Do not debate is my invention. Be brave in experimentation.” His instructions ignited the suppressed market logic (archives, interviews).

Deng’s strategy of “playing two hands hard” guided the Party thinking: playing one hand forcefully to keep the Party in power, and playing the other hand vigorously to develop the economy. The state engaged the Party schools, academic researchers and the media in “giving meaning” to changes in societal logics. In 1984, a researcher from Beijing University used words such as “entrepreneurs” and “risk taking” in the title of an article. He was
approached by the journal editor to discuss whether they could be replaced with other words (interviews). At the time, “entrepreneurs” and “risk taking” had negative connotations. The first constitutional amendment in 1988 eventually conferred legal status to entrepreneurial firms. Entrepreneurs were officially acknowledged as the acceptable vocabulary. On the 2\textsuperscript{nd} of February 1988, 20 managers of SOEs were officially awarded the title of “model entrepreneurs”. The ceremony took place in Beijing on the 21\textsuperscript{st} of April. “Entrepreneur” appeared in the official Chinese dictionary \textit{Cihai} in 1989 (archives).

\textbf{Legitimizing experiments (b)} is defined as the Party sanctioned market experiments and amended the constitution to grant legitimacy to the emerging market logic. A common theme was that official legitimating and sanctioning came \textit{after} the field experiments turned out to be successful. The state sanctioned the field experiments that brought social and economic benefits to the society. The state did not explicitly initiate policies to support or promote the private economy, which embodied the market logic. Rather, the state was playing catch-up. An excellent example is that the state officially adopted the household responsibility system (despite earlier explicit prohibition) in early 1980 after witnessing its success in lifting peasants out of poverty. In 1984, the State Council officially acknowledged TVEs, and all collectives were renamed as TVEs (archives, interviews). Rural enterprises gained legitimacy. This laid the foundation for entrepreneurial firms that embodied the emerging market logic. Deng said in 1987, \textit{“the greatest achievement that was totally unexpected is that rural enterprise [both TVEs and private enterprises] have developed”} (12\textsuperscript{th} June, 1987).

Experiments such as leasing land for cash to aid development, the resurgence of collectives in Zhejiang, Jiangsu and Guangdong provinces, and the selling off small SOEs were all pioneered by entrepreneurs and reform-minded local government officials. These
experiments were later sanctioned and legitimized by the state. Faced with an allocation of only RMB 30 million for development, Shenzhen government needed to find other ways of raising funds. As market supporting institutions were near absent at the time, leasing the land for cash was the only option. But that was unprecedented. One senior local government official read through the works of Marx, and came upon a paragraph that permitted the use of leasing land for cash to aid development. He showed this paragraph to Zhang Xunpu, the Party secretary general of Shenzhen (archives). On New Year’s Day in 1980, Shenzhen signed its first land leasing contract. It was reported that all the local government officials were able to recite the particular paragraph in the works of Marx. Shenzhen’s experiments were explicitly acknowledged by Deng during his tours of southern cities in 1984 and 1992 (archives, interviews). His acknowledgment effectively legitimized Shenzhen’s experiments.

The state’s policy of “grasping the big, letting go the small” regarding the reform of SOEs was issued in 1997 after studying experiments pioneered in Zhucheng, Shandong Province. In 1991, Cheng Guang inherited over 100 small loss-making SOEs when he became the mayor of Zhucheng. He read through government documents carefully, and found one sentence which allowed the leasing and selling off of small SOEs. He thus authorized the selling off of small SOEs. Similar experiments happened in Shunde and Yibin (archives). In March 1996, the central government sent an investigation team to study the “Zhucheng experience” headed by Zhu Rongji, the vice Premier. Cheng Guang and the party officials at Zhucheng agonized over Premier Zhu’s visit, and described their experience as “walking on thin ice”. On the 24th of March 1996, after spending four days there, Premier Zhu gathered all officials there and acknowledged Cheng Guang’s good work on reforming small SOEs (archives, interviews).

Field experimentation
During this transition phase, most activities were initiated by the local governments and pioneering entrepreneurs because the state was preoccupied with the reform of SOEs. Actors drew on changes in societal logics to pioneer experiments. Two themes - *sensemaking* and *bending rules* – constituted the field experimentation process.

**Sensemaking** (d) is defined as taking cues from the state to discern policy orientation and take actions accordingly. There were heated societal debates regarding the legitimacy of entrepreneurial firms embodying the market logic. They were subject to political crackdowns during macro adjustment periods. Entrepreneurs and reform-minded local government officials needed to be politically astute to survive. Despite the official recognition of TVEs in 1984, the priority of the state had always been SOEs. The state specified the role and position of TVEs as the following: serving the agricultural sector and the countryside, and not competing resources away from SOEs (archives). One entrepreneur reflected on the experience during that period, he said, “I will never forget what happened during 85-86 when there was shortage of raw materials. I went to the relevant departments to see if we could be allocated cotton to resume production. We were told that they were reserved for SOEs, not TVEs. We had to fend for ourselves.”

The political storm in 1989 cast uncertainty over the fate of entrepreneurial firms. Many entrepreneurs assessed their situations and decided to either close their businesses or gave their businesses for free to the local governments. In June 1989, Li Shufu, founder of Jeely, closed his refrigeration business, donated a substantial amount to the local government and went away to Shenzhen (interviews, archives). In September that year, Wang Yanjiang, the founder of a china factory, decided to donate his entire fortune, worth RMB six million, to the village. Two month later, he was awarded the title of model entrepreneur and elected as a
member of the National People’s Congress, one of the highest honours that could be bestowed on a private business leader at the time (interviews, archives).

Reform-minded government officials also actively engaged in sensemaking activities. From 1995, government officials of Jiangsu Province began travelling to neighbouring Zhejiang Province to learn about the ownership restructuring for TVEs. They decided to experiment with the joint-stock cooperative form (gufen hezuo), because this was tolerated by the Party whilst privatization was not legitimized. When privatization was officially legitimized in 1997, they started to concentrate on privatization. By the end of 2000, the majority of TVEs in Jiangsu Province had been privatized (archives). One local government official commented, “The Party policy is like the weather. One cannot fight the weather, but one can prepare for the weather and protect its assets accordingly. One has only got himself to blame if he does not pay attention to political cues and policy direction.”

Bending rules (e) is defined as actors finding loopholes in existing rules, breaking rules and inventing new ones, and leveraging the works of Marx and Deng to justify their experiments. The local governments either initiated experiments to help entrepreneurial firms or supported experiments initiated by entrepreneurial firms. These experiments were initiated in remote places where (1) it was difficult for the power centre to intervene, and (2) where the influence of state-owned assets embodying the state logic was the weakest. Experiments included pioneering the joint-stock cooperative (“gufen hezuo”), employing more than seven non-family members, and pioneering the privatization of TVEs. The creation of the Yiwu commodity market was an excellent example. In November 1982, Xie Gaohua, the Party secretary general of Yiwu County, declared the opening of a commodity market. Specifically, he permitted four conditions: peasants becoming traders, private long-distance and wholesale
trading, opening up urban and rural markets, and allowing competition across different channels. At the time, the state explicitly prohibited private long-distance and wholesale trading. In July 1983, the county government invested RMB 580k to build a specialist trading market, the most advanced in the country at the time. People came from all over the country to take part. Individual enterprises flourished. By the end of 1983, there were over 1,000 stalls trading more than 3,000 types of goods daily. Local products accounted for one-third, with the rest coming from all over China (archives, interviews). Now Yiwu has the biggest commodity market in the world.

In many instances, the local governments used Deng’s slogans to justify their support for experiments initiated by entrepreneurs. It was most evident in the Guangdong and Zhejiang provinces. At the end of 1979, many individual enterprises in Guangdong employed more than seven employees, even though the state explicitly outlawed entrepreneurial firms as an ownership form. Reng Zhongyi, the Party secretary general of Guangdong, coined the phrase “private economy” and engaged academic researchers to study the phenomenon. Their report showed that these firms contributed significantly to the local economy. Reng instructed that the local government should support these experiments. Specifically, he used Deng’s instructions of “wait and see” towards entrepreneurial firms to justify his actions (archives, interviews). Another example was ownership restructuring, initiated by entrepreneurs in Zhejiang province. By 1996, more than 80% of the TVEs in Zhejiang province experienced privatization. The provincial Party secretary general said that “We need to look back at these reforms, but not reverse the trend.”, even though there were no specific instructions from the state. The state sent numerous investigation teams to study the privatization phenomenon in the province. The local government officials repeatedly used Deng’s “three criteria – whether it promotes the growth of the productive forces in a socialist society, whether it
increases the overall strength of the socialist state, and whether it raises the living standards” to justify their experiments (archives, interviews). In 1997, the state officially sanctioned the privatization of TVEs.

**Transition Phase 2: The Co-existence of the State Logic and the Market Logic**

**Political theorization**

As the market economy had been legitimized, legitimizing experiments no longer featured as a theme in the political theorization process. Instead, the state actively involved different actors in pursuing economic prosperity whilst maintaining societal harmony. Two themes – *giving meaning* and *constructing harmony* - constituted the political theorization process.

**Giving meaning (a)** has the same definition as in the previous transition phase. Entrepreneurs emerged as a new social class. They were acknowledged as the “builders of socialism with Chinese characteristics”. Jiang Zemin, the Party Secretary General, said that the emergence of entrepreneurs as a new social class was the most significant outcome of the Reform programme. Jiang stated that the Party represented the working class as well as those who created wealth (entrepreneurs). Entrepreneurs were encouraged to use capital to eliminate poverty and help to elevate the working class so they could obtain wealth as well. Capital was no longer associated with exploitation. The Party theorized that the new social classification for entrepreneurs contained the following meanings: (1) their material contributions and pioneering spirits were acknowledged, (2) the state had relevant policies and legislations to protect their rights, and (3) they were encouraged to give back to the wider society and take on more responsibility in maintaining social stability (archives, interviews).
The state concentrated on theorizing xiaokang, an indigenous Confucian concept meaning moderate prosperity. Xiaokang was widely used in all important government documents and five-year plans (Lin, 2008, 2011; Wang, 2003). The state expanded Deng’s interpretation of xiaokang in an economic sense (attaining a GDP of US$ 1,000 per capita) to “elevating the quality of life from minimal requirement of shelter and food to sufficient comfort”. In 2002, Jiang Zemin elaborated that in a higher level of xiaokang society, “the economy will be further developed, democracy more comprehensive, technology more advanced, culture more prosperous, society more harmonious, and people wealthier.” (30th December 2002). Thus, xiaokang had been extended from mere economic goals to include political, socio-cultural and technological goals. In the 16th Party Congress, the state theorized that the concept of xiaokang contained the following meanings: (1) linking the target of doubling GDP per capita to a balanced approach to economic development, (2) simultaneously improving public consumption and social equality, and (3) striving to make the basic social provisions available to all. Further, the state theorized that socialism was about eliminating inequality by elevating the wealth of the working class. It insisted that creating mutual wealth, one element of xiaokang, stayed true to the original intent of Marx. In 2007, Wen Jiabao, the Premier, stated that the goal for socialism included social fairness and justice in a “prosperous, strong, democratic, civilized and harmonious modern socialist society” (27th February, 2007).

**Constructing harmony** (e) is defined as the state involved various actors in designing policies to build a harmonious society, and continued to develop market-supporting institutions. On the 2nd of July 2001, Jiang Zemin wrote in *The People’s Daily*, the Party newspaper, promising private business owners the rights of Party membership. For the first time in the history of the Party, its charter was amended so that entrepreneurs were able to become members. The Party stated that entrepreneurs represented new blood in its
membership. Entrepreneurs were encouraged to play an important part in the policy-making process. The state theorized that social stability was the basis for “socialism with Chinese characteristics”. At the 16th Party Congress in 2002, the notion of “scientific development” was introduced. After consulting academics, industry experts and private business leaders, the state developed the notion further to include co-ordination in macro level management, integration of different social classes, and continuous innovation (archives, interviews). In 2009, Premier Wen sanctioned the establishment of a national non-governmental think-tank. Key personnel included entrepreneurs, scholars, industry experts, business leaders and former government officials. It had the specific remit of assisting the state in drafting, modifying and finalizing major economic policies. It demonstrated the aspiration of the state to move away from direct intervention in businesses to a more co-ordinated role (archives, interviews). This was a significant departure from the earlier thinking of developing the economy using whatever means. It was important for entrepreneurial firms embodying the market logic because they usually fared the worst during these macro adjustment periods.

The continuing development of market-supporting institutions and associated legislations formed an important part of constructing harmony. The state laid down the unwavering principle of encouraging, supporting and guiding the development of the non-state economy at the 16th Party Congress in 2002. After consulting more than 500 leading entrepreneurs, the state issued the most comprehensive documents specifying the principles of market economic systems in 2003. This was widely acknowledged as the institutionalization of the market logic. Under the guidance of Premier Wen, the State Council issued the landmark document “36 stipulations about the non-state economy” in 2005. Specifically, it was aimed at entrepreneurial firms embodying the market logic. The 17th Party Congress in 2007 put
forward the principle of “two equals”: offering equal legal protection and an equal competitive environment for the public and non-state economy (archives).

Field experimentation

As the market-supporting institutions had been established, bending rules no longer featured as a theme. The local governments and entrepreneurs initiated activities that supported the goal formulated for the Reform programme by the state. Two themes – sensemaking and initiating cooperation - constituted the field experimentation process.

Sensemaking (e) has the same definition as in the previous transition phase. Entrepreneurs and the local governments took cues from the macro environment to assess policy orientation and commercial opportunities. Despite the best efforts of the state to put public and non-state economies on an equal footing, the majority of the RMB 4 trillion stimulus package announced during the recent global financial crisis went to protecting SOEs. This led to the metaphor of “the glass door” to highlight the reality facing entrepreneurial firms. Huang Mengfu, the deputy chair of the National Political Consultative Committee, said, “On the surface, there are no restrictions into certain industries. But there are higher hurdles, like investment requirements, to clear in order to get into these sectors. People call this the ‘glass door’ phenomenon. You think the door is open, but when you try to get in, you hit a brick wall.” The following exemplary quotation captured the essence of sense making. One entrepreneur said, “Entrepreneurial firms are relatively small compared with SOEs, therefore they are restricted in the sectors that SOEs have a monopoly position. One way is to stay away from monopolized industries. The other is to collaborate with SOEs. The important thing is to collaborate and not to compete, to supplement and not to replace.” Entrepreneurs built extensive networks with the local governments, industry associations and academic
institutions. They used these networks as opportunities for networking, information exchange, and assessing policy direction and commercial opportunities (interviews, archives). One entrepreneur said, “Entrepreneurial firms need to pay attention to the broader direction set by the Party, and at the same time, concentrate on building and growing the firm. Neglecting either is a recipe for disaster.”

**Initiating cooperation (f)** is defined as the local governments and entrepreneurial firms working together in building societal harmony, advancing economic prosperity and achieving technological breakthroughs. Entrepreneurs took the lead in building a harmonious society, and were actively involved in drafting the social responsibility charter for entrepreneurial firms. The following exemplary quotation demonstrated their initiatives. “It is vital for an enterprise to establish a responsible reputation in the wider society. Since the start of Reform programme, some enterprises have accumulated considerable wealth. However, there is still poverty around, and this is not good for the sustained growth of enterprises. An enterprise that does not care about wider society will not last long.” The local governments presented these entrepreneurial initiatives as their political achievements. Entrepreneurs viewed a fair environment as important for maintaining social stability. The following exemplary quotation captured the cooperative nature of their appeal. One entrepreneur said, “The ‘hard’ element of the environment is probably the same for SOEs and entrepreneurial firms, but not the ‘soft’ element. The word ‘public’ has positive meanings, but ‘non-public’ contains negative connotations. Many entrepreneurial firms are family businesses, but nobody uses the term openly. Why? Because it still implies exploitation. How can we change this? The governments at all levels, experts, academics and entrepreneurs all need to engage in debating and theorizing. We need to challenge the mindsets.”
The local governments actively championed entrepreneurial firms, even in regions in which state assets were traditionally strong. Shanghai was such an example. In 2008, the Shanghai Municipal government undertook a six-month detailed study of entrepreneurial firms, headed by Yu Zhengsheng, the Party secretary general, and Han Zheng, the mayor. It was the first time that Shanghai focused exclusively on entrepreneurial firms. The most significant policy change was granting residency to people from outside of Shanghai, so that they could have access to education, housing and health care provisions (archives, interviews). Further, entrepreneurs attached great importance to independent R&D and setting industry standards. Around 70 to 80 percent of patent registrations were held by entrepreneurial firms. More than 20 percent of R&D activities were conducted by entrepreneurial firms even though less than 6 percent of their funding was from the government (Statistics on Science & Technology Activities of Industrial Enterprises, 2008:25/81). In many instances, the local governments helped to promote the R&D activities of entrepreneurial firms to the central ministries. Their help resulted in both material and symbolic benefits for entrepreneurial firms, including being classified as a technology enterprise, recovering the initial investment cost, tax rebates, and the opportunity to form national technology platform for the whole sector (interviews).
TABLE 1-5: Representative Quotes, Events, and Archival Entries underlying the Second-order Themes*

<table>
<thead>
<tr>
<th>Theme a. Giving meaning</th>
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<tr>
<td>Deng Xiaoping’s slogan at the beginning of the Reform programme was “practice is the sole judge of truth”, echoing his thoughts in 1962 that “it doesn’t matter whether a cat is white or black so long as it catches mice.” (academic scholars, interviews, archives)</td>
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<td>Deng’s strategy of “playing two hands hard” guided the Party thinking: playing one hand forcefully to keep the Party in power, and playing the other hand vigorously to develop the economy. (government officials, interviews, archives)</td>
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<td>The slogan coined by Yuan Geng, party secretary of Shekou, Special Economic Zone. In 1982, Yuan put a large sign in front of the main entrance to the management committee of SEZ. The sign said, “Time is money. Efficiency is lifeblood.” The slogan caused much controversy and debate at the time. In January 1994 when Deng Xiaoping came to visit Shekou, Yuan asked, “I are not sure if this slogan is forbidden or not. I are not asking Command Deng to give an opinion right now. However, I hope I are allowed to continue to experiment.” His words reduced those at present to laughter. This story got told again and again in the country, and the slogan became famous in the “dictionary” of reform. (government officials, interviews, archives)</td>
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<th>Theme b: Legitimizing experiments</th>
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<td>Wu Jinglian, an economist from Chinese Academy of Social Science, published an article advocating “letting go small SOEs” as a way to deepen the reform of SOEs in the last issue of Reform in 1995. He was asked to accompany Zhu Rongji, the vice premier, in investigating “Zhucheng experience” the following year. Zhu acknowledged the “Zhucheng” example after the investigation. In 1997, the State Council issued the policy of “grasping the big, and letting go the small”. (academic scholars, interviews, archives)</td>
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<td>In order to solve employment issues of seven million returnees to the city after being “educated” in the countryside, the State Council issued its first policy allowing individual industrial household (“gihu”) to operate in 1979. However, the Party explicitly outlawed entrepreneurial firm as an ownership form. “The temporary regulations of private enterprises” (July 1988) stipulated laws governing entrepreneurial enterprises with more than seven nonfamily members. (entrepreneurs, interviews, archives)</td>
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<td>Entrepreneurs in Zhejiang province came up with the notion of joint-stock cooperative (“gufen hezuo”) in the mid-80s. They were at pains to emphasize the collective element of this new organizational form, and how they differed from entrepreneurial firms. In 1997, Jiang Zemin, the Party Secretary General, introduced the notion of mixed property rights to state-owned enterprises. This effectively legitimized shareholding system. (government officials, entrepreneurs, interviews, archives)</td>
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<th>Theme c: Constructing harmony</th>
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<td>For the first time in the history of Communist Party of China, there was peaceful transfer of power during 2002 – 2004 from Jiang Zemin to Ju Jintao (Dan, 2008; Qian &amp; Wu, 2005).</td>
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<td>The National People’s Congress has experienced a progressive separating of power in the political hierarchy. Party dogma is giving away to performance in societal improvements (Guthrie, 2006; Li &amp; Peng, 2008; Lin, 2011).</td>
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<td>The Party developed its theorizing on xiaokang, an indigenous Confucian concept meaning moderate prosperity, over a period of time. In 1979, Deng Xiaoping indicated that for China “the four modernizations” meant xiaokang, although his version then was attaining a GDP of US$ 1,000 per capita. In 1990, the Party added that “the so-called xiaokang level indicates the elevation of the quality of life from minimal requirement of food and shelter to sufficient comfort in clothing and food”. In 2002, Jiang Zemin set out the plan for building xiaokang society, “We should concentrate efforts to fully construct a still higher level of xiaokang society, so that the economy will be further developed, democracy comprehensive and healthy, science and education more advanced, culture more prosperous, society more harmonious, and people’s living richer”. In 2007, Wen Jiaobbo, the Premier, emphasized that the goal of socialism was to create social justice in a “prosperous, strong, democratic, civilized and harmonious modern socialist society”. (journalists, industry experts, government officials, academic scholars, entrepreneurs, interviews, archives)</td>
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*Note: This table includes key quotes, events, and archival entries that provide insights into the underlying themes of the Reform period.
Theme d: Sense making

“The power of Chinese government is infinite. The state can choose to govern everything, or nothing. The Party wants to remain in power. As long as entrepreneurial firms do not threaten the Party’s control, it will not interfere. Therefore it is important that entrepreneurial firms find the right environment and space to grow the business.” (entrepreneurs, interviews)

“It is important to pay close attention to the trend and guidance of government policy. I listened carefully to Premier Zhu Rongji’s speech in 1998, and sensed the electric meter industry would undergo substantial restructuring and upgrading. But most other firms missed this crucial clue. I came top in subsequent tendering process because I have already strengthened our internal capabilities.” (entrepreneurs, interviews, archives)

“Every day I spend hours reading newspapers, government documents and watching CCTV news to assess policy directions and commercial opportunities. I also spend a lot of time talking to various people either in person or on the phone.” (entrepreneurs, interviews)


Theme e: Bending rules

Nian Guangju employed more than 7 people in 1979, a practice explicitly prohibited by the central government. This caused big debates in the society. His “idiot seeds” became a nationwide brand when Deng instructed ‘wait and see’, citing Nian’s name. Nian became known as the “first merchant in China” because of his pioneering practices. Deng mentioned Nian’s name again during his tour of southern cities in 1992. (academic scholars, government officials, interviews, archives)

Mr. Qin Zhenghua became the party secretary for Zhangjiagang in 1992. He sanctioned to establish “tax free zone” in Zhangjiagang, which was not approved by the higher authority. He went ahead anyway. After it was established, he invited Premier Li Peng to the opening ceremony. Premier Li signed his signature. The “tax free zone” as subsequently approved by the higher level government. (government officials, interviews, archives)

“I wanted to import a second-hand specialized high power electric furnace from UK. At the time, nobody used this type of equipment. It was unprecedented. The central Ministry thought the chances of success was small. I broke the project into smaller parts and imported the equipment in stages. This way, I no longer needed the approval of the state. I only needed approval from the local government. They supported us. Within six month of importing, I achieved higher outputs than those achieved in the UK.” (entrepreneurs, interviews, archives)

Theme f: Initiating cooperation

“It is vital for an enterprise to establish a responsible reputation in the wider society. Since the Reform programme, some enterprises have accumulated considerable Ialth. However, there is still poverty around, and this is not good for the sustained growth of enterprises. An enterprise that does not care about wider society will not last long. Enterprises should take on the responsibility of maintaining social stability. That is why I created a special charity fund that is not in the name of our enterprise.” (entrepreneurs, government officials, interviews, archives)

In December 2008, an entrepreneurial firm developed an energy-saving product. But the firm faced difficulty in marketing this new invention. Its local chamber of commerce submitted this invention as a technological breakthrough to the local Department of Science and Technology. In March 2009, this invention as accepted by the National Development and Reform Committee as a key project. The firm not only recovered its initial investment cost, it was also classified as a technology firm. Effectively, its local government framed the firm’s R&D breakthrough as aligned with the “sustainability programme” that the central government formulated for enterprises at the time. (government officials, entrepreneurs, industry experts, interviews, archives)

“We are actively campaigning for upgrading existing standards. 1st rate firms sell standards; 2nd rate firms sell technology; 3rd rate firms sell market information. Standards are set for the whole industry. Therefore the national association hopes that leading firms like us take a lead in setting standards.” (entrepreneurs, interviews)

“Manufacturing sector is experiencing a transition from low to high value-added activities. This is a good opportunity for our company. I aim to provide advanced technology to the manufacturing sector. I hope to upgrade the competitive capabilities of the manufacturing industry.” (industry experts, entrepreneurs, archives)

* All data were derived from the original database which consisted of interview transcripts, historical archival data and secondary sources.
A PROCESS MODEL OF HOW CHANGES IN SOCIETAL LOGICS SHAPE FIELD PRACTICES

In this section, I present a conceptual model of how changes in societal logics shape field practices grounded in the data that emerged from the study. Figure 1-6 situates the six second-order themes identified in a process model that lends the requisite dynamism to the relationships among these key themes, and shows how changes in societal logics shape field practices. The core of the model demonstrates that the interaction between political theorization and field experimentation evolves from an initial sequential process leading to the tipping point, and then after, to a dynamic and recursive process.

Beginning on the left with societal level political theorization, giving meaning initiates the process of changes in societal logics by providing the cognitive template for field experimentation. Two themes – sensemaking and bending rules – facilitate field experimentation. Sensemaking is triggered by uncertainty and ambiguity in the field. It helps to facilitate the choices that actors are likely to make, leading to the theme of bending rules. The cumulative effects of bending rules in turn lead to legitimizing experiments, connecting field experimentation with political theorization. Legitimizing experiments in turn feed back to giving meaning that gives rise to changes in societal logics. This sequential process as represented by the left hand-side part of Figure 2 demonstrates that changes in societal logics are gradual, and these changes shape field practices. The legitimizing of field practices through political theorization process drives further changes in societal logics.

The tipping point represents the shift from a sequential process to a dynamic and recursive one, reflecting changes accumulated from earlier phase impact upon the current dynamics. Exploring how two interrelated processes - political theorization and field experimentation –
recursively interact provides new insights into existing understanding of how changes in societal logics shape field practices. Giving meaning continues to provide cognitive templates for field experimentation. However, changes in societal logics can also be initiated through the recursive interaction between giving meaning and constructing harmony, and between giving meaning and initiating cooperation. Giving meaning and constructing harmony recursively interacts to define the political theorization process, representing the interplay between societal logics. Sensemaking and initiating cooperation recursively interact to facilitate field experimentation process. The cumulative effects of initiating cooperation at the field level reverberate and act back to drive societal level political theorization process further forward through the themes of giving meaning and constructing harmony. Changes in the underlying mechanisms connecting political theorization and field experimentation suggest that as field practices embodying the market logic evolve and become institutionalized, the corresponding societal logics of the state and the market continue to evolve and become further institutionalized. Therefore how changes in societal logics shape field practices is more nuanced and complicated than previously thought.
FIGURE 1-6
A Process Model of Changes in Societal Logics

Political Theorization

Giving meaning  Legitimating experiments

Field Experimentation

Sensemaking  Bending rules

the tipping point

Political Theorization

Giving meaning  Constructing harmony

Field Experimentation

Sensemaking  Initiating cooperation
DISCUSSION AND CONCLUSION

Despite Friedland and Alford’s (1991) original intention of applying institutional logics to understanding society, only a few studies have explored societal level logics (Bhappu, 2000; Greenwood et al., 2010; Heimer, 1999; Marquis & Lounsbury, 2007). Prior work has not produced a comprehensive portrayal of how changes in societal logics shape field practices. The conceptual model that emerged from this study is a process model of how changes in societal logics shape field practices. The model identifies six themes – giving meaning, legitimizing experiments, constructing harmony, sensemaking, bending rules, initiating cooperation – as the underlying mechanisms that connect societal political theorization process with field level experimentation process. Changes in the underlying mechanisms connecting political theorization with field experimentation reflect changes in societal logics of the state and the market. Changes at the field level are cumulative, and they act back on societal logics and propel further changes. The model suggests that as field level practices embodying the emerging market logic evolve and become institutionalized, the corresponding societal logics of the state and the market further evolve and become further institutionalized. This study thus offers a more nuanced understanding of the relationship between societal logics and field practices.

The conceptual model developed here may be particularly suitable to explain the context in which one institutional logic becomes overly dominant relative to other logics. The prolonged dominance of any particular societal institutional logic may create instability of institutional orders and the system as a whole. The interdependent nature of institutional orders and their associated logics may act as a self-correction mechanism that ensures the survival of the system as a whole. In other words, changes in societal logics are likely to occur when one
institutional logic becomes overly dominant relative to others to the extent it may bring down the system as a while. The recent global financial crises lend insights as to why this line of inquiry is promising for future research. The near collapse of the banking system is an instantiation that the market logic had become overly dominant to the extent that it began to lose legitimacy. The self-destruction of the market logic was unintentionally aided by the lack of check from the state logic (Thornton et al., 2012). The state re-exerted its influence to keep the market logic in check, and restored the balance of the system as a whole in the process. Although I suspect that the conceptual model developed here may be applicable to explain the process by which the overly dominant market logic was brought under check by the state logic, this remains an empirical question. The current euro zone crises lend support to the urgency of this line of research. As more studies build up, scholars will then be in a better position to evaluate whether the conceptual model developed here may be generalizable to changes in societal logics in general. This knowledge is important because changes in societal logics are likely to have a profound impact upon the society and the behaviour of organizations and individuals within it.

Although this study examined changes at the societal level, I propose that the recursive interactions between political theorization and field experimentation may have parallels at the field level. In other words, some themes of the conceptual model may be applicable to the emergence and change in field level logics, because field level logics are grounded in and appeal to societal level logics (Friedland & Alford, 1991; Thornton & Ocasio, 2008). Nigam and Ocasio (2010) found that the recursive interaction between theorization and representation (two forms of environmental sensemaking) gave rise to the emergence and consolidation of new field level logics. As field is one of the levels that the contradictions between societal logics get played out through organizations and individuals, exploring the
emergence and change in field level logics may be an appropriate topic for future research. As more grounded studies examining changes in societal logics and changes in field logics accumulate, the precise applicability of the model from the societal level to the field level should become clearer.

A second contribution is extending current understanding of changes in societal logics rooted in geography. Almost all instances of bending rules were initiated by actors away from the power centre of Beijing. It is fair to say that these actors were simply trying to survive. Experiments happened in the poorest provinces where the state assets embodying the state logic were weakest. These provinces were also furthest away from Beijing, and thus the most remote and the most difficult to reach. The first generation of entrepreneurs emerged from rural enterprises outside the dominant state logic. In 1992, in an effort to resume the Reform programme (after the political incident in 1989), Deng had to tour away from the power centre of Beijing and chose to publish his ideas in Shenzhen Daily rather than the usual People’s Daily (the Party newspaper). He succeeded. This study thus adds to current understanding of the importance of geography in three other ways. First, existing studies highlight the significance of geography along the distance dimension (Greenwood et al. 2010; Marquis & Lounsbury, 2007); I go one step further by explicating remoteness as another dimension. Second, I have observed more accumulative effects of geography than have been previously examined. Market experiments succeeded because they happened within the boundaries of the state logic (“keeping the Party in power whilst developing the economy using whatever means”). This study thus extends previous work by specifying the boundaries of geographic effects. Third, I have also observed that actors purposefully used geography to sanction changes and encourage experiments. The state explicitly allowed certain geographic areas to experiment with the market logic. This study thus extends the scope of previous work
by showing that geographic effects are more extensive than previously envisaged. The interaction between geography and societal logics was integral to early institutional work (Selznick, 1949), but that focus has largely disappeared. I join other scholars (Greenwood et al. 2010) in calling for a return to the historical emphasis on geography. I argue that the richness of geography may provide new insights to the institutional logics literature.

A third contribution is identifying sources of change in societal logics. Existing studies have highlighted how changes in logics create different outcomes, such as executive succession (Thornton & Ocasio, 1999), variation in practices (Lounsbury, 2007; Scott et al., 2000) and legitimacy (Suddaby & Greenwood, 2005). I sought to identify the forces that caused changes in societal logics. First, this study confirmed Friedland and Alford’s (1991) original focus on inter-institutional contradictions as sources of change. Confrontation between the state logic and the market logic was manifested in heated societal debates between reformers embodying the market logic and conservatives embodying the state logic. They reflected the intense political and ideational struggle over what the market logic meant in China. Second and more importantly, this study uncovered intra-institutional contradictions as sources of change, a theme that was not prominently covered in prior research. There is contradiction embedded in the principle of “keeping the Party in power whilst developing the economy using whatever means” that embodied the state logic. One dimension of the state logic – the extent to which state power is centrally controlled (Polsby, 1963) – went through a process of decentralization. This gave rise to conflict of interests between the local governments and the state, and provided another source of contradiction within the state logic.

A fourth contribution is extending existing works that link institutional logics with vocabularies (Mills, 1940; Nigam and Ocasio, 2010; Scott et al, 2000). I confirmed that both
change in the words/phrases used, and changes in the meanings associated with existing phrases, could serve as indicators of changes in societal logics (Zilber, 2006). Actors drew on cultural tools (Swidler, 1986) to infuse new meanings to words/phrases that previously had negative connotations, and to theorize new content to existing words and phrases. More importantly, however, this study extends existing studies to include the creation of new vocabularies. Various actors actively engaged in the creation of new vocabularies. Deng coined words like SEZ (“tequ”), the Party invented the label of “socialist market economy with Chinese characteristics”. Terms like “individual economy” and “joint stock cooperative” (“gufen hezuo”) were invented by entrepreneurs.

Limitations
As is often the case with interpretive research, one potential limitation is with regard to the generalizability or transferability of the findings (Lincoln & Guba, 1985). A detailed case study like this one provides accurate observation and relatively simple concepts, although it trades off some degree of generalizability (Weick, 2005). However, opportunities to examine changes in societal logics are rare. Our focus case, China, offers a real time natural experiment for understanding how changes in societal logics shape field practices. This study is consistent with the view that “the institutional specificity of state power should be clearest at those times when it is being transformed.” (Friedland & Alford, 1991:238). The patterns that emerged from the case are therefore much more transparent. Thus it was an ideal case for understanding the process involved, explicating the underlying mechanisms, and generating additional theorization (Siggelkow, 2007).
Implications of the Process Model of Changes in Societal Logics

This study offers two key observations that affect existing understanding of institutional logics. First, this study highlights the importance of an appropriate historical and cultural perspective for understanding how changes in societal logics shape field practices. Existing literature has almost exclusively focused on the Western context, where societal logics are relatively stable, and the overarching market logic is the norm. This study demonstrates that changes in state policies and the constitution were not mere solutions to material contributions brought about by field experimentation embodying the market logic; they were also rooted in changing conceptions of what the state could and should do, aided by the new symbolic meanings associated with the market logic. In other words, the market logic began to affect the state logic. The historical and cultural perspective, focused through the state logic, enables a more nuanced understanding of the interaction and relationship between the state logic and the market logic. In this particular case, the market logic gained ascendance relative to the state logic; however, the state logic did not lose its dominance. This dominance is likely to continue as long as the political system (the Party) remains unchanged. It therefore follows that in China the effects of the state logic on other societal logics are likely to be more obvious and observable. This raises intriguing questions as to what are the boundary conditions of the influence of the state logic on other societal logics? Further, given that the state and the family are acknowledged as the two fundamental institutions in China (Bruun, 1993; Fan, 2012), it would be insightful to explore and understand the relationship among the state logic, the family logic and the market logic. What are the patterns underlying the interplay among the state logic, the family logic and the market logic? It may also be the case that, in China, the effects of the state logic on organizations and individuals are more observable than the effects of other societal logics. If this is the case, it will have profound implications for organizations operating in China and for individuals living there. The ability
of organizations and individuals to skilfully mobilize different institutional logics to serve their purpose is a premium to be successful in such a context. This may be an interesting area for future research. It is important because the bases of individual and organizational autonomy derive from the contradictions between institutional orders and their associated logics (Friedland & Alford, 1991). It is also likely that exploring these phenomena may help to develop novel ideas to enrich theorization on institutional logics, and contribute to institutional theory in general (Thornton et al., 2012).

Second, the process model developed here indicates that the process by which changes in societal logics shape field practices has shifted from an initially “bottom-up” process pioneered by leading entrepreneurs and the local governments, to a “top down” process through which the state is a co-dependent. The change process was primarily initiated from pioneering outliers outside the dominant logic. If this is the case, this raises intriguing questions: are changes in societal logics usually initiated by outliers? Recent events such as “the Arab spring” and “occupying Wall Street movement” were initiated by outliers. Efforts to resolve the euro zone crisis were initiated by the elite, Germany and France. Therefore, there is a need for more grounded studies to assess the relative significance of outliers compared with the elite in initiating changes in societal logics. This study, through the lens of institutional logics, seems to offer evidence to resolve the existing conflicting views regarding the Chinese economic reform (see Fligstein & Zhang, 2011; Keister & Zhang, 2008; Tsui et al., 2006; Zhou, 2000 for reviews). The findings suggest that all three actors - the state, the local governments and pioneering entrepreneurs – have played an important role in the change process. To accrue supremacy to either the state or entrepreneurs fails to explain the complex and dynamic phenomenon in its entirety. It is likely that the institutional logics perspective is able to synthesize apparently conflicting ideas about the institutional processes.
of transition economies, and offer new insights into the nature of large scale economic and political transformation. If this is the case, they warrant particular attention. This line of inquiry is consistent with calls from scholars to move beyond the current debate and towards substantive institutional analysis of the processes of transformation (Keister & Zhang, 2008; Zhou, 2000). I hope that other scholars will join me in this endeavour.
INTRODUCTION

Building a new category of firm within a country’s business system is a major institutional innovation (Stinchcombe 1965; Scott 1995). It depends on securing social legitimacy and is likely to require considerable institutional entrepreneurship (Garud, Hardy & Maguire 2007; Greenwood & Suddaby 2006; Selznick, 1969). Although institutional entrepreneurship is necessarily a political process involving the development of strategies towards the authorities that grant institutional approval (Fligstein 1997; Lawrence 1999; Seo & Creed 2002), the incorporation of a political dimension into institutional theory remains limited (DiMaggio & Powell, 1991; Hirsch & Lounsbury 1997; Selznick 1949). Existing studies have tended to focus on the discursive (cultural-cognitive) dimension of strategies that institutional entrepreneurs develop. The non-discursive dimensions - political and economic – of strategies within the process of institutional entrepreneurship have received significantly less attention (Battilana, Leca & Boxenbaum 2009; Levy & Scully 2007).

Further, there has been little effort devoted to systematically exploring how different strategies of institutional entrepreneurship – discursive and non-discursive – vary in different contexts (Battilana et al. 2009; Maguire, Hardy & Lawrence 2004). In particular, we know relatively little about the process of institutional entrepreneurship in a heavily politically-controlled environment, where there is considerable intervention by the government and/or
party officials (see Child, Lu & Tse 2007 for an exception). Since political control of the business environment occurs to some degree in all countries, understanding strategies that institutional entrepreneurs employ in an environment where such control is salient has wider relevance. They require institutional entrepreneurs to influence centres of power in society, which means that they have an inherently political dimension. The limited incorporation to date of a political dimension in business and organizational research has been noted by scholars from institutional studies, strategy and international business (Boddewyn & Brewer 1994; Clegg & Haugaard 2009; DiMaggio 1988; Frynas, Mellahi & Pigman 2006; Selznick 1969).

With these considerations in mind, this paper reports a study into how a new category of firm was developed within a heavily politically-controlled environment, that of China. This new category was the private enterprise which, although originally ideologically anathema, became institutionalized within a period of approximately twenty years (Keister & Zhang 2008; Tsui, Bian & Cheng 2006). The emergence of private enterprises to become the largest part of the economy represents a major institutional innovation in the constitution of the Chinese business system, and provides a significant example of institutional entrepreneurship.

The findings suggest that institutional entrepreneurs develop four distinct strategies to build a new category of firm in a heavily politically-controlled context. Each strategy is associated with a particular outcome at different system levels. I develop a multilevel model of institutional entrepreneurship: economic acceptance at the micro level, political acceptance at the meso level, and social acceptance at the macro level. This study contributes to the understanding of institutional entrepreneurship in the following ways. First, I highlight that a political dimension drawing attention to the mobilization of effort towards the acceptance of
institutional change is essential to understand the process of institutional entrepreneurship in a heavily politically-controlled context. Moreover, contrasting with existing studies that have tended to explore the characteristics of, and the conditions that produce, institutional entrepreneurship, this study presents an account of what institutional entrepreneurs actually do. I document how institutional forces in this particular context shape the strategies accepted as appropriate and why institutional entrepreneurs adopt certain strategies. Second, the findings highlight the ability of institutional entrepreneurs to secure cooperation among actors at various system levels as crucial for driving institutional change. Existing studies tend to emphasize either peripheral or central actors as initiators of institutional change (Hardy & Maguire 2008), whereas the findings suggest that both peripheral and central actors work together as initiator of change. This study offers a rare account of how peripheral actors developed distinctive and successive strategies to mobilize the support of central actors in promoting institutional change and to accumulate social influence.

I proceed as follows. The next section elaborates the theoretical background that informs the study. This is followed by a description of its methodology. A subsequent section presents evidence from multiple case studies, and highlights four strategies that institutional entrepreneurs engage in building a new category of firm. I conclude with a discussion of implications and offer suggestions for future research.

THEORETICAL BACKGROUND

Institutional Entrepreneurship

Institutional entrepreneurship is defined as the ‘activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or
to transform existing ones’ (Maguire et al. 2004:657). It originated from DiMaggio’s work (1988:14, emphasis in original) in which he argued that ‘new institutions arise when organized actors with sufficient resources (institutional entrepreneurs) see in them an opportunity to realize interests that they value highly’. It reintroduces the notion of agency, power and interests into organizational analysis, and serves to bridge the ‘old’ and ‘new’ institutionalism (DiMaggio & Powell 1991; Greenwood & Hinings 1996; Hirsch & Lounsbury 1997; Selznick, 1949). It posits that building a new category of firm divergent from existing institutions is a highly contested political process involving the development of strategies by institutional entrepreneurs to legitimize this institutional innovation (Fligstein 1997; Seo & Creed 2002). The institutional types addressed in existing institutional entrepreneurship literature can be broadly categorized into three areas (see Garud et al., 2007; Hardy & Maguire 2008; Pacheco, York, Dean & Sarasvathy 2010 for reviews): practices (Greenwood & Suddaby 2006; Lounsbury & Crumley 2007), standards (Khan, Munir & Willmott 2007) and policies (Child et al. 2007; Wijen & Ansari 2007). Applying institutional entrepreneurship to theorize building new organizations that break with existing institutional rules is noticeably less common.

Institutional innovation and change can be initiated by either central or peripheral actors. The study by Greenwood and Suddaby (2006) examines the emergence of the multidisciplinary practice pioneered and championed by elite accounting firms. It offers a rare account of institutional entrepreneurship by central actors in a mature setting. Maguire et al. (2004) explore how institutional entrepreneurs in peripheral positions leverage skills and employ strategies to create and legitimize the new practices, in the context of HIV/AIDS community in Canada. Documenting struggles of diverse array of actors in a coordinated or uncoordinated way to initiate institutional change is a relatively recent theme (Batilana et al.
Political activities such as mobilization become central to understand how diverse actors can coalesce (Battilana et al. 2009). Institutional entrepreneurs thus must develop both political and discursive strategies (Fligstein 1997; Levy & Scully 2007; Rao 1998).

Nevertheless, existing studies have tended to concentrate on the discursive (cultural-cognitive) dimension of strategies that institutional entrepreneurs develop to legitimize new institutions and their associated practices (Garud et al. 2007; Hardy & Phillips 1999; Maguire & Hardy 2006). Institutional entrepreneurs provide legitimating accounts of new institutions through framing (Khan et al. 2007), rhetoric (Suddaby & Greenwood 2005), narratives (Lounsbury & Glynn 2001; Zilber 2007) and theorization (Maquire et al. 2004; Greenwood, Suddaby & Hinings 2002). The non-discursive dimensions of the process of institutional entrepreneurship, such as the generation of political capital and economic value-creation, have received significantly less attention (Battilana et al. 2009; Greenwood, Oliver, Sahlin & Suddaby 2008). One notable exception is the study by Leblebici, Salancik, Copay and King (1991), which explores how entrepreneurs developed economic strategies in radio broadcasting. Exploring non-discursive dimensions of the strategies that institutional entrepreneurs develop complements the existing emphasis on discourse, and has the potential to offer a more comprehensive and nuanced understanding of the process of institutional entrepreneurship.

**Institutional entrepreneurship in a politically-controlled environment**

The disconnection between a political dimension and institutional theory has long been recognized by scholars (Hinings & Greenwood 2002; Perrow 2002; Selznick 1949, 1957). Selznick (1969:121) stressed the importance of adding a political dimension to institutional
analysis in order to explain ‘the creation of new organizations, the struggle for recognition and power, the demand for new foundations of authority and new forms of participation’. A political dimension identifies both internal political processes (inter- and intra-organizational relations) and external political processes (business-government relations). With regard to external political processes, the assumption that government agencies play a passive rather than an interventionist role in the business context has never been a wholly tenable one, even in a neo-liberalist free market economy like the U.S.A. (Lin 2011). Recent years have witnessed more government intervention in response to global financial crisis in developed economies, and the growing importance of emerging economies with a high level of government intervention. Given that politically controlled business environments exist to some degree in all countries, theorizing building a new category of firm that breaks with existing institutions requires the inclusion of a political dimension.

A political dimension would focus on the processes whereby institutional entrepreneurs can accumulate and exercise influence in order to be able to create a socially accepted space for new firms despite any opposition or scepticism on the part of those holding power in existing institutions. In other words, a political dimension draws attention to ways in which support is mobilized in order to secure legitimacy for institutional change. Institutional entrepreneurs may be able to access various resources to assist the process. Resources, however, have to be leveraged through relationships with significant others in order for institutional entrepreneurs to have a chance of securing legitimacy successfully. The concept of mobilization, embedded in political science (e.g. Nedelmann 1987), is relevant here. Mobilization is typically applied to the development of a collective consciousness and the energizing of action in social and political movements (e.g. McCarthy & Wolfson 1996; Newton 1999). Mobilization may involve the formation of coalitions and/or the cooptation of support from
outside the organization. Greenwood and Hinings (1996:1040) refer to mobilization as an ‘act of leadership’, which is consistent with the notion of activating the support of others in taking initiatives aimed at effecting institutional change.

Whereas mobilization draws attention to gathering momentum and support in order to influence a third party, such as the government, there remains the need for institutional entrepreneurs to open up channels between themselves and the decision makers who have to formally sanction institutional changes. Here the concept of a ‘relational framework’ aptly describes the presence of regular contact between actors, such as between enterprise leaders and government officials (Scott & Meyer 1983). Informal relations within these frameworks may be indispensable conduits for discussion and argument on the material and ideational benefits of institutional innovations, leading to their political approval or otherwise. Hence it is to be expected that the promoters of an institutional innovation requiring political approval will necessarily have to establish relational frameworks as part of the process of securing legitimacy for their cause.

In summary, studying the process of institutional entrepreneurship in a highly politically-controlled environment has the potential to extend existing theorizing. This motivates the aim of this study which is to address the question: how does the process of institutional entrepreneurship take place in a heavily politically-controlled context?

THE DEVELOPMENT OF PRIVATELY-OWNED ENTERPRISES IN CHINA

Privately-owned enterprises (POEs) did not exist before the start of the Reform programme in 1978. Although state-owned enterprises (SOEs) were the intended target of the Reform
programme, it was rural enterprises, the predecessor of POEs, that benefitted most. However, it wasn’t until 1984 that rural enterprises – reclassified as town-village enterprises (TVEs) – were officially acknowledged by the state (Qian, 1999). Although POEs had been permitted to exist since 1988, their status wasn’t officially legitimized until 1998. The constitutional amendment in 1999 signalled a change in the official attitude towards POEs (Tsui et al. 2006), although SOEs remained the focus of the state. Despite the lack of institutional support, POEs have grown steadily to become the largest single contributor to China’s GDP. During the period 1998 to 2010, both the turnover growth rate and the rate of increase in profit of private enterprises exceeded that of China’s GDP as a whole (People’s Daily, 2011). POEs have today come to predominate in the non-state sector of Chinese business. As a new category of firm that did not previously enjoy political acceptance, its development represents a major institutional innovation. Its importance today is not merely economic; it is also a key driver of China’s political and social transition (Redding & Witt 2007).

**METHODOLOGY**

This article draws on a multi-case, comparative research design that supports theoretical sampling for replication purposes (Eisenhardt 1989; Yin 2003). This design typically generates more robust, generalizable theory than single cases (Eisenhardt & Graebner 2007). I conducted a qualitative study for the following reasons (Lee, Mitchell & Sabylinski 1999; Marshall & Rosman 1995). First, the focal phenomenon – the process of institutional entrepreneurship in a heavily politically-controlled environment – has seldom been examined. New in-depth insights were therefore at a premium. Second, I wanted to develop systematically a contextualized understanding of both discursive and non-discursive
dimensions of strategies that institutional entrepreneurs develop in building a new category of firm as an institutional innovation.

**Research Context**

To address the research question, I chose China to study the process of institutional entrepreneurship that secured institutional approval for a new category of firm, because certain theoretically-relevant issues were visible in that context (Eisenhardt 1989; Yin 2003). The characteristics of a heavily politically-controlled environment such as China make it an important arena for studying institutional entrepreneurship for the following reasons. First, the strong political presence in this environment presents different sets of challenges for institutional entrepreneurs than those posed by institutional forces in societies where these are kept at arms length from political influence. Political intervention in the application of institutional rules creates additional uncertainty; therefore good relations with the various arms of the government are at a premium. Second, the process of struggle and related strategies that institutional entrepreneurs pursue in a politically-controlled context may differ from the norm in other contexts. Effective development of the non-discursive (political and economic) dimensions of strategy enabling the attainment of politically acceptable goals may be crucial for achieving legitimacy in this context. Third, such an environment promises considerable rewards for institutional entrepreneurs who successfully acquire and use political resources, a theme recognized in the strategy literature (Boddewyn & Brewer 1994; Frynas et al. 2006). Fourth, there is an on-going debate as to how China can contribute, and relate, to the advance of theoretical understanding in general. This is an issue which has to be informed by detailed evidence on the Chinese situation (Barney & Zhang 2009). I also selected China because the level of political control there is greater than in most other countries. It could therefore serve as an extreme case or outlier to aid theory development.
(Eisenhardt 1989; Pettigrew 1990). Applying this criterion, I selected TVEs and POEs which initially were outliers and considered illegitimate in China’s business system (Child 1994). Given their institutional incorporation over time, they are ideal subjects for exploring the process of institutional entrepreneurship in a heavily politically-controlled environment.

**Case Selection**

The case study firms were selected in 2008 from the population of large-scale non-state Chinese firms founded before 1978 and those founded after 1992. Large-scale is defined as an enterprise with a turnover of over RMB 0.1bn and more than 500 employees, consistent with the criteria used by The National Bureau of Statistics of China. The years 1978 and 1992 corresponded to the beginning of the Reform programme and the beginning of a socialist market economy respectively (Fan, 2011; Qian 1999). This selection is sufficient to identify the process of institutional entrepreneurship, and the time period addressed permits me to compare and contrast different institutional contexts under which the political, economic and discursive strategies that entrepreneurs developed took place. Continuing with the logic of outliers, I selected exemplary firms that excelled at developing political influence when private ownership was still viewed as illegitimate. I also created a diverse sample, selecting firms with distinct founding conditions and growth paths. The founders ranged from a lone engineer who stumbled upon an opportunity, to entrepreneurs who pioneered independent R&D and created a new industry. Studying such a diverse set of firms offered a potentially more fruitful grounding for theory development than studying a more homogeneous one (Harris & Sutton 1986).

Given the aim of understanding the processes of institutional entrepreneurship and the legitimizing strategies that institutional entrepreneurs developed over time, I collected
longitudinal data that comprehensively tracks firm development. This design required that I studied firms with rich archival histories and willingness to grant multiple interviews. These criteria further narrowed the choice to the six firms that I selected. I contrasted three TVEs founded before 1978 with three POEs founded after 1992 to examine ‘how actions of one period lead to changes in the context that will affect action in subsequent periods’ (Langley 1999:703). A sufficient history for each firm was necessary to understand the temporal dynamics of firm evolution. This requirement outweighed having a random sample, especially in a process-focused and theory-exploring study such as this one (Siggelkow 2007). Table 2-1 summarizes the diverse characteristics of the six focal cases and information on informants that we interviewed for each case.
### TABLE 2-1
Details of Case Firms and Data Sources\(^1\)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Bond</th>
<th>Port</th>
<th>Wonder</th>
<th>Rock</th>
<th>Indigo</th>
<th>Noel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founding team</td>
<td>Founder and management team</td>
<td>Founder and management team</td>
<td>Founder and management team</td>
<td>Founder and management team</td>
<td>Single entrepreneur</td>
<td>Single engineer</td>
</tr>
<tr>
<td>Number of employees</td>
<td>28,000</td>
<td>20,000</td>
<td>23,000</td>
<td>650</td>
<td>850</td>
<td>2,000</td>
</tr>
<tr>
<td>Number of audio/video clips</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Archival data</td>
<td>350 pages</td>
<td>450 pages</td>
<td>600 pages</td>
<td>200 pages</td>
<td>200 pages</td>
<td>200 pages</td>
</tr>
<tr>
<td>Number of interviews</td>
<td>8</td>
<td>7</td>
<td>7</td>
<td>12</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Internal informants</td>
<td>Founder/CEO; Founder/CEO; CEO; Founder; Founder; Founder; Founder; Founder;</td>
<td>Founding board members; Head of R&amp;D; Senior executive; Head of R&amp;D; Senior executives; Senior executives; General manager</td>
<td>Senior executives; General manager</td>
<td>Senior executives</td>
<td>Senior executives</td>
<td></td>
</tr>
<tr>
<td>External informants</td>
<td>Central and local government officials; Industry expert; Customer</td>
<td>Local government officials; Ex-employee; Industry expert; Customer</td>
<td>Central and local government officials; Industry expert; Customer</td>
<td>Central and local government officials; Industry expert; Competitor; Customer</td>
<td>Central and local government officials; Industry expert; Partner; Customer</td>
<td></td>
</tr>
</tbody>
</table>

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\(^1\) Bond, Port and Wonder were founded before 1978, and the remaining three firms were founded after 1992. The economic Reform programme started in 1978. Legitimacy was granted to entrepreneurial firms after 1992. The names used here are pseudonyms.
Data Collection

Data sources consisted of organizational documents (firm brochures, business plans and internal communications), media reports, releases from the stock exchange and interviews. Over 2,000 pages of archival data were collected. I developed chronological case histories for each firm based on archival data, tracking key metrics like major organizational events, their interactions with various arms of government agencies and associated outcomes (Miles & Huberman 1994). These documents provided important background information about the case firms and insights into the relationship between entrepreneurs and various arms of government agencies.

I continued data collection using semi-structured interviews with internal and external informants. I conducted a total of 55 interviews in 2008 and 2009, ranging from 60 minutes to 3 hours in length. The interviews were digitally recorded, when permitted, and transcribed. For each case firm, I identified at least three internal informants who had a long tenure with the firm and had firsthand knowledge of the firm’s development. The questioning focused on major events in each firm’s development, paying particular attention to the interaction between the firms’ entrepreneurs and various government agencies. I complemented internal informants with three types of external informants: government officials, industry experts and customers. The use of external informants offered an outsider perspective, and served as a check on the accounts of internal informants. Use of multiple informants mitigates the potential biases of any individual informant by allowing information to be confirmed by several sources (Golden 1992). It also enables building richer and more vivid pictures because different informants typically focus on complementary elements of major events (Schwenk 1985). Later I blended the interview data into the archival-based cases (Leonard-Barton 1999). For example, I matched major events mentioned in the interviews with those
identified in the archival material. The combination of archival data and interviews from internal and external informants permitted a rich, triangulated, and relatively accurate understanding of the issues being investigated (Jick 1979).

**Method of Analysis**

I worked back and forth between data and emergent themes in an iterative manner (Glaser & Strauss 1967). My analysis was guided by the research question, and consisted of a series of steps. In the first step of the analysis, I constructed a thickly descriptive, chronological story for each case firm, drawing on interview transcripts and archival data (Langley 1999). I used the major events that informants identified to develop an ‘event history data base’ (Van de Ven & Poole 1990) and discerned development phases for each firm. I was careful to ensure that the narrative represented a balanced account from internal and external informants, and archival data. Then I compared across cases to verify these phases (Eisenhardt 1989). I derived three distinctive development phases for all the case firms. I followed the terms employed by some informants to label the three phases as *getting started, developing systems, and building sustainability*.

In the second step of the analysis, I re-examined the data to identify initial concepts and grouped them into first order codes through a process of open coding. I began by focusing on each case firm data source (interviews and archival data), and then worked across case firms looking for similarities and differences. It was essentially an inductive process, focusing on the activities through which entrepreneurs built their firms. Examples of first order codes include pioneering new practices in industries and/or creating new industries, aligning with various agents of the government by appealing to their interests, and appealing for building market supporting institutions.
In the third step of the analysis, I consolidated first-order codes and created theoretical categories. As the categories became more abstract, I moved from open to axial coding (Locke 2001; Strauss & Corbin 1990). Theoretical coding consisted of identifying common themes linking earlier coding together and collapsing them into a smaller number of second order categories. I proceeded iteratively among data, emerging patterns and existing literature until the data were refined into adequate conceptual themes (Eisenhardt 1989). This permitted a synthesis derived empirically from the data and theoretically from the literature. The second order categories that emerged from the first order codes differentiate the different strategies that institutional entrepreneurs performed. The second order themes included: mobilizing material resources, connecting with influential actors, advocating regulative change and mobilizing discursive resources.

As is detailed later, it became apparent during the data analysis process that the three development phases identified for the firms displayed distinctive configurations. The activities that institutional entrepreneurs pursue, their impact upon institutional realm and the associated levels are different for each growth phase. Mobilizing material resources operates at the micro (organization) level. Connecting with influential actors and advocating regulative change operate at the meso (local government) level. Mobilizing discursive resources operates at the macro (societal) level. I also found that legitimizing strategies at those levels were associated with a particular outcome: economic acceptance at the micro level, political acceptance at the meso level, and social acceptance at the macro level. These levels and outcomes provide the basic framework for our theorizing.

In addition to the above steps, I relied on the following technique to help ensure the trustworthiness of the analysis. I checked the reliability of the coding framework using a
method similar to that of other qualitative studies (Isabella 1990). I engaged two researchers who were trained in the coding framework (Miles & Huberman 1994). They were given samples of raw data. I asked them to identify major organizational development phases from their given sample of data. Then I asked them to repeat the coding steps by grouping the activities of case firms, and collapsing the initial categories into themes. Their coding results were similar to mine. The initial reliability rating, derived from dividing the number of agreed coding by the total number (Miles & Huberman 1994) was 95%. After discussing these differences, I made adjustments and modifications to the coding framework. The proportion of agreed ratings increased to 99%. Figure 2-2 illustrates the first-order codes, second-order categories and aggregated theoretical themes. I developed the findings and the relationship between them based on this analysis. These aggregated theoretical themes were the ones that best explained the phenomenon (Nag, Corley & Gioia 2007).
FIGURE 2-2
Overview of Data Structure

<table>
<thead>
<tr>
<th>1st Order Codes</th>
<th>2nd Order Categories</th>
<th>Aggregated Theoretical Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. Pioneering new practices in industries and/or creating new industries (institutions)</td>
<td>1. Mobilizing material resources</td>
<td>Micro level: Economic acceptance</td>
</tr>
<tr>
<td>14. Framing their economic pursuit as institutionally informed, but not mandated</td>
<td>2. Connecting with influential actors</td>
<td>Meso level: Political acceptance</td>
</tr>
<tr>
<td>15. Aligning with various agents of the government by appealing to their interests</td>
<td>3. Advocating regulative change</td>
<td></td>
</tr>
<tr>
<td>16. Seeking opportunities to participate in industry standards setting and government/industry-business committees</td>
<td>4. Mobilizing discursive resources</td>
<td>Macro level: Social acceptance</td>
</tr>
<tr>
<td>17. Appealing for building market supporting institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Helping to shape government policies regarding private enterprises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Engaging the media to promote the causes of private enterprises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Initiating social agendas and societal level discussions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
BUILDING PRIVATE ENTERPRISES AS AN INSTITUTIONAL INNOVATION

In order to strike a balance between description and analysis (Golden-Biddle & Locke 1997), I present the findings on how institutional entrepreneurs succeeded in building POEs as an institutional innovation in two sections. The first section identifies how the firms progressed through the three development phases of Getting Started, Developing Systems and Building Sustainability. The second section analyses how institutional entrepreneurs secured institutional legitimacy through: (1) gaining economic acceptance at the micro level; (2) gaining political acceptance at the meso level; and (3) gaining social acceptance at the macro level.

Phases in Institutional Entrepreneurship

Entrepreneurs in the case firms are institutional entrepreneurs because they not only bear uncertainty in return for profit through building new firms, but they also take risks and invest themselves in fighting for a larger cause and for the good of the public (DiMaggio 1988:18). They take the lead in identifying political opportunities, framing solutions to identified issues, and mobilizing constituencies (Rao 1998). Their activities create new norms and meanings for POEs. They develop strategies to legitimize POEs as an institutional innovation. Without their purposeful actions, this institutional innovation is not likely to happen.

In the first phase (getting started), a particular strategy – mobilizing material resources - predominated. TVEs initially encountered relatively little opposition because they descended from the earlier ‘Commune and Brigade Enterprise’ form. However, lack of opposition does not mean that there was institutional support. Rather, it suggests that the founders of TVEs acted as institutional entrepreneurs and deftly defused opposition by creative use of framing.
They deliberately confined themselves to sectors in which SOEs – the then dominant form of industrial organization - were not dominant and produced products SOEs were not willing to make but for which there was demand. This way, they avoided direct competition with resource-rich SOEs, diffused potential hostility from SOEs and created space for their fledging enterprises to survive and grow despite the hostile institutional environment. They framed their economic pursuit as solving rural unemployment, not as infringing upon the activities of state-owned enterprises (SOEs), or taking resources away from SOEs. This framing effectively created new norms and meanings associated with their pioneering practices. They were helped by that fact that most SOEs performed badly despite successive policies aimed at reforming the state sector.

Deng Xiaoping’s tour of southern cities in 1992 extolled the virtues of getting rich, therefore POEs established after 1992 benefitted from an improved macro official attitude towards private ownership. Towards the end of 1990s, many TVEs became privatized including those studied. However, market supporting institutions were still non-existent, and those that existed were mainly intended for SOEs. The founders of POEs pioneered new practices and/or created new industries (institutions) and their associated meanings. They framed their economic pursuit as fulfilling a technology gap in the industry. They were institutional entrepreneurs because their pioneering practices were institutionally informed, but not mandated. These practices broke with the prevailing institutional norms. They were followed by others in the field, copied by SOEs and became the norm over time. Mobilizing material resources, as a legitimizing strategy, led to their economic acceptance at the micro level.

In435(187,355),(835,744) Institutional entrepreneurs understood that in a highly politically-controlled environment, political acceptance was essential for the legitimacy of POEs as an institutional innovation. In
this phase (*developing systems*), entrepreneurs developed two strategies to gain political acceptance by the local governments. They built on their economic acceptance to mobilize support for continued institutional change by establishing relational frameworks and forming coalitions with various agents of the government. In addition to mobilizing material resources, institutional entrepreneurs developed another strategy – connecting with influential actors. Their activities included aligning with various agents of the government by appealing to their interests, and actively pursuing opportunities to participate in the setting of industry standards and of government/industry-business committees. All our case firms actively pursued this strategy. They also actively employed another strategy – advocating regulative change. The activities they pursued included appealing for building market supporting institutions, and helping to shape government and industry policies. The TVEs in our cases played a larger role in developing this strategy than the POEs in our cases, because they had existed for longer and had established relational frameworks with a wider array of constituents. Combining the two legitimizing strategies - connecting with influential actors and advocating regulative changes – helped to secure political acceptance at the meso level. They were institutional entrepreneurs because they framed these strategies as fighting for a larger cause, that of POEs as an institutional innovation. Without their purposeful actions, economic acceptance would not automatically have led to political acceptance.

In the last phase (*building sustainability*), mobilizing discursive resources is the distinctive strategy that institutional entrepreneurs developed. They not only reaffirmed their alignment with influential actors on an ongoing basis, they also proposed new agendas to fight for a larger cause for POEs. They skilfully engaged the media, even though it was censored by the state. On the one hand, they credited their economic success to the good policies of the state although they were still intended for SOEs; on the other hand, they continued to suggest areas
for further reform. They developed another strategy – mobilizing discursive resources – to gain social acceptance. Economic and political acceptance lent credibility to this strategy. They pioneered charitable donations as a way of giving back to the society, which provided the opportunity for their economic pursuit. These pioneering activities initiated new social agendas and provided new meanings for societal level discussions regarding POEs as an institutional innovation. These practices were later followed by others and adopted as the accepted social norm. The purposeful actions of institutional entrepreneurs helped to achieve social acceptance at the macro level. Without their purposeful actions, private enterprises are not likely to achieve social legitimacy.

**Institutional Entrepreneurship at Three System Levels**

The evidence offered so far suggests that the institutional entrepreneurs studied developed four distinct strategies as they sought to secure institutional legitimacy for POEs as a new category of firm. These strategies are mobilizing material resources, connecting with influential actors, advocating regulative change, and mobilizing discursive resources. Our findings suggest that these four strategies operate primarily at three levels: the micro (organization) level, the meso (local government) level, and the macro (societal) level. Each level is associated with a particular outcome: economic acceptance at the micro level, political acceptance at the meso level, and social acceptance at the macro level. We now present our comparative case studies with reference to these three levels of analysis. The findings presented below and illustrated in Table 2-3 are triangulated from both interviews and archival data.
Economic acceptance at the micro (organization) level

As the legitimacy of private ownership was uncertain at the time, institutional entrepreneurs were acutely aware of the importance of mobilizing material resources to secure economic acceptance. They figured that the only way to survive was to pioneer and innovate on a continuous basis, even though there was no institutional support. The following quotations illustrate their thoughts. For example, one senior executive said,

‘In China, firms need to become big first to have a certain scale and capacity. Big firms are able to mobilize material resources and get noticed. Then firms can aim to grow strong. This is different from the west, where firms can stay small and focused, and at the same time become strong. The institutional systems supporting entrepreneurial activities are still being developed in China.’ (Port)

Another founder said,

‘Since 1992, private enterprises emerged like grass along the river bank. Their survival is entirely left to their own devices. Those that survive the harsh winter conditions grow stronger and get noticed. They usually pioneered practices that others followed. Their pioneering activities ensured their survival, which in turn led to the legitimating of their existence.’ (Indigo)

Mobilizing Material Resources

TVEs pioneered new practices in the industry which later became the norm. Institutional entrepreneurs framed their economic pursuit as providing employment for peasants initially, and later as contributing towards local tax revenues. Their pioneering practices carried new meanings associated with private ownership, and the new meanings in turn helped to justify their practices. Bond, one of the TVEs that we studied, focused on steel-frames for windows because SOEs viewed that niche as not worth bothering with. As soon as it achieved No. 1 position in its field, Bond started to look for the next growth sector and chose steel production. It pioneered the use of electronic furnaces to make steel through importing advanced equipment and formed joint ventures with leading steel producers. Its founder said,
‘It is important that we are able to do things that others have not done before. There are no well specified paths for an enterprise to grow. There is always an element of experiment, pioneering and innovation.’

Port pioneered a nationwide sales network in the industry and established a brand for its electric meters. One industry expert commented,

‘The energy sector that the firm operates in is dominated by SOEs. Its founder noticed that no firm provided after sales care, so he sent his sales people nationwide. This practice was later adopted by others and became the industry norm.’

Port pioneered MBOs and MBIs, and established itself as a diversified group in the early stage of its development. It kept a critical eye over its portfolio of firms to ensure its leadership position. Wonder started to make universal joints because there were no SOEs willing to produce them due to their technical complexity. Its efforts filled a technological gap in China. Because their activities were not supported by the prevailing institutions, institutional entrepreneurs framed their activities as complementing the economic activities of SOEs, maintaining stability by providing employment, and contributing towards the development of the local economy through taxes. This framing helped to create new meanings associated with these practices. These practices were later adopted by others as the norm.

By contrast, the independent R&D activities of POEs led to the creation of new industries. Although they no longer needed to justify their existence, market support institutions were still missing. Their pioneering practices were institutionally informed, but not mandated. They included moving R&D focus from products to customer solutions, foreign direct investments, and consolidating their production bases with different sites fulfilling different production needs. Rock and Indigo invested heavily in independent R&D, and became pioneers in automation systems for elevators and freeze dryers respectively. They established
a domestic presence in sectors that were previously dominated by western imports. They framed their innovation as upgrading the technology base of the sector. Indigo adopted a rolling R&D programme aimed at introducing new products every two to three years. Noel was the first firm to produce a laser cutting machine capable of operating non-stop for 24 hours. A representative from the Chinese Academy of Social Science was so impressed with its machine that he praised Noel publicly. It became a pioneer in laser equipment and created a new industry as a result. One of its major customers commented that,

‘Effectively, this scholar from the Chinese Academy of Social Science legitimized the firm. Suddenly leading firms began to purchase their machines. We did the same. The firm was able to grow the market six fold within the year as a result.’

In summary, entrepreneurs acted as institutional entrepreneurs because they pioneered new practices and initiated new norms that were not mandated by the existing institutions. Their pioneering practices carried new meanings that supported the economic dimension of the institutional entrepreneurial process. Entrepreneurs developed the strategy of mobilizing material resources to secure economic acceptance at the micro level. This in turn opened up the possibility of political acceptance at the meso level, to which we turn in the following section.

**Political acceptance at the meso (local government) level**

Institutional entrepreneurs understood that economic acceptance at the micro level alone was not enough. They needed political support at the meso (the local governments) level. The accounts we were given identified two distinct strategies at this level - connecting with influential actors and advocating regulative change.

*Connecting with Influential Actors*
Institutional entrepreneurs built on their economic acceptance to establish relational frameworks with various agents of the government. They viewed this as an important step towards gaining political acceptance. They aligned themselves with reform-minded government officials. They appealed to the interests of local governments by framing their economic pursuit as contributing towards the performance of the local economy. This way, they were able to mobilize the support of local governments to overcome current institutional obstacles. The support shown by local governments was an indication of political acceptance.

The following is an exemplary illustration of early political acceptance. Indigo secured the approval of its local government for their initiation of setting up an in-house party committee. This initiative appealed to the interests of its local government because officials could report it as their political achievement to higher level authority even though it was initiated by Indigo. Indigo received an award for “model party committee” from the local government. The award indicated political acceptance and carried new norms and meanings associated with private ownership. The interweaving of the local governments and entrepreneurs provided relational framework within which initiatives by institutional entrepreneurs could impact upon officials who were in a position to reinterpret institutional rules.

Further, entrepreneurs actively pursued opportunities to participate in setting industry standards and chair government-business committees. They built on the Chinese leaders’ desire for SOEs to catch up with western standards to frame their active participation as helping SOEs to upgrade industry standards for the whole country. Their technological breakthroughs enabled them to secure public endorsement from influential actors such as leading research institutions, industry associations and various agents of the government. The public endorsement indicated political acceptance. Wonder set up its technical centre in 1994,
which was certified as a National Technology Centre in 1996. It was used as a test centre for the whole industry. One industry expert said that,

‘The government monitoring agencies chose to collaborate with the firm because it has the highest analysis capability and the best lab equipment. The government needs leading firms to play a crucial role in setting industry standards. It changed its policies as a result of collective efforts of pioneering entrepreneurs.’

As the industry leader in control systems in elevators, the technology platform Rock pioneered was adopted as the industry standard. Its head of R&D said,

‘We are a council member of the elevator association, and our founder is the deputy chair of the association. We were in charge of drafting and setting two standards at the national level, and also participated in setting three other standards at the national level. This is a clear example of political acceptance.’

Entrepreneurs acted as institutional entrepreneurs because their pioneering activities created new norms and meanings associated with moving up the value chain, which in turn resulted in the government adjusting its criteria for industry leadership position from an emphasis on size to technology, irrespective of ownership structure. This institutional change would not have happened without the initiatives of institutional entrepreneurs.

Advocating Regulative Change

Institutional entrepreneurs also cultivated access to political systems in order to advocate regulative change. They built on relational frameworks to secure support from influential actors in promoting the benefits of new practices aimed at institutional change. The privatization of TVEs was an excellent example. Wonder is a pioneer in ownership restructuring. Its founder consulted leading academic scholars and came up with the notion of ‘shared interests of the enterprise’. He used this notion to justify buying out the local government. He emphasized that the local government would continue to share the benefits enjoyed previously through tax revenues, employment and technological contribution.
Crucially, he did not ask for any shares for himself, instead, the shares belonged to the enterprise as a whole. This way, Wonder gained autonomy from its local government and created new meanings associated with the notion of ‘shared interests of the enterprise’. Its pioneering practices set the precedence for the field so that other firms started to follow. These followers urged their local governments to support entrepreneurial activities. As a result, their local governments changed policies to support the practices. The privatization of TVEs was officially acknowledged by the state towards the end of 1990s. Without their purposeful actions, the change in policies would not have happened.

Entrepreneurs credited their success to the good policies of the Reform programme, although they were initially intended for SOEs. This framing helped them to appeal for more reform. They pointed to successful examples from western economies of governments encouraging entrepreneurial activities, in order to appeal for more market supporting institutions. As one entrepreneur said,

‘There are two roles that the government can play. The first is to create the right environment for conducting businesses. The second is the role of a service provider. The government needs to promote industries and enterprises that have core competitive advantages, regardless of their ownership.’ (Bond)

Entrepreneurial initiatives and the success associated with them have resulted in a change in official attitude towards private enterprises, especially at the local government level. An excellent example is Indigo. Its independent R&D on isolator filled a technology gap in the industry. It achieved this success without any help from the government or the industry. It persuaded its local government to submit its R&D success to the National Development and Reform Committee (NDRC). After independent assessment, NDRC decided to list this technology breakthrough as one of its key projects. Its founder used the award ceremony as an opportunity to raise the issue of residency for its key R&D personnel to its local
government. The local government officials listened to his concerns, and issued new policies as a result. The new policies ensured that highly skilled personnel were granted residency so they and their offspring could have access to education, housing and health care provisions.

As one local government official said,

‘The government learns from past experiences and has a self-correcting mechanism. It recognizes that as private enterprises evolve, they accumulate knowledge and expertise. Therefore the role of the government is to provide guidance and support where necessary, especially the local governments.’

The strongest indication of political acceptance is when entrepreneurs were elected as representatives of the National People’s Congress, and members of the National Political Consultative Committee. Entrepreneurs actively took part in policy consultation meetings. These meetings served as a formal mechanism for consultation and information exchange that became the norm for leading entrepreneurs. They cultivated direct and indirect channels of communication with the central government and other units within the system. They formed alliances with influential actors at different system levels to actively advocate regulative change. They were institutional entrepreneurs because their activities were aimed at fighting for a wider cause of POEs as an institutional innovation. Their activities carried new meanings and ensured that POEs became a regular agenda item for the central government.

In summary, economic acceptance at the micro level did not automatically lead to political acceptance at the meso level. By engaging in the strategy of connecting with influential actors and advocating regulative change that targeted the local governments and other government agencies, institutional entrepreneurs were successful in securing political acceptance at the meso level.
Social Acceptance at the Macro (Societal) Level

In addition to strategies directed at the micro and meso levels, institutional entrepreneurs engaged in mobilizing discursive resources at the societal level. Specifically, we found that leveraging the media and initiating social agendas enabled them to promote the cause of POEs as an institutional innovation.

Mobilizing Discursive Resources

Entrepreneurs understood that political acceptance was contingent upon their continued economic successes, therefore they concentrated on innovation and pioneering activities on a continuous basis. They built on their political acceptance by actively engaging the media, because the media was heavily sanctioned by the state. Our evidence reveals that entrepreneurs did not deliberately seek media exposure even though their pioneering practices attracted the attention of various media outlets. They were careful in selecting the type of media outlets that they agreed to give access to. They chose to give interviews to leading western TV stations, business magazines and trade journals. They penned articles in Party newspapers like The People’s Daily. They were institutional entrepreneurs because they leveraged the opportunity to argue for a larger cause for private enterprises as an institutional innovation, rather than focusing attention on themselves. They actively mobilized discursive resources to keep the cause of POEs as a regular agenda for media attention, get the public opinion on their side, and coopt support from actors at different system levels.

Significantly, entrepreneurs continued to frame their success as benefiting from the good policies of the Reform programme even though they were intended for SOEs. They built on this framing to argue that the co-existence of POEs, SOEs and foreign invested firms was crucial for the continued prosperity of the country as a whole. This way, they deftly diffused
potential hostility from SOEs and tied the future success of POEs to the success of the country as a whole. For example, the founder of Bond wrote an article in *The People’s Daily*, calling for more industry restructuring during the global financial crisis. In a national newspaper, the founders of Wonder argued that both POEs and SOEs could contribute towards the Reform programme. The founder of Port regularly penned articles in newspapers to advocate a larger role for POEs. They were institutional entrepreneurs because their discursive strategies created new meanings and helped to gain social acceptance for POEs. They were at pains to emphasize that POEs complemented the social and economic activities of SOEs. Complementary communicated the following meanings: conforming to the institutional norm of favouring SOEs, whilst differentiating themselves as distinctively different from SOEs.

Institutional entrepreneurs purposefully initiated social agendas and engaged in societal level discussions. They pioneered charitable causes to focus on infrastructure, education and helping to lift peasants out of poverty. They chose infrastructure because they wanted to build political and social capital for POEs. They chose education and helping peasants because they wanted to engage the media in creating new meanings associated with POEs. Indeed, their charitable causes attracted wide media attention and accorded well with the public sentiment. Media interpretation of such activities in turn helped private enterprises gain social acceptance. The cumulative effects of their charitable activities resulted in the change of emphasis in state policies. The state began to emphasize the importance of maintaining a harmonious society. The founder of Port was a principal consultant in a government-sponsored project that specified the details of corporate social responsibility for private enterprises. He used the opportunity to create new meanings associated with social responsibility for POEs. He said,
'We view our contribution to the wider society as part of enterprise responsibility. Social responsibilities include the quality of products, sensitivity to the environment, and commitment to quality services.'

In summary, entrepreneurs in our cases were institutional entrepreneurs because they focused the attention on the larger cause of private enterprises by emphasizing that both POEs and SOEs could play an important role in maintaining harmony. They framed societal issues and pioneered practices in ways that resonated with a diverse array of actors to create a broad base of support. They engaged in mobilizing discursive resources to secure social acceptance at the macro level. Crucially, they specified the consequences of supporting or not supporting their new practices to the continued prosperity of the country as a whole.
<table>
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<tr>
<th>Theoretical themes, second-order categories and first-order codes</th>
<th>Representative data²</th>
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<tbody>
<tr>
<td>Aggregated theoretical theme: Micro-level organizational linkages/economic acceptance</td>
<td>a1. The firm pioneered MBI and MBO in the industry. It successfully bought into a loss-making state-owned firm and turned it around the following year. (external informant, archive)</td>
</tr>
<tr>
<td>1. Mobilizing material resources</td>
<td>a2. ‘High technology involves a high degree of risk. At the time laser markers were not stable with high faulty rates. The best machines would last only a few hours. Many research institutions focusing on laser equipment received funding from the government. We relied entirely on our own funding. However, we understood customer needs and were able to consolidate knowledge in this area. We became the first firm to produce laser machines capable of operating 24 hours continuously without any fault. In that year, our sales grew six fold. We created a whole new sector.’ (Noel, internal informant, interview)</td>
</tr>
<tr>
<td>a. Pioneering new practices in industries and/or creating new industries</td>
<td>a3. ‘We saw the latest technology in control systems during an exhibition in the US. We enquired about buying the technology, but were turned down. We decided to start independent R&amp;D in control systems upon return. It took us almost 3 years from assembly, installation, testing to the final product. Our efforts filled a technology gap. Our system became the de factor industry standard.’ (Rock, internal informant, interview)</td>
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<tr>
<td>b. Framing economic pursuit as consistent with the economic goals set by the government</td>
<td>b1. ‘The firm was the first firm to export. At the time, the central government did not actively encourage going out. But the firm framed its export activities as not taking market share away from brotherly firms, and not getting into price wars. They framed them as gaining foreign currency for the country.’ (external informant, interview)</td>
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<td>b2. We knew that we should not take resources away from the government nor SOEs. Instead, we should contribute towards solving peasants’ employment and livelihood issues. (Wonder, internal informant, archive)</td>
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<td>b3. We chose to invest in Chongqing because the central government praised its role in the Three Gorges Dam project. We were a pioneer. Subsequently the city was awarded the status of a municipal city. Similar investments like ours were well received and encouraged by the local government. (Port, internal informant, archive)</td>
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² The data both illustrate substantive themes and triangulation between categories of source: interview and archive as well as informants internal and external to the firm
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<tbody>
<tr>
<td>Aggregated theoretical theme: Meso-level governmental linkages/political acceptance 2. Connecting with influential actors c. Aligning with various agents of the government by appealing to their interests</td>
<td>c1. ‘We keep close ties with government officials at all levels. We usually inform them about our plans. After completing our projects, we will do our best to get their acknowledgement.’ (Bond, internal informant, interview)</td>
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<td></td>
<td>c2. ‘A unique feature of this firm is every major milestone happened during the period that the government announced austerity measures. The industry they are in is cyclical. If firms invest during the low cycle, they will come out stronger when the low cycle ends. It focused on the region and built up capabilities when the central government announced major restructuring programmes. It made sure to seek approval from the local government and kept a low profile. We supported its growth.’ (external informant, interview)</td>
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<td></td>
<td>c3. ‘Big firms solve employment and tax issues for the governments and contribute to GDP growth. Therefore we are able to appeal to the common interests and establish channels through which we can voice our concerns.’ (Port, internal informant, interview)</td>
</tr>
<tr>
<td>d. Participating in industry standards setting and government/industry-business committees</td>
<td>d1. ‘Standards are set for the whole industry, and the quality of standards is a reflection of the industry. Therefore the industry association hopes that we take a leading role in setting standards because they know our firm’s internal standards are higher than existing industry standards. When leading firms set the industry standards, they make the association look good.’ (Indigo, internal informant, interview)</td>
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<td></td>
<td>d2. ‘We have formed technology alliances, partnerships and exchanges with leading technology outlets worldwide. Our R&amp;D people regularly look at patents in the industry to identify new patents. Once they identify a new patent, they analyze what new problems the new patent solves, and the implication for the industry. We hold hundreds of patents in China.’ (Noel, internal informant, interview)</td>
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<td></td>
<td>d3. The technology centre became a national level R&amp;D centre. The firm was consistently rated top 10 in terms of R&amp;D investment for the past 6 years. We like sharing resources with leading firms. We set up a public service auto components platform, where standards testing and inspection of auto parts are held at the firm. (external informant, archive)</td>
</tr>
<tr>
<td>Aggregated theoretical theme: Meso-level governmental linkages/political acceptance 3. Advocating regulative change e. Appealing for building market supporting institutions</td>
<td>e1. We applied to get listed on the stock exchange first in 1989, but were told that there were many SOEs and we had to wait. We found the person in charge of listing at the time and discussed our plans with him. In the end, we appealed to Premier Li Peng, and got our approval this way. We were the first TVE to be listed, creating precedence for private enterprises. (Wonder, internal informant, archive)</td>
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<td>e2. ‘There are two roles that the government can play in supporting an innovation economy. The first is creating the right environment to ensure there is fair access to public resources. The second is the role of a service provider. The government needs to intervene sometimes to promote the industry that has core competitive advantages.’ (Port, internal informant, archive)</td>
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<td>e3. ‘State-owned enterprises and foreign-owned firms are dominant in Shanghai. But private enterprises provide nearly 80% of employment. Therefore how the government is evaluated is crucial. The government has made a lot of noises without many concrete substances. We call this ‘the glass door’ syndrome. There is a lot more the government can do to provide a fair competitive environment.’ (Rock, internal informant, interview)</td>
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Table 2-3 continued

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<tr>
<td>Aggregated theoretical themes: Meso-level government linkages/political acceptance</td>
<td>f1. ‘As a representative of private enterprises, I often gather and prepare a lot of information before the meeting. When I arrive in Beijing, I exchange views and hold meetings with relevant government officials and fellow private business leaders. We submit our proposals and suggestions on private enterprises based on these meetings.’ (internal informant, interview)</td>
</tr>
<tr>
<td>3. Advocating regulative change</td>
<td>f2. This is a good opportunity for the steel industry, transitioning from a big steel country to a strong one. On the one hand, the government should encourage large-scale enterprise acquire smaller ones. On the other hand, the government should have policies to help smaller steel firms exit the industry. Unless we change the current fragmented industry structure, it is difficult for China to become a strong steel country. (Bond, internal informant, archive)</td>
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<td>f. Helping to shape government policies regarding private enterprises</td>
<td>f3. We raised the issue of registration for people from outside the region during policy consultation meeting. Many other entrepreneurs expressed the same concern. The local government issued new policies as a result. This is significant. (Rock, internal informant, archive)</td>
</tr>
<tr>
<td>Aggregated theoretical themes: Macro-level societal linkages/social acceptance</td>
<td>g1. To implement new policies effectively, we need to ensure there is consensus in the interpretation and implementation of policies. This usually involves realignment of disparate interests between various governmental departments, changes in the mindsets and concrete actions. Reform needs to tackle the conflicting interests of different departments affected by the changes. (Noel, internal informant, archive)                                                                -workers need social and economic issues. Unless we change the current fragmented industry structure, it is difficult for the industry to catch up with leading western firms. (Bond, internal informant, archive)</td>
</tr>
<tr>
<td>4. Mobilizing ideational resources</td>
<td>g2. Government should have policies helping smaller firms to exit the industry, so there is less disruption on social and economic issues. Unless we change the current fragmented industry structure, it is difficult for the industry to catch up with leading western firms. (Bond, internal informant, archive)</td>
</tr>
<tr>
<td>g. Leveraging the media to promote the causes of private enterprises</td>
<td>g3. Reform needs investments. Investments come from the wealth that enterprises create. Both SOEs and POEs create wealth for the society, so investment for reform can come from both POEs and SOEs. (Wonder, internal informant, archive)</td>
</tr>
<tr>
<td>h. Initiating social agendas and societal level discussions</td>
<td>h1. The founder is working closely with Professor Li Yining, the head of Private Enterprise Research Institute at Beijing University, on setting the standards for corporate social responsibility for POEs. (external informant, archive)</td>
</tr>
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<td></td>
<td>h2. ‘We benefitted greatly from policies aimed at improving the livelihood of peasants. We spend money in four broad areas: building century brand and century enterprises, investing in agricultural business, donating to help build more schools, and other charitable projects. It is the time that we give something back to the wider society.’ (Wonder, internal informant, interview)</td>
</tr>
<tr>
<td></td>
<td>h3. Since the start of the Reform programme, some enterprises have accumulated considerable wealth. However, there is still poverty around, and this is not good for the sustainable growth of enterprises. An enterprise that does not care about the wider society will not last long. (Port, internal informant, archive)</td>
</tr>
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</table>
DISCUSSION AND CONCLUSION

If the concept of institutional entrepreneurship is to be generally robust, it has to take account of a range of different contexts. This study was motivated by a desire to understand the process of institutional entrepreneurship in a heavily politically-controlled environment. In examining the dynamics of institutional entrepreneurship in such an environment, China, I found that institutional entrepreneurs developed four distinct strategies in building their firms: mobilizing material resources, connecting with influential actors, advocating regulative changes, and mobilizing discursive resources. A second finding is that in a heavily politically-controlled environment, different strategies take effect at different levels in the system. Each of these levels is associated with a distinct but complementary outcome: economic acceptance at the micro level, political acceptance at the meso level, and social acceptance at the macro level. A third insight is into the temporal dimension of purposeful actions as private enterprises go through different phases of evolution. Economic acceptance is vital at the beginning, with most initiatives being directed at building or leveraging strengths in the market and/or in technology. Economic acceptance then opens up the possibility of political acceptance. For this possibility to be realized, institutional entrepreneurs must skilfully engage with various influential actors, and advocate regulative change. Political acceptance was a pre-condition for entrepreneurs to be able to mobilize discursive resources to generate social acceptance, because the media was heavily censored.

In summary, institutional entrepreneurs developed succeeding strategies on the basis of legitimating success achieved in the previous phase.

The findings reported here have several implications for theory development. The first is that a political dimension drawing attention to the mobilization effort towards institutional
acceptance and change is essential to understanding the process of institutional entrepreneurship in a heavily politically-controlled environment. The findings demonstrate that institutional entrepreneurs must develop economic, political and discursive strategies to successfully convince constituents of the validity and worthiness of their efforts in building a new category of firm. The accrual of legitimacy is dependent upon the development of both political and cultural strategies (Suchman 1995). In a heavily politically-controlled environment, demonstrating an economic contribution to national goals is a precondition for private enterprises to gain political and social legitimacy. At a later stage, this legitimacy was consolidated through discursive strategies that articulated the contribution of private enterprises to wider social agendas. Incorporating the political dimension refines the understanding of socio-political and constitutive legitimacy in the extant literature (Aldrich & Fiol 1994).

The political dimension of institutional entrepreneurship arises because of the processes of generating influence that are involved. These processes resonate with the conceptions of power that scholars have identified (Clegg & Haugaard 2009; Lukes 1974). Mobilizing material resources to secure economic acceptance represents the exercise of Lukes’s first dimension of power (Lukes 1974). Appealing to the interests of influential actors through ideational framing facilitates the formation of coalitions among actors at different system levels. This represents the exercise of the third dimension of power (Lukes 1974). Relational frameworks established among actors at different system levels provide formal channels through which institutional entrepreneurs can suggest agendas and help to shape policies. In this instance, institutional entrepreneurs were able to leverage the power embedded in political, social, economic and technological systems (Clegg 1989; Lawrence, Hardy & Phillips 2002). This represents the exercise of the second dimension of power (Lukes 1974), a
theme which has received relatively little attention in institutional analysis (Hardy & Maguire 2008). This study thus serves to highlight the important role that power can play in a heavily politically-controlled environment, and how this particular environment provides a context in which various forms of power can be used. In this respect, it speaks to DiMaggio and Powell’s (1991:30) concern that interests and politics had almost disappeared from institutional analysis.

In contrast to existing studies that have tended to explore the characteristics of, and the conditions that produce, institutional entrepreneurs (Lawrence & Suddaby 2006), the present research provides an account of what institutional entrepreneurs actually do. Further, I document how institutional forces in a heavily politically-controlled environment shape the strategies accepted as appropriate, and why institutional entrepreneurs adopt certain strategies (Greenwood et al. 2008). I shed light on how institutional entrepreneurs skilfully developed economic and political mobilizing strategies, in addition to discursive strategies that have been the focus of extant literature (Battilana et al. 2009). This study thus complements the existing emphasis on discourse, and offers a more comprehensive and nuanced understanding of the process of institutional entrepreneurship.

Moreover, the comparative case studies raise important questions regarding the difference between individuals and organizations acting as institutional entrepreneurs. Previous studies of institutional entrepreneurs have focused on organizational actors (Hoffman 1999), individuals (Tracey et al. 2011) and a mix of both (Lawrence 1999). The strategies that institutional entrepreneurs developed in this study are derived from the fact that they were organizational actors. In a heavily politically-controlled environment, private enterprises are subject to uncertainty over the implementation of macro level policies and formal
institutional rules, because politics intrude into law and regulation. Pioneering new practices and creating new industries that were later adopted by others as the norm gave status to their founders so that they and their firms were acknowledged as pioneers in the field. This status enabled entrepreneurs to leverage the relational frameworks available to them, in order to influence policies at a higher level through direct participation in various agents of the governments. While alliance building was between firms and various government agencies, it was individual actors who initiated these coalitions. Both individuals and their firms acted as institutional entrepreneurs. Future investigation into the differences and similarities between individuals and organizations as institutional entrepreneurs will help to develop a more comprehensive theory of institutional entrepreneurship (Maguire et al. 2004).

A second and related theoretical implication concerns the initiation of institutional entrepreneurship by central as opposed to peripheral actors. Existing studies of institutional entrepreneurship have identified either central or peripheral actors as initiators of the change process (Greenwood & Suddaby 2006; Hardy & Maguire 2008; Leblebici et al. 1991; Maguire et al. 2004). In the cases studied, activities were initiated by both central (the local governments) and peripheral (private enterprises) actors. Admittedly, entrepreneurs appealed to the interests of local governments to advocate change, and changes initiated by the local governments originated from entrepreneurs or were already in practice. Entrepreneurs did not directly challenge existing institutional rules, although the practices that they pioneered and their associated meanings threatened existing institutional norms. Nonetheless, they framed the new institutional arrangements as complementing rather than replacing existing institutional norms. This framing was essential for the gradual emergence and consolidation of a new form that was not institutionally mandated in a heavily politically-controlled environment. Institutional entrepreneurs created time and space to purposefully develop
succeeding strategies in building a new category of firm; otherwise, the new form might be crushed in its infancy if perceived to be threatening or challenging existing norms. Peripheral actors leveraged their economic strategies to gain access to political systems in an effort to garner support, establish relational frameworks, and form coalitions. By identifying and appealing to the interests of central actors, entrepreneurs effectively enrolled central actors to fight for a larger cause, that of private enterprises in general. The result is that peripheral and central actors worked together as initiators of institutional change. This study thus speaks to the recent recognition of the collective dimension of institutional entrepreneurship in institutional analysis, and opens up the possibility that the process of institutional entrepreneurship involves ‘spatially dispersed, heterogeneous activity by actors with various kinds and levels of resources’ (Lounsbury & Crumley 2007:993).

Scholars have acknowledged that, at most times, the process of institutional entrepreneurship depends on other actors, such as the state and professional associations, and the resources that they control (Colomy 1998; DiMaggio & Powell 1983; Holm 1995). There has not been, however, any systematic discussion of instances where central and peripheral actors work together to legitimize an institutional innovation. This raises intriguing questions for the literature on institutional entrepreneurship. Does this particular form of institutional entrepreneurship – central and peripheral actors working together – only occur in a heavily politically-controlled context where the involvement of government provides for a tight coupling between them? Where else might it apply? What is the implication for institutional theory more generally? I suggest that attention to instances where central and peripheral actors work together as initiators of change (see also Lawrence et al. 2002) has the potential to contribute to the development of a more comprehensive and nuanced theory of institutional entrepreneurship. In this respect, I join other scholars calling for extending institutional
entrepreneurship beyond heroic individual imagery to embrace a wider range of actors and activities (Lounsbury & Crumley 2007; Wijen & Ansari 2007).

A third theoretical implication concerns the multi-level nature of the process of institutional entrepreneurship. Scholars have acknowledged the importance of bridging the gap between micro and macro perspectives in social theory (Ritzer 1985, 2000). The micro-dynamics of institutions, while constituting a focus of early work by Meyer and Rowan (1977), and Zucker (1977), have received less attention until quite recently (Barley 2008; Powell & Colyvas 2008). The connections between micro and macro activity remain relatively underdeveloped within institutional theory (Trace et al. 2011). I found that the process of institutional entrepreneurship in a heavily politically-controlled context comprises three distinctive levels of analysis. Specifically, I have demonstrated that in addition to economic mobilizing strategies at the micro level, and building political capital with government agencies at the meso level, institutional entrepreneurs mobilize discursive resources at the macro level. My view is that each of these strategies is interrelated and that we cannot understand how new firms come to be legitimated at the societal level through discursive strategies without understanding how institutional entrepreneurs pioneer tangible practices to gain economic acceptance, and how multiple actors work together to achieve political acceptance.

In addition, there is a temporal component to the process of institutional entrepreneurship. The sequence that I identified does not imply that the process of institutional entrepreneurship was one of pre-planned change as is depicted in some existing literature (Lawrence & Suddaby 2006). Rather, the findings suggest that new meanings and norms emerged out of the purposeful actions of institutional entrepreneurs, not before purposeful
action is taken. It is also possible that the temporal dimension in our model is specific to the context – a heavily politically-controlled environment. In other words, the tight coupling between the government and businesses meant that micro-, meso- and macro- level of institutional entrepreneurship could only happen in a sequential manner. As market supporting institutions were virtually non-existent for an extended period, mobilizing material resources to gain economic acceptance was an act of survival in a heavily politically-controlled environment. In order to gain political acceptance, entrepreneurs identified and appealed to the interests of various agents of the government and professional associations. Political acceptance opened up the possibility of engaging the media, which was heavily censored by the government.

This raises intriguing questions regarding the sequential nature of strategies that emerged from the study and the boundary conditions of the findings. It is conceptually conceivable that in cases that involve the legitimating process of a new not-for-profit organizational form, strategies aimed at securing social acceptance might take precedence over political acceptance. Further, this study explores the strategies employed by entrepreneurs after entrepreneurial opportunities have already been identified. In a heavily politically-controlled environment, entrepreneurial opportunity recognition is highly likely to require some form of political skill. Therefore the sequential nature of the conceptual model that emerged from the findings may only apply to situations in which opportunities are identified already. Given that opportunity recognition is a central theme of entrepreneurship literature (Shane and Venkataraman, 2000), studies investigating the interplay among political, economic and cultural-cognitive factors underlying opportunity recognition for entrepreneurs operating in a heavily politically-controlled environment are likely to enrich the conceptual model developed here. Tracey et al. (2011) suggest that their model of different kinds of institutional
work occurred in parallel rather than in sequential fashion in the context of United Kingdom. It is likely that in an environment where there is general institutional support for entrepreneurship, entrepreneurs may deploy these strategies in an alternative sequence and/or simultaneous fashion. For example, strategies aimed at political and social acceptance are important for the legitimation process of a new practice and/or a new product. Further studies that shed light on the process of institutional entrepreneurship in different contexts are required before reaching a definitive conclusion on this issue.

Although China is an extreme case in which the central government is dominant, the findings of this study have wider relevance because governmental influence on business activities occurs to some degree in all countries. The cases highlight the importance of commercial, social and political skills that entrepreneurs must possess in building a new category of firm. The findings suggest that the process of institutional entrepreneurship in a heavily politically-controlled context is driven forward by dialogue and cooperation between central and peripheral actors. It therefore follows that practitioners can benefit from constructing and maintaining good relational frameworks with government agencies at various levels in the system. These frameworks provide the channels through which the business perspective can carry some weight in the evolution of government policies.

While I believe the study that I have reported offers a number of important theoretical contributions, the limits to its scope point to opportunities for future research. The results also suggest that the cooperation between peripheral and central actors is the main driver of the process of institutional entrepreneurship. There is therefore a need for further grounded studies to explore whether this theme also occurs in other contexts and the conditions under which this cooperation happens. Further, theorizing on business and economic development
should be enhanced by future studies that compare the process of institutional entrepreneurship in China with that in other emerging economies where there is also often a significant level of government intervention in business systems, so as to indicate common features and differences. In particular, I would expect that the political dimension I have applied will prove fruitful in further studies of how institutional entrepreneurs can increase their influence so as to drive social and economic change.
STUDY THREE - COMBINING MULTIPLE INSTITUTIONAL LOGICS TO CONSTRUCT ORGANIZATIONAL IDENTITY

INTRODUCTION AND OVERVIEW

Organizational identity is central in understanding the link between institutional logics and the behaviour of individuals and organizations (Friedland & Alford, 1991; Glynn, 2008; Thornton et al., 2012). Defined as “a set of material practices and symbolic constructions which constitutes its organizing principles” (Friedland & Alford, 1991:248), institutional logics provide actors with vocabularies of motives (interests), guidelines for action, and a sense of self (identity). They provide the raw materials for actors to answer the central questions of organizational identity - “who we are as an organization?” and “what we do as an organization?”.

Research on organizational identity has broadened from its initial focus on the central, distinctive and enduring attributes (Albert & Whetten, 1985) constituting an organization’s “essential” character (Czarniawska-Joerges, 1994), to collective identity emphasizing relational claims at the interorganizational level that categorize organizations into membership groups (Elsbach & Kramer, 1996; Glynn & Abzug, 2002). Collective identities refer to groups or categories of actors that can be strategically constructed and fluid, organized around a shared purpose and similar outputs (Cornelissen et al., 2007). It draws attention to the fact that organizational identity is best understood by its relation to institutional logics. Once established, collective identity enables internal and external audiences to distinguish between different groups of organizations such as restaurants that focus on classical versus nouvelle cuisine (Rao et al., 2003), grass-fed farmers versus traditional industrial farmers (Weber, Heinze & DeSoucey, 2008), small liberal arts colleges
versus large research institutions (Kraatz & Zajac, 1996), and Boston trustees versus New York money managers (Lounsbury, 2007).

Studies examining the relationship between institutional logics and organizational identity are still modest. Most existing studies have tended to associate organizational identity with a single institutional logic, rather than with multiple logics (see Goodrick & Reay, 2011 for a review). Some suggest that change in organizational identity reflects the shift in the relative dominance of one logic over another (Mohr, 1994; Rao et al., 2003), with the assumption that there is one dominant logic, and/or two logics battle for dominance. Others show that different logics differentially affect different organizational identities (Carroll & Swaminathan, 2000; Glynn & Lounsbury, 2005; Kraatz & Zajac, 1996; Lounsbury, 2007; Weber et al., 2008). Mirroring the shift in the institutional logics literature from a focus on “a dominant logic” where one logic replaces the other to the existence of competing logics within the field (see Greenwood et al., 2011 for a review), only recently have scholars begun to explore how competing logics (albeit only two) can be combined and reconfigured to create a hybrid identity that differs from either of the competing logics (Battilana & Dorado, 2010; Lok, 2010; Meyer & Hammerschmid, 2006). However, discussion of multiple logics has tended to be framed as competition between two logics, despite concerns raised regarding the relatively narrow range of logics and the assumption of their incompatibility (Greenwood et al., 2011). One notable exception is the work by Greenwood et al. (2010). Although not focused specifically on organizational identity, they demonstrated how the institutional logics of the family and community reinforced each other and tempered the market logic. Another exception is the work by Goodrick and Reay (2011). Their work showed both competitive and cooperative relationships among multiple logics and their collective influence on professionals and their work.
Despite these advances, there has not been a systematic examination of how multiple institutional logics can influence organizational identity formation, and simultaneously continue to reside in the emerged organizational identity. The possibility that actors are able to skilfully identify and combine reinforcing elements among multiple institutional logics to construct organizational identity is seldom explored. Therefore a theoretical foundation for understanding the relationship between institutional logics and organizational identity where more than two competing logics are in play is missing. This is important because micro level organizational identity construction efforts, although shaped by institutional logics, are likely to aggregate and may reverberate to alter the configuration of multiple institutional logics, and influence the larger institutional environment in the process. The precise relationship between how and to what extent changes in institutional logics relate to changes in organizational identity is a topic that needs further empirical investigation and theoretical development, especially in the context where more than two competing logics are in play. The insights gained through such investigations are likely to expand existing understanding of endogenously driven changes in institutional logics.

Existing identity literature has tended to focus on identity dynamics in the context of organizational change (Dutton & Dukerich, 1991; Gioia & Chittipeddi, 1991; Glynn, 2000), but much less so on the context of organizational founding or emergence when organizational identity is being formed (see Navis & Glynn, 2010, 2011 for exceptions). This has led to scholars arguing the importance to examine how organizational identities are actually formed and constructed (Cornelissen et al., 2007). Entrepreneurship offers a particularly visible instance of organizational identity construction because it helps to give meaning to the new identity, guides strategic behaviour, and ensures a firm’s survival in the process (Selznick, 1957). Organizational identity construction efforts during the formative stages require that
entrepreneurs skilfully balance the need for strategic distinctiveness against that of normative appropriateness in order to achieve “optimal distinctiveness” (Brewer, 1991; Lounsbury & Glynn, 2001). The distinctive aspect is associated with the attributes-based approach to organizational identity that focuses on the central, distinctive and enduring attributes of the organization (Albert & Whetten, 1985). The normative aspect is associated with the relational approach that emphasizes membership in a group or category (Czarniawska & Wolff, 1998). Entrepreneurship is thus a particularly suitable site for integrating micro and macro approaches to the study of organizational identity (Lounsbury & Glynn, 2001). Exploring the process by which entrepreneurs draw on multiple institutional logics to construct organizational identity during the formative stages of entrepreneurial firms is likely to offer a finer-grained understanding of the relationship between multiple institutional logics and organizational identity.

Scholars have only just started to theorize about how entrepreneurial groups gain legitimacy for their nascent identity through story-telling (Lounsbury & Glynn, 2001; Navis & Glynn, 2011; Wry et al., 2011). They have tended to focus more on meanings and symbols associated with claims of identity, and less on actions and practices associated with enactment of identity (Glynn, 2000, 2008). Empirical studies focusing on the process of organizational identity formation and emergence in an entrepreneurial setting are modest. Weber, Heinze and DeSoucey (2008) explored how participants of the grass-fed products movement mobilized broad cultural codes to construct a collective producer identity that differentiated themselves from industrial agricultural producers. Their study provided an account of how grass-fed movement activists constructed a new logic in opposition to the existing logic of agricultural production. As an exception, the empirical study conducted by Navis and Glynn (2010) specifically embraced the distinctive and relational dimensions of
the organizational identity (Navis & Glynn, 2010). Based on the evolution of the US satellite radio market over its initial 16 years, they found emergent evidence that actors purposefully constructed a collective identity for the sector first, and changed their efforts in emphasizing distinctive individual organizational identity after the sector achieved legitimacy. They found emergent evidence that distinctive and collective dimensions of the organizational identity were two sides of the same coin, both of which were intertwined with the processes of legitimization (Pedersen & Dobbin, 2006). Their study lent support to the pressing need for bridging micro and macro approaches to the study of organizational identity.

Taking into consideration the theoretical and empirical gaps identified above, I chose to study private entrepreneurship in China, a context that has witnessed major institutional changes that gave rise to the emergence of the market logic and the professional logic alongside the traditionally strong logics of the state, the family and the community (Bruun, 1993; Fan, 2011). The emergence of entrepreneurial firms in China was initially not institutionally sanctioned (Fan & Child, 2010). I chose this setting as an extreme case for theory building, in which I could readily observe the dynamic relationship between institutional logics and organizational identity. The emergent patterns are likely to be more transparent and visible, because the emerging institutional logics are somewhat contradictory to existing logics (Friedland & Alford, 1991). My analysis focused on the process by which entrepreneurs drew on multiple institutional logics to construct organizational identity during the formative stages of entrepreneurial firms. I argue that in a context such as China, where broader societal factors inhibit aggregated levels of entrepreneurship (Tsui, Bian & Cheng, 2006), organizational identity construction efforts are best understood and investigated by their relations to institutional logics, and whether they are informed more by a particular logic relative to another or a combination of multiple logics (Lounsbury & Glynn, 2001; Thornton
et al., 2012). In such a context, organizational identity construction may require the skilled efforts of entrepreneurs in combining and balancing multiple institutional logics to form organizational identities that both conform to and deviate from existing institutional configuration. This theme of inherent tension and/or contradiction is widely recognized in the entrepreneurship literature (Rindova, Barry & Ketchen, 2009). Therefore the insights from this study may have wider relevance. I focus specifically on the following questions: How do entrepreneurs draw on multiple institutional logics to construct organizational identity, and why? What is the relationship between institutional logics and organizational identity?

METHODOLOGY

Research Setting

Several institutional and societal conditions need to be highlighted to properly situate the processes and patterns that I observed. Entrepreneurial firms were virtually non-existent before 1978. Although they had been permitted to exist since 1988, their status wasn’t officially legitimized until 1998. However, it was not until 2004 that private property was legally protected by the law. This research focused on the period in which there was virtually no institutional support for entrepreneurial firms. I chose the manufacturing sector as entrepreneurial firms first emerged in this sector. I concentrated on Zhejiang, Jiangsu and Guangdong provinces because they are generally acknowledged as the birthplace of entrepreneurship. I added Shanghai, a late adopter of entrepreneurial firms, to introduce variation and diversity to the research setting. Continuing with the logic of an extreme case (Eisenhardt, 1989), all sampled firms were pioneers in the field, and occupied the top three positions in their respective segments. The personal backgrounds of entrepreneurs varied from peasants to engineers, and from academics to veteran soldiers. Entrepreneurs included a
lone engineer who stumbled upon an opportunity, teams of co-founders who pioneered independent R&D and created a new industry, and those who formed new firms to exploit unmet demand in the market. I also included examples of failed entrepreneurial firms.

Studying such a diverse sample offers a potentially more fruitful grounding for theory building than studying a more homogeneous one (Harris & Sutton 1986).

**Data Collection**

I relied on three primary data sources - interviews, field visits and archives – during the data collection period in order to achieve trustworthiness (Lincoln & Guba, 1985). My approach involved an iterative process of collecting, analyzing and comparing data across data sources and over time. For clarity of explanation, however, I discuss archival data first, and then move on to interviews and field visits. Historical archival data spanned over 16 years from 1992 to 2008, and included (1) narratives about the firms, presented in media accounts by industry experts, academics, journalists and government officials; (2) narratives by the sampled firms, related in the public domain (press releases, annual reports and firm brochures) and in the private capacity (internal memos and presentations, internal magazines and newspapers); and (3) firm descriptions of founding conditions, major milestones and key strategic decisions in the form of archival audio and video clips. I also conducted extensive firm website searches, concentrating on the design of the site, logos and the content. By using archival data, I accessed real-time accounts of the identity construction process during the formative stage of entrepreneurial firms, rather than retrospective ones.

I interviewed internal informants (entrepreneurs and their co-founders) and external informants (government officials, industry experts, customers and academics). I conducted a total of 78 interviews in 2009 and 2010, ranging from 60 minutes to 3.5 hours in length. The
semi-structured interviews were digitally recorded, when permitted, and transcribed. I used the knowledge gained from the archival data to facilitate the discussion with informants. I asked informants to describe the circumstances surrounding the firm’s founding, including personal background of entrepreneurs and co-founders, the institutional environment and societal attitudes towards entrepreneurial firms at the time. The questioning focused on the naming of the firm, practices initiated, how entrepreneurs framed their practices during the formative stage of entrepreneurial firms, and why they did so.

A key advantage of the interviews was identifying activities that were unavailable in the archival data (e.g. internal debates regarding certain practices that firms pursued, failed ventures, and forgone opportunities). They helped to answer the “why” question in addition to the “how” question. Interviewing external informants helped to corroborate and verify the information provided by internal sources, and uncover both patterns and inconsistencies across informants. The use of multiple informants mitigates the potential bias of any individual informant by allowing information to be confirmed by several sources (Golden, 1992; Miller, Cardinal & Glick, 1997). It also enables building richer and more vivid pictures because different informants typically focus on complementary elements of major events such as naming and re-naming, change of the logo, R&D breakthroughs, design of factory layout, acquisitions and international expansion (Santos & Eisenhardt, 2009; Schwenk, 1985). I also conducted site tours of all the entrepreneurial firms where interviews were conducted, and made extensive notes about impressions and observations. Overall, the combination of historical archival data, site visits and interviews provides a solid base for performing rigorous analysis (Jick, 1979; Kumar, Stern & Anderson, 1993). Table 3-1 presents details on data sources and their use in the analysis.
### TABLE 3-1
Details on Data Collection

<table>
<thead>
<tr>
<th>Source of data</th>
<th>Type of data</th>
<th>Use in the analysis</th>
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</thead>
<tbody>
<tr>
<td>Interviews, site visits and observations*</td>
<td>First round: May – October 2009. 57 interviews with entrepreneurs, co-founders, industry experts, government officials, customers and academics.</td>
<td>Gather detailed information on identity formation and construction efforts, focusing on symbolic claims associated with “who we are” and material practices associated with “what we do”. Pay particular attention to how they evolved over time.</td>
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<tr>
<td></td>
<td>Second round: May – June 2010. 21 interviews with entrepreneurs, co-founders, industry experts, government officials, customers and academics.</td>
<td>Verify and refine emerging theoretical insight, and situate observed processes and patterns in the wider institutional and cultural context.</td>
</tr>
<tr>
<td>Firm archival</td>
<td>In the public domain: Books (5), annual reports (50), press releases (500), stock exchange fillings (11), firm brochures (110), websites.</td>
<td>Gather detailed information and track changes in the development of the firm from founding to the present, paying particular attention to changes in symbolic claims and material practices, and how they evolve over time.</td>
</tr>
<tr>
<td></td>
<td>In the private capacity: Internal presentations and memos (150), internal magazines and newspapers (180), archival audio and video clips (21).</td>
<td>Triangulate facts and observations, and check for consistency and variance across public and private sources.</td>
</tr>
<tr>
<td>Other archival sources</td>
<td>Industry reports and booklets (10), media articles (650), press releases from the government (60), internal government reports and memos (50).</td>
<td>Triangulate facts and observations by bringing an outside perspective, situate observed processes and patterns in the wider institutional, industry and cultural context.</td>
</tr>
</tbody>
</table>

* I conducted interviews with entrepreneurs (28), co-founders (20), government officials (10), industry experts (8), customers (3), journalists (4) and academics (5). The industry segments that the sampled entrepreneurial firms operated in include auto, automotive parts, chemical products, electric equipment, control systems, food manufacturing, packaging, heavy machinery, machine tools, pharmaceuticals, pharmaceutical equipment, steel, security vans, pumps and industrial equipment. Their year-on-year growth in turnover was on average over 30% during the formative stages of founding.
Data Analysis

I worked back and forth among the data, the emergent themes and the literature to develop a deeper understanding of how entrepreneurs drew on multiple institutional logics to construct organizational identity during early stages of entrepreneurial firms (Glaser & Strauss, 1967; Locke, 2001). I paid particular attention to the statements and framing of informants at the time when events occurred. In the first step of analysis, I used archival data to develop a chronological narrative that sensitized me to the process and evolution of identity construction efforts. Then I merged the interview data into the archive data to check and verify consistency and variations among various sources of data and informants, thus triangulating the data (Jick, 1979). My aim was to ensure that I had not left out any relevant activities. I found that the narrative referenced the identity construction of both individual firms (individual organizational identity) and entrepreneurial firms as a whole (collective identity).

In the second step of analysis, I relied on constant comparison techniques (Glaser & Strauss, 1967) and prior literature on institutional logics (Thornton et al., 2012) and identity (Albert & Whetten, 1985; Glynn, 2008) to develop a coding convention, which is summarized, along with examples of empirical observations, in Table 3-2. I divided the chronological accounts into two broad categories: languages (Kennedy, 2008; Lounsbury & Glynn, 2001; Navis & Glynn, 2010) that enabled firms to make symbolic claims about “who we are” both as individual firms and entrepreneurial firms as a whole; and practices (Cornelissen et al., 2007) that enabled firms to demonstrate “what we do” both as individual firms and entrepreneurial firms as a whole. Because I was interested in understanding the relationship between multiple institutional logics and organizational identity, I mapped out five institutional logics - the family, the community, the market, the state and the profession - each with associated
symbolic claims of “who we are” both as individual firms and entrepreneurial firms as a whole, and material practices of “what we do” both as individual firms and entrepreneurial firms as a whole. Later I collapsed five institutional logics and their associated symbolic claims and material practices into three broad themes based on outcomes. Entrepreneurs drew on the logics of the family, the community and the market to construct the distinctive aspect of individual organizational identity and collective identity. The distinctive aspect is associated with characteristics that define the organization as different from others (e.g. Albert & Whetten, 1985). Entrepreneurs drew on the logics of the state and the profession to construct the normative aspect of individual organizational identity and collective identity (Czarniawska & Wolff, 1998). The normative aspect is associated with characteristics that demonstrate organizations as congruent with institutional subscriptions (Glynn, 2008).
<table>
<thead>
<tr>
<th>Construct</th>
<th>Description</th>
<th>Examples of empirical observations</th>
<th>N</th>
<th>2nd order themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identity</td>
<td>Material practices that describe the function of “what we do”, claiming an organization’s central, distinctive and enduring attributes</td>
<td>Attracting talented and loyal people to join and pioneer innovative practices such as independent R&amp;D, MBO &amp; MBI and internationalization through providing free accommodation and free education for children of employees; share option schemes for key personnel and hardship funds for employees; ploughing profits back into R&amp;D, helping customers (“brotherly firms”).</td>
<td>All sampled firms</td>
<td>Combining logics of the family, the community and the market</td>
</tr>
<tr>
<td>Identity</td>
<td>Material practices that describe the function of “what we do”, claiming an organization’s normative aspects (conforming to existing institutional norms)</td>
<td>Dedicating a specialist unit and/or hiring ex-government officials to manage the relationship with the government; establishing in-house party committee to advocate continuous learning, training on the job and further education at business schools; establishing internal magazines and newspapers to promote adhering to the professional roots of founders; affiliating with research institutions and Western advisors.</td>
<td>All sampled firms</td>
<td>Combining logics of the state and the profession</td>
</tr>
<tr>
<td>Identity</td>
<td>Material practices that describe the function of “what we do”, claiming the central, distinctive and enduring attributes of entrepreneurial firms as a whole</td>
<td>Setting up charitable funds to contribute to the building of local roads, hospitals and libraries, and targeting the elderly and children; establishing and chairing entrepreneurial associations, attracting strategic investors and investing in budding entrepreneurs; informal mentorship.</td>
<td>All sampled firms</td>
<td>Combining logics of the family, the community and the market</td>
</tr>
<tr>
<td>Identity</td>
<td>Material practices that describe the function of “what we do”, claiming the normative aspect of entrepreneurial firms as a whole (conforming to existing institutional norms)</td>
<td>Participating in policy consultation meetings and chairing business-government committees to influence policies; setting industry standards and chairing industry associations; setting up industry-specific colleges and training centres</td>
<td>All sampled firms</td>
<td>Combining logics of the state and the profession</td>
</tr>
<tr>
<td>Construct</td>
<td>Description</td>
<td>Examples of empirical observations and/or quotes</td>
<td>N</td>
<td>2nd order themes</td>
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</tr>
<tr>
<td>Identity</td>
<td>Symbolic claims that describe the function of “who we are”, claiming an organization’s central, distinctive and enduring attributes</td>
<td>“We are flexible, responsive and pioneering because our employees are proud of being a member of a caring family.” “We are all in it together. We provide a roof over the head and look after family members.” “making a difference” (re)namings, (re) design of logos, websites, video and audio clips of founding.</td>
<td>130</td>
<td>Combining logics of the family, the community and the market</td>
</tr>
<tr>
<td>Identity</td>
<td>Symbolic claims that describe the function of “who we are”, claiming an organization’s normative aspects (conforming to existing institutional norms)</td>
<td>Prominent display of photos taken with government officials; reports regarding government official visits documented and archived; certificates and awards displayed on site; dedicated showroom and/or display of exhibits. Using “peasants” as a metaphor, the mindset of “peasants”.</td>
<td>87</td>
<td>Combining logics of the state and the profession</td>
</tr>
<tr>
<td>Identity</td>
<td>Symbolic claims that describe the function of “who we are”, claiming the central, distinctive and enduring attributes of entrepreneurial firms as a whole</td>
<td>“We believe in sharing wealth with our employees, and have created many millionaires along the way.” “We continue to strive for excellence and innovation. We are interested in building enterprises that will last centuries.” “helping the disadvantaged” “lifting people out of poverty” The metaphor of “tiger” and “monkey”.</td>
<td>65</td>
<td>Combining logics of the family, the community and the market</td>
</tr>
<tr>
<td>Identity</td>
<td>Symbolic claims that describe the function of “who we are”, claiming the normative aspect of entrepreneurial firms as a whole (conforming to existing institutional norms)</td>
<td>“We are able to contribute to the local and national economy owing a great deal to the good policies of the Reform programme.” “We need to catch up with Western standards by moving up the value chain and focusing on value-added services.”</td>
<td>175</td>
<td>Combining logics of the state and the profession</td>
</tr>
</tbody>
</table>

* Data are corroborated from archival, interview transcripts and observational notes. The numbers quoted are based on word frequency search of the whole database.
In the third step of analysis, I searched for underlying dimensions that would integrate all of the theoretical themes in a coherent manner, and consolidated earlier themes into more abstract dimensions (Locke, 2001). It became apparent during this stage of data analysis that there was a temporal dimension to the construction of individual organizational identity and collective identity. Individual organizational identity construction preceded collective identity construction. Entrepreneurs needed to balance the distinctive and normative aspects of identity to construct individual organizational identity and collective identity. Constructing individual organizational identity was important for organizational survival, and ultimately legitimacy. Collective identity construction served as an indicator that micro-level identity construction efforts aggregated and reverberated to alter the configuration of institutional logics, and entrepreneurs were able to influence the larger institutional environment as a result.

Once I identified these aggregated theoretical dimensions, I went back to the original database to verify and check that I stayed true to the data. In order to enhance validity, triangulation was applied at every stage of data analysis through multiple sources of data and informants (Jick, 1979). Validity was also enhanced through prolonged engagement and familiarity with the data, alternative explanation building, and constant cross-checking of emergent dimensions. I also went back to key informants to verify correspondence between the theoretical insights and their experiences. Five entrepreneurs, three academic scholars, three industry experts and two government officials confirmed the analysis, enhancing the internal and external validity of the theoretical model. Although an interpretive approach does not usually require member checking, I wanted to confirm that I had not deviated from the original data and that there was agreement on key aspects of the coding scheme. This additional step helped to ensure the trustworthiness of the coding scheme, and to provide
confidence in the plausibility of my interpretation (Lincoln & Guba, 1985); as is always possible with interpretive research, however, other researchers might draw somewhat different conclusions from the same empirical materials that I analyzed. Figure 3-3 illustrates the data structure. These aggregated theoretical dimensions were considered to best explain the process by which entrepreneurs drew on multiple institutional logics to construct organizational identity (Nag, Corley & Gioia, 2007).
Figure 3-3
Overview of Data Structure

<table>
<thead>
<tr>
<th>2nd Order Themes</th>
<th>Aggregated Theoretical Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Combining logics of the family, the community and the market to construct the unique aspect of organizational identity</td>
<td></td>
</tr>
<tr>
<td>b. Combining logics of the state and the profession to construct the normative aspect of organizational identity</td>
<td></td>
</tr>
<tr>
<td>c. Balancing the unique and normative aspects of organizational identity</td>
<td></td>
</tr>
<tr>
<td>d. Combining logics of the family, the community and the market to construct the unique aspect of collective identity</td>
<td></td>
</tr>
<tr>
<td>e. Combining logics of the state and the profession to construct the normative aspect of collective identity</td>
<td></td>
</tr>
<tr>
<td>f. Balancing the unique and normative aspects of collective identity</td>
<td></td>
</tr>
</tbody>
</table>

Constructing individual organizational identity

Constructing collective identity
CONSTRUCTING INDIVIDUAL ORGANIZATIONAL IDENTITY AND COLLECTIVE IDENTITY

In this section, I report the findings by presenting the empirical observations and the theoretical insights they led to (Eisenhardt & Graebner, 2007). Figure 3-4 presents the conceptual model grounded in the data that emerged from the study. The model suggests that societal level multiple institutional logics provided the resources for entrepreneurs (individuals) to draw on in constructing organizational identity. Individual organizational identity construction preceded collective identity construction. Entrepreneurs leveraged existing logics to support the emergent logics in constructing individual organizational identity. Individual organizational identity construction was crucial for organizational survival, and ultimately legitimacy. Collective identity construction served as an indicator that micro-level identity construction efforts aggregated and reverberated to alter the configuration of institutional logics. Below I discuss the evidence and associated theoretical insights. Representative supporting data corroborated across multiple sources and informants to mitigate the possibility of problems associated with retrospective accounts is provided in Table 3-5 (Miller et al., 1997).
Empirically Grounded Model of Organizational Identity Construction

**Processes:**
- Micro level (individual)
  - Individual organizational identity
  - Collective identity

**Sources:**
- Macro level (society)
  - Multiple institutional logics

**Outcomes:**
- Meso level (organization)
  - Legitimacy
  - Institutional norms

**Balancing the unique and normative aspects**

**Feedback loop**
Constructing Individual Organizational Identity

The entrepreneurs in the sample started their ventures when market-supporting institutions were virtually non-existent. They were viewed with suspicion and distrust. Entrepreneurial firms were frequently subject to political crackdowns during macro-economic adjustments. This then begs the question as to why they chose to become entrepreneurs. Many stated that they were unsatisfied with the status quo, and viewed creating new ventures as an opportunity to have control over their own lives and make a difference in the process. In addition to the usual liability of newness associated with new ventures (Stinchcombe, 1965), resources such as bank loans and seed funds, were not available to entrepreneurs. Further, the newly emerged market logic introduced fierce competition into the industries that entrepreneurial firms operated in. However, entrepreneurs were able to draw on the cognitive template associated with the newly emerged market logic and the previously suppressed professional logic to organize their activities, even though they were still somewhat illegitimate at the time (Fan, 2011). They leveraged existing logics of the family, the community and the state to support the emerging logics in their identity construction efforts.

Combining logics of the family, the community and the market to construct the distinctive aspect of organizational identity

Entrepreneurs drew on the cognitive template of the traditionally strong logics of the family and the community to identify elements, such as caring, nurturing and providing family members (employees) with stable incomes, long term security and making a difference in the running of the family (firm), as associated with entrepreneurial firms. They skilfully combined the familiar elements of the family logic and the community logic with the less familiar elements of pioneering and risk-taking associated with the market logic to construct the distinctive aspect of organizational identity. Independent R&D carried huge risk for
young ventures because there was no guarantee that they would succeed. Often there were fierce debates within the founding teams. But entrepreneurs concluded that if they did not pursue independent R&D, they would be beaten by competition based on price. Leading entrepreneurs also believed that with the right people, they would be able to “make a difference” and reap the rewards from successful independent R&D. They used the symbolic claims of “making a difference” to attract people to join them on the journey of filling a technological gap. Many went out of their way to attract certain talents. One chief technology officer recounted the reasons behind his decision to leave the safe haven of a state-owned enterprise (SOE). He said, “The founder came knocking on my door three times. In the end, I was won over by his enthusiasm, and by the fact that I could contribute significantly to the technology breakthrough in the industry.” The opportunity to “make a difference” was one of the most commonly referenced reasons behind people joining leading entrepreneurs as part of the founding teams. These symbolic claims helped to unite and sustain the founding teams through the initial hardship.

The independent R&D activities of entrepreneurial firms filled technological gaps. Their products replaced former imports and, as a result, carved out new industries. Leading entrepreneurs were affectionately known as “the first person to eat crabs”. They were careful in ploughing profits from successful R&D activities back into the businesses, rather than enriching themselves. Their material practices included providing accommodation for employees, establishing primary and secondary schools so that the offspring of their employees could attend for free, and offering appropriate incentive schemes for middle and senior executives. These practices helped to motivate their employees, and lent support for their symbolic claims that “we are all in it together”. Entrepreneurs skilfully leveraged elements within the logics of the family and the community that people resonated with to
support the newly emerged market logic in constructing the distinctive aspect of organizational identity. One academic scholar commented, “As family and community have a strong influence in China, they were wise to combine the family logic and the community logic with the market logic. The combination makes the identity stronger.” References to the metaphoric combination were corroborated from firm and media archives, and confirmed by internal and external informants. The traditionally strong logics of the family and the community lent credibility to the newly emerged market logic in the process. Entrepreneurs purposefully used metaphors in their symbolic claims. The metaphors referred to the firm as “a big family”, their initial hardship as “starting a family”, and their employees as “family members”. They successfully combined their pioneering spirit with the care shown to their employees to create a sense that “we are all in it together”. The combination of material practices and symbolic claims aided the construction of the distinctive aspect of organizational identity.

Leading entrepreneurs extended the community logic (a community of entrepreneurial firms) to their initial customers who were also entrepreneurial firms. Strong bonds developed between them because they faced the same harsh environment that inhibited entrepreneurship. They used terms like “brotherly firms” to describe this bond. Entrepreneurs said that they survived initially by helping their customers (“brotherly firms”) to make money. One entrepreneur said, “We were careful in choosing the right segment of customers to target initially. We figured that SOEs would not be interested in us because we were perceived to be unproven. But there are lots of small entrepreneurial firms like us around. We figured that we would be able to survive and grow if we could help them make money.” Serving the community of entrepreneurial firms helped to instantiate symbolic claims of being flexible and responsive, and of understanding customer needs associated with the distinctive aspect of
organizational identity. Industry and media reports from the time confirmed that these identity construction efforts in turn lent support to characteristics such as pioneering, risk-taking and innovation associated with the newly emerged market logic. External informants including industry experts, customers and academics corroborated these findings.

Striking the right balance in combining the logics of the family and the community with the market logic was important for organizational identity construction. Entrepreneurs that leaned too much on the logics of the family and the community, and neglected the pioneering and innovative elements associated with the market logic, tended to fail. There were many examples that entrepreneurs failed to attract and retain new talents outside their immediate community. They were trapped by their own success and neglected to continue to innovate. Equally, entrepreneurs who focused too much on chasing economic gains and neglected to combine these gains with elements associated with the logics of the family and the community in identity construction were also unsuccessful. Neglecting to create a sense of “we are all in it together” among employees often resulted in higher employee turnover and deflection of key employees to rivals. In some instances, people set up their own businesses to compete with their former bosses. Leading entrepreneurs set up hardship funds for their employees, designed share option schemes for their key employees, and fostered a sense that the activities of their employees “made a difference”. These practices and claims were essential in balancing the somewhat contradictory logics in identity construction.

Combining logics of the state and the profession to construct the normative aspect of organizational identity

Entrepreneurs skilfully identified elements within the dominant state logic, such as the desire to modernize the country, which would lend support to the newly emerged professional logic,
and combined them to construct the normative aspect of organizational identity. Because the incorporation of firms, import and export licenses, and listing on the stock exchange all had to be approved by relevant government agencies, they actively managed the dominant state logic in order to create space and freedom to grow their new ventures. They hired ex-government officials to tap into their existing knowledge and social ties of established government apparatus. They enrolled themselves to attend courses run by the party schools to learn how to work with various government agencies more effectively. Many set up a specialist unit dedicated to maintaining the right distance from the government. They actively sought help from the government on issues such as land purchase, export licenses and listing on the stock exchange. Getting listed ensured financial independence and provided credibility to entrepreneurial firms in the eyes of external audiences such as shareholders, customers and the general public. One entrepreneur said, “We inform the government about our plans after we have made our decision. We report the results to them after we have successfully implemented our plans. This way, we have been able to get the government to help us to speed up the process where their approval is required.”

Leading entrepreneurs established in-house party committees to (1) act as a formal channel for entrepreneurs to communicate with various government agencies, and (2) foster continuous learning associated with the professional logic. In-house party committees symbolized firms’ appreciation for the Reform programme that had provided them opportunities. Party committee members met regularly outside normal working hours to digest the latest policy orientation from the state. They took the lead in establishing internal newspapers and magazines, organizing study groups and delivering on-the-job training. These material practices demonstrated congruence with prevailing norms in the institutional environment (e.g. Oliver, 1990). Entrepreneurs leveraged the state logic (instantiated by in-
house party committees) to support the development of the professional logic, and skilfully combined them to construct the normative aspect of organizational identity. Entrepreneurs made sure that photos taken with government officials during their visits were prominently displayed on their firm website and in their offices, and carefully documented in firm press releases and presentations. Industry and media reports covering government official visits were kept on record. Signatures by prominent government officials, leading industry experts and academics were meticulously framed and exhibited in dedicated showrooms. These symbolic claims helped to strengthen the normative aspect of organizational identity.

Leading entrepreneurs leveraged the desire of catching up with Western standards associated with the state logic to lend support to the previously suppressed professional logic in constructing the normative aspect of organizational identity. Their pioneering independent R&D activities attracted the attention of Western multinationals that were actively looking for quality local suppliers. Qualifying as suppliers effectively affiliated entrepreneurial firms with leading Western multinationals. The affiliations functioned as proxies for quality (Stuart, Hoang & Hybels, 1999). Many entrepreneurial firms underwent transformation in the process of qualifying with the help from Western multinationals. As a result, leading research institutions were willing to collaborate with entrepreneurial firms to set up joint research projects. Entrepreneurs invited academic scholars and industry experts to sit on the advisory boards of their firms. They organized research seminars to maintain dialogue with the industry, showcase their latest products, and educate customers about potential benefits. Affiliations and collaborations with established Western multinationals and leading research institutions helped entrepreneurial firms tap into established institutional frameworks to support the newly emerged professional logic and strengthen the normative aspect of their identity. Linked with these material practices, symbolic claims in the form of certificates and
awards were carefully framed, displayed and documented in presentations, memos and websites. Entrepreneurial firms held special ceremonials to celebrate the signing of joint research projects.

Entrepreneurs combined the goal of lifting peasants out of poverty (as desire by the state) with elements such as hard work, scientific rigour and a disciplined approach within the professional logic to construct the normative aspect of organizational identity. An excellent example is the creative use of “peasants” as a metaphor. Prior studies have demonstrated that metaphor is the linguistic device that frames the unfamiliar in terms of the familiar to make it more understandable (Benford & Snow, 2000), and often more attractive (Hsu, 2006). Leading entrepreneurs used “peasants” as a metaphor to their pioneering practices because peasants were usually associated with qualities such as honesty, hard work and self-reliance. They emphasized that entrepreneurs needed to have the mindset of a peasant focusing on hard work and the long-term. In the words of one entrepreneur, “Peasants need to pay attention to the weather (the environment), adhere to nature (not confronting the government), be self-reliant (independent R&D) and work in partnership with others (collaborating and looking after brotherly firms).” They insisted on investing in agricultural businesses. The following is an exemplary quote. One entrepreneur said, “I have been a peasant all my life. Agriculture has big potential, but it is not a place for making fast money. It needs investments. One harvests what one sows. To build and maintain an identity, it is important to have the mindset of a peasant, not a hunter.” These symbolic claims enabled entrepreneurs to construct a clear identity with meaningfulness (Kennedy, 2008; Ruef, 2000) that made it easier for external audiences to understand them. They leveraged the state logic to support the professional logic in constructing the normative aspect of organizational identity. Firm and external archives
confirmed the frequent use of “peasants” as a metaphor. They were also corroborated by internal and external informants.

**Balancing the distinctive and the normative aspects of individual organizational identity**

Organizational identity consisted of distinctive and normative aspects. Entrepreneurs needed to proactively balance the unique and the normative aspects of organizational identity. Balancing is an ongoing process. Leaning too much on either aspect tilts the balance of organizational identity. The result can be detrimental for new ventures.

The importance of striking the right balance between the distinctive and normative aspects of organizational identity is most evident when it is out of balance. Failure to strike the right balance between the distinctive and normative aspects of organizational identity has severe consequences for entrepreneurial firms. As entrepreneurial firms became more established, they faced a “teething” problem of growing up, manifested in the clash between two aspects of organizational identity. They preferred to grow their management team in-house because they were different from SOEs and FIEs. Many encountered difficulty in integrating people hired from SOEs and FIEs. Some entrepreneurs admitted that attempts to poach “stars” from SOEs and FIEs had not worked. One executive who witnessed such a failure said, “We poached a big name from one of our customers. Our founder stayed away to give him space. He initiated and implemented big changes to the firm that nearly brought the firm to its knees. He treated our firm like the western multinationals that he used to work for, without realizing that many people joined because of the feeling of a big family. They were not all motivated by money. The people he brought in clashed with the existing team, and it almost destroyed the firm. In the end, the founder returned to undo everything.” The normative aspect of the identity associated with the profession logic clashed with the distinctive aspect of identity
associated with the logics of the family, the community and the market, giving rise to imbalance between the two intertwined aspects of organizational identity. This imbalance nearly brought the new venture to an early end.

One of the clearest examples of balancing work was seen in the care that entrepreneurs took in the (re)naming of their firms and the (re)design of their logos. They made videos, short films and audio clips to narrate the stories behind the (re)naming of their firms. The names acted as metaphors conveying symbolic meanings such as innovation, pioneering, cohesion, harmony, prosperity and fortune associated with a combination of the logics of the family, the community, the market and the profession. The names were widely perceived as the embodiment of the distinctive and normative aspects of organizational identity. Entrepreneurs skilfully combined novel and traditional elements in the (re)naming of their firms to create a shared understanding among internal and external audiences. For many, the names captured the essence of the guiding principles of their firms. One entrepreneur explained, “We put a lot of energy into the name of our firm. It reflects the three guiding principles under which we conduct our business. We make sure that our employees, suppliers and customers know about these principles. We have a process in selecting suppliers and partners. We do not accept everyone as our customer. We want them to understand and respect our guiding principles. If they violate the guiding principles, we will choose not to do business with them.”

**Constructing Collective Identity**

In addition to individual organizational identity construction, entrepreneurs also actively constructed collective identity. In contrast to the findings of earlier studies (e.g. Navis & Glynn, 2010), I found that individual organizational identity construction preceded collective identity construction. In other words, identity construction efforts of individual
entrepreneurial firms, although shaped by existing and emergent logics, aggregated and lent support to emergent logics. The findings that emerged from the data suggest that entrepreneurs skilfully leveraged emergent logics to support and/or influence existing logics in constructing collective identity. Institutional logics were transformed in the process. Entrepreneurs emphasized a collective identity of “what we do as entrepreneurial firms” and “who we are as entrepreneurial firms”, and positioned themselves differently from SOEs and foreign-invested enterprises (FIEs). They developed a collective identity that was recognized both internally and externally.

**Combining logics of the family, the community and the market to construct the distinctive aspect of collective identity**

In contrast to the identity construction of individual entrepreneurial firms where entrepreneurs leveraged the traditional logics of the family and the community to support the newly emerged market logic, entrepreneurs actively leveraged the wealth created by the market logic to support the traditional logics of the family and the community in constructing the distinctive aspect of collective identity. The material practices and symbolic claims associated with their identity construction efforts were aimed at differentiating themselves from other categories of firms.

One of the significant challenges in constructing the distinctive aspect of a collective identity is to gain recognition by external actors and institutions (Rao, Monin & Durand, 2005) as different collectively from others such as SOEs and FIEs. Moreover, entrepreneurs needed to infuse positive values to the collective identity (Weber et al., 2008). Setting up special charitable foundations to help the disadvantaged was an excellent example. Leading entrepreneurs concentrated their charitable activities on the elderly and the young, the most
vulnerable groups in the society. The market logic brought substantial changes to the society. Most noticeably, the traditional safety net for the elderly and the young no longer existed, and the social security and provisions in place were not adequate to protect them. Acutely aware of this phenomenon, entrepreneurs leveraged the wealth created by the market logic to advocate wealth sharing and compassion for the disadvantaged associated with the logics of the family and the community. These practices differentiated entrepreneurial firms collectively from other categories of firms. Leading entrepreneurs identified charitable activities as the core practices and beliefs that defined entrepreneurial firms. As a result, they took the lead in actively engaging prominent academic researchers in drafting the social responsibility charter for entrepreneurial firms as a whole. In addition to making significant donations to communities suffering from the aftermath of natural disasters, they contributed to the local infrastructure projects such as building roads, bridges, hospitals and libraries. The following exemplary quote demonstrated that entrepreneurs purposefully leveraged the market logic to support the community logic in constructing the distinctive aspect of collective identity. One entrepreneur said, “Responsibility and development go hand in hand. When an enterprise develops fast, it is able to take on more responsibilities and provide more services to the society. Charity is about more consideration for others, and less consideration for oneself. Charity work is the same as running an enterprise: one needs to invest one’s energy and passion.” These material practices aimed at supporting the traditional logics of the family and the community were well received by the public. External informants and media reports at the time confirmed the frequent use of symbolic claims such as “eliminating poverty”, “helping the disadvantaged” and “building a harmonious community”.

Another challenge for constructing the distinctive aspect of a collective identity is to develop a shared understanding to facilitate internal communication and create a sense of belonging
Leading entrepreneurs established and chaired entrepreneurial associations on a local and regional basis. These associations held regular meetings, and provided a forum for entrepreneurs to exchange ideas and discuss issues. Many used them to exchange commercial ideas which resulted in investment opportunities such as finding strategic investors and/or providing seed funding for budding entrepreneurs. Neighbouring entrepreneurial associations often exchanged information to foster interactions across regions. Investing in the relatively poorer inland regions was pioneered by entrepreneurial associations based in the coastal areas. They leveraged the wealth created by the market logic to support the symbolic claims of “enabling the inland community to taste the fruits of the market logic” and “eradicating poverty in the community” associated with the community logic. Entrepreneurial associations also dedicated a special unit to help the start-ups. Leading entrepreneurs volunteered to mentor budding entrepreneurs. This informal form of mentorship allowed a body of knowledge about entrepreneurial firms to coalesce and has fostered a sense of belonging. Entrepreneurs were able to develop a shared understanding that supported the construction of the distinctive aspect of collective identity. The following exemplary quote demonstrated the importance that entrepreneurs attached to the construction of a collective identity. One leading entrepreneur said, “The development of entrepreneurial firms needs a certain environment. Entrepreneurial firms are leading the way in independent R&D and continuous innovation. Material successes are fuelled and sustained by symbolic driving forces. Collective identity construction can drive and sustain the competitive advantages of entrepreneurial firms.”
Combining logics of the state and the profession to construct the normative aspect of collective identity

In contrast to the identity construction of individual entrepreneurial firms where entrepreneurs leveraged the state logic to support the previously suppressed professional logic, entrepreneurs actively leveraged the professional logic to push for further changes in institutional norms as specified by the state logic in constructing the normative aspect of a collective identity. The material practices and symbolic claims associated with their identity construction efforts were aimed at normalizing the collective identity (Glynn, 2008).

Leading entrepreneurs leveraged the professional logic to support their appeal for further reform to the content of the state logic. Effectively they were attempting to influence the institutional norms as specified by the state logic in their efforts to construct the normative aspect of collective identity. Leading entrepreneurial firms participated in setting national level industry standards. In many instances, the government and industry bodies relied on entrepreneurial firms to provide technology platforms for the whole industry. Entrepreneurs used the opportunity of chairing national and regional industry associations to campaign for industry consolidation, moving up the value chain and developing value-added services. They referenced the industry development path in the West as the cognitive template of the professional logic to influence the state logic, appealing for more autonomy to industry bodies and promoting industry champions regardless of ownership. The following is an exemplary quote. The head of R&D of an entrepreneurial firm said, “There are two roles that the government can play in promoting innovation. The first is creating the right environment to ensure fair access to public resources for all regardless of ownership. The second is to promote industries that have core competitive capabilities. It is important to select the right
industry to support and promote. Formalizing industry standards through legislation and law enforcement will help the industry to move up the value chain.”

Leading entrepreneurs extended the usual association of “experimenting” with the Reform programme to demonstrate that the professional logic actually helped to realize the goals of the Reform programme as specified by the state logic. They argued that the professional logic could aid the state logic as it made progress from “experimenting” to “professionalization” in its policy making process. Their pioneering practices, as evidenced by the fact that more than 70 percent of patent registrations were held by entrepreneurial firms, supported the desire of the state to foster and promote innovation. They leveraged the evidence to appeal for more legislation and for law enforcement to protect innovation. They appropriated examples in Israel and South Korea where the state was instrumental in promoting and protecting innovation to justify their appeal. In concert with these material practices, their symbolic claims concentrated on how entrepreneurial firms could contribute to the goals of the Reform programme as specified by the state logic in the form of policy recommendations. Their symbolic claims as evidenced in formal presentations, media interviews and policy consultation meetings delivered a consistent message to a wide array of external audiences including the government, the industry and their customers. In the process of constructing the normative aspect of collective identity, entrepreneurs were able to leverage the professional logic to influence the state logic. Micro level identity construction efforts gave rise to changes in the institutional norms as specified by the state logic.

**Balancing the distinctive and normative aspects of collective identity**

Entrepreneurs were skilful in balancing the distinctive and normative aspects of collective identity. They were deliberate in differentiating themselves from SOEs that had a reputation
of being content with the status quo, lack of initiative and relying on the state. Scrapping faulty products in public is an excellent differentiating practice. Entrepreneurial firms in the sample were the first in their industries to initiate this practice, which was usually conducted in public and at a significant cost to the firms. But entrepreneurs viewed this as important because it helped to demonstrate to internal and external audiences the importance that they attached to the quality of the products, caring for the customers and responsibility for the general public, and aspiring for excellence in growing their ventures. One entrepreneur said, “Entrepreneurial firms were prejudiced initially. Most people viewed entrepreneurs as only interested in making money. Scrapping faulty goods in public demonstrated that we cared deeply about quality and the interests of our customers. Our employees understood the importance of quality, our customers knew that we were serious about quality, and the public knew that we were not just in it for the money.” This practice was institutionally informed, but not mandated at the time. The symbolic meanings associated with this practice could not be underestimated. Media reports at the time moved the public attention from the original focus on faulty products to debating the role of entrepreneurial firms as a whole. These debates effectively helped to normalize the collective identity. They demonstrated that in the process of balancing the distinctive and normative aspects of collective identity, entrepreneurs were able to influence and change the institutional norms.

Leading entrepreneurs were careful not to devalue SOEs or FIEs in their effort to differentiate entrepreneurial firms. They creatively used the metaphor of “tiger as the king of the jungle” to reference SOEs and described entrepreneurial firms as “monkey” associated with characteristics such as flexible, responsive and always on the lookout for opportunities. The symbolic claims of “tiger” and “monkey”, an instantiation of balancing the distinctive and normative aspects of collective identity, were widely documented in the media. Unprompted
references to the metaphors from both internal and external informants supported this line of interpretation. These symbolic claims helped to surface any potential tensions between entrepreneurial firms guided primarily by the market logic, and SOEs governed primarily by the state logic. Entrepreneurs identified and combined reinforcing elements among multiple institutional logics to highlight how the practices initiated by entrepreneurial firms could complement those of SOEs. Claims such as “complementing SOEs” symbolized the deliberate efforts of entrepreneurs to balance the distinctive and normative aspects of collective identity. These claims aided their appeal for the government to provide a fair environment for all firms regardless of ownership. As a result, the government ministries and industry bodies held special sessions for leading entrepreneurs to share their knowledge and expertise with policy makers. Internationalization is an excellent example. Leading entrepreneurs pioneered internationalization before the government official endorsement and support. Relying entirely on their own resources, they accumulated knowledge and expertise in this area. They were invited to share their experience with policy makers and leading academics to further elaborate the merits of various approaches to internationalization. Their suggestions and recommendations were incorporated into the state policy. Entrepreneurs were able to influence the larger institutional context because they were careful in balancing the distinctive and normative aspects of collective identity, and not devaluing SOEs.
<table>
<thead>
<tr>
<th>Theoretical dimensions and second-order themes</th>
<th>Representative data*</th>
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<tbody>
<tr>
<td><strong>Constructing individual organizational identity</strong></td>
<td></td>
</tr>
<tr>
<td>a. Combining logics of the family, the community and the market to construct the unique aspect of individual organizational identity</td>
<td>a1. “The firm grew its business relying entirely on ploughing profits back. In the early days, the founder worked around the clock and slept on the factory floor. These pioneering stories got told again and again. Employees were proud to be part of something different.” (government official, interviews)</td>
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<td></td>
<td>a2. “The most important assets of a firm are its people. We provide good working and living environment for our employees. We built our canteen to five-star standards. We donated medicines and money after the earthquake in Sichuan. We decided to recruit qualified people there. We provided for the whole family to relocate to our firm.” (entrepreneur, archives)</td>
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<td>a3. “Our founder was always involved in recruiting. More than half of our employees were recruited from outside the province. Therefore we purchased land to build accommodation for our employees. We regularly organized social events for our single employees so they have the opportunities to meet like-minded people.” (co-founder, interviews)</td>
</tr>
<tr>
<td>b. Combining logics of the state and the profession to construct the normative aspect of individual organizational identity</td>
<td>b1. “The interactions with the government have many channels. Prominent government officials usually visit us during their tour of enterprises. Our founder is an elected member of the National People’s Congress. These are direct channels. Indirect channels are through the industry. Different firms within the group can have a voice in different industries.” (co-founder, interviews)</td>
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<td></td>
<td>b2. “The main responsibility of the government is to provide a fair environment for enterprises to thrive. I gave detailed accounts of our rather difficult periods of development to the National Development and Reform Committee (NDRC). I hope that NDRC will devise better reform policies and provide fairer environment in the future. (entrepreneur, archives)</td>
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<td></td>
<td>b3. “The more communication channels you cultivate with the government, the better. Government policies usually lag behind the practical needs of enterprises, so they need adjustments all the time. It is important that the government takes into account the importance of the industry sector and its likely impact, regardless of ownership.” (entrepreneur, interviews)</td>
</tr>
<tr>
<td>c. Balancing the unique and normative aspects of individual organizational identity</td>
<td>c1. “Our name means luck and fortune. Our original logo was in red, a colour linked with fortune in Chinese culture. We realized that the classic colour in the west is blue, grey or black, symbolizing elite and privilege. We debated about changing the logo internally and decided to align ourselves with the colour schemes in the west because we wanted to position our firm globally. The process took a long time, and we involved the whole management team and consulted our customers. We designed a new logo. Everybody bought into the new identity and the new concept.” (co-founder, interviews)</td>
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<td></td>
<td>c2. “Many enterprises fail because they are trapped in their own success. They want to replicate their success in the past. To continue to be successful, entrepreneurs need to have the capacity to continue to pioneer new things. Innovation is extremely important: innovation in systems, technology and mindsets.” (entrepreneur, interviews)</td>
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</table>

3 The data both illustrate substantive themes and triangulation between categories of source: interview and archive as well as informants internal and external to the firm.
Table 3 continued

<table>
<thead>
<tr>
<th>Theoretical dimensions and second-order themes</th>
<th>Representative data</th>
</tr>
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</table>
| Aggregated theoretical dimension: Constructing collective identity | d1. “Entrepreneurial firms endured extreme hardship during formative years. Our initial customers were also entrepreneurial firms. The bonds established were like blood brothers. Now they have become influential just like us, they would always give business to us first so long as we are able to fulfil their demands. This bond is as strong as the family.” (entrepreneur, interviews)  
d2. “The founder viewed investment in agriculture as his passion. It was non-negotiable. His view had always been that if we could help the peasants to get rich, it would benefit the country as a whole.” (co-founder, interviews)  
d3. “My biggest wish is to do meaningful things for the society. An enterprise that does not care about wider society will not last long. We are actively engaged in charitable activities, but we are not doing these for publicity. That is why we created a special charity fund that is not in the name of our enterprise. We view contribution to the wider society as part of enterprise responsibility. Social responsibilities also include commitment to quality services and sensitivity to the environment.” (entrepreneur, interviews) |
| e. Combining logics of the state and the profession to construct the normative aspect of collective identity | e1. “After being elected as a representative of the National People’s Congress, the founder advertised his contact details in the national newspaper and welcomed people to get in touch. He received more than 250 people during the ten days he spent in Beijing. He had more than 10 years experience of being a party secretary for the local village. He knew it was important to listen to peasants. He said that what peasants wanted most was for someone to listen to their concerns and solve their problems.” (academic scholar, interviews)  
e2. There are other firms attempting to copy our brand. This has serious implications not only for us, but also for consumers. One way to stop this is through legislation and law enforcement. The other is through improving industry standards and raising the technological barrier to entry. We are successful in doing the latter. (entrepreneur, archives)  
e3. “The firm occupies a prestigious position in the industry. The founder is deputy chair of the association. They were in charge of setting two national standards last year. They also participated in setting standards for three more national level standards. They were respected in the industry.” (customer, interviews) |
| f. Balancing the unique and normative aspects of the collective identity | f1. “Our brand bears the same name as the firm. During Sars outbreak, we meticulously planned our advertising campaign and changed the themes three times during the period. We started with the aim of providing information. When Sars first appeared, we began to stress the safety and effectiveness of our products. When Sars affected the whole country and products were in short supply, we did a lot of things that were beneficial to the society. We gave priority to medical professionals, elderly and children, and those who were most vulnerable. These activities made lasting impact on the society. Our brand became a household name.” (entrepreneur, interviews)  
f2. “Entrepreneurial firms need to find their own space for growth and development. It is vital that firms develop and nurture their identity. We aspire to be hidden champions that are focused on the industry, have ambitious goals and global presence. To build century brand and nurture an identity, it is important to have the mindsets of a peasant, not a hunter.” (entrepreneur, interviews)  
f3. Another entrepreneur changed the name of the venture after he repositioned the firm as a traditional Chinese medicine (TCM) firm. He borrowed words from a classical poem that symbolized the hope that TCM might bring relief to patients. He stressed that it was important to differentiate the firm from the competition. He designed a herbal garden growing ingredients that went into the making of TCM. |
DISCUSSION AND CONCLUSION

The study of the relationship between multiple institutional logics and organizational identity is in its formative stage. Especially scarce are empirical studies that directly examine the micro-processes involving the construction of both individual organizational identity and collective identity at the formative stages of entrepreneurial firms, and studies that investigate the simultaneous influence of multiple institutional logics on identity construction. Drawing on an in-depth study of private entrepreneurship in China, I found that entrepreneurs skilfully identified and combined reinforcing elements among multiple institutional logics to construct the distinctive and normative aspects of organizational identity. Specifically, they combined existing logics of the family and the community with the newly emerged market logic to construct the distinctive aspect of individual organizational identity and collective identity. They combined the dominant state logic with the previously suppressed professional logic to construct the normative aspect of individual organizational identity and collective identity. The distinctive aspect is associated with characteristics that define the organizational as unique and different from others (Albert & Whetten, 1985). The normative aspect is associated with characteristics that demonstrate the organization as congruent with existing institutional norms (Glynn & Abzug, 2002). The two aspects are an integral part of organizational identity. Entrepreneurs leveraged existing logics to support the newly emerged logics in constructing individual organizational identity. Balancing the unique and normative aspects of individual organizational identity was crucial for organizational survival and ultimately legitimacy (Suchman, 1995). The construction of individual organizational identity preceded that of collective identity. Collective identity construction served as an indicator that micro-level identity construction efforts aggregated and began to influence the larger institutional environment. As a result, entrepreneurs leveraged emergent logics to support
and/or influence existing logics to construct collective identity. Balancing the unique and normative aspects of collective identity provides the feedback loop linking micro-level identity construction efforts with macro-level multiple institutional logics. This study thus presents emergent evidence that micro-level identity construction efforts, although shaped by existing and emergent institutional logics, aggregate and reverberate to alter the configuration of institutional logics, and institutional logics are transformed in the process.

**Contributions to Theory**

The findings of this study have several implications for theory development. First, this study offers a more nuanced understanding of the relationship between institutional logics and organizational identity. In contrast to prior studies that have tended to portray identity as closely associated with a particular logic (see Glynn, 2008; Greenwood et al., 2011 for reviews), this study demonstrates that identity construction is associated with the simultaneous influence of multiple institutional logics. The study addresses the role of agency involving multiple logics in organizational identity construction. I emphasize how actors are able to identify and combine reinforcing elements among multiple institutional logics to construct organizational identity. Multiple institutional logics not only provide the resources for organizational identity construction, they also continue to reside in the emerged identity, but not as a hybrid version that differs from either of the competing logics as depicted by existing studies (Battilana & Dorado, 2010; Meyer & Hammerschmid, 2006; Rao et al., 2003). Yet the continued simultaneous influence of multiple logics in organizational identity does not imply conflict-free co-existence (Murray, 2010). The process requires that actors actively balance the distinctive and normative aspects of organizational identity associated with multiple logics on a continuous basis. The process is not about making existing logics
less appealing or illegitimate; instead, it is about identifying and combining potential reinforcement among multiple institutional logics to construct organizational identity.

Prior studies referencing identity construction as a form of cultural bricolage (e.g. Baker & Nelson, 2005; Rao et al., 2005) have emphasized the ad hoc use of cultural tools (Swidler, 1986) to address specific opportunities in the environment, and/or tinkering with existing institutions to solve specific problems. The current study differs from prior research and advances existing theories about the relationship between institutional logics and organizational identity (Glynn, 2008) in the following ways. First, entrepreneurs actively surfaced and managed contradictions, complementarities and reinforcements among multiple institutional logics. Although the family logic and the market logic are commonly perceived as contradictory (Friedland & Alford, 1991), I demonstrated that entrepreneurs skilfully identified elements among the logics of the family and the community that supported the emergent market logic, and combined them to construct organizational identity. Second, entrepreneurs proactively combined material practices and symbolic claims to strengthen potential reinforcements among multiple logics, while simultaneously minimizing potential contradictions to aid organizational identity construction. Third, individual organizational identity construction efforts supported the newly emerged logics, and enabled organizations to gain legitimacy over time. The material practices and symbolic claims associated with micro-level identity construction efforts of individual organizations, although shaped by existing and emergent institutional logics, produced and reproduced patterns in the aggregate that facilitated changes in the larger institutional environment. Emergent institutional logics began to co-exist with existing ones. Collective identity construction, instantiated through the process by which entrepreneurs deliberately leveraged emergent logics to support and/or influence existing logics, serves as an indicator of a macro-level shift. Therefore the
relationship between institutional logics and organizational identity is more nuanced than previously thought.

This study extends existing explanation concerning the relationship among multiple institutional logics, moving away from the notion of two logics battling with each other for dominance (Greenwood et al., 2011), or two logics differentially affecting different actors, geographical communities and identities (Goddrick & Reay, 2010), and towards an appreciation that the interaction among larger numbers of logics can be reinforcing rather than simply competing. It is made possible because I consider multiple institutional logics rather than just two competing logics, as has previously been done. Certain elements of multiple logics are compatible and/or reinforce each other. Therefore, the notion of inherent incompatibility between multiple logics needs to be qualified by the possibility that actors are able to skilfully identify and combine elements within existing logics that may lend support to the newly emerged logics in organizational identity construction. It is possible that restricting the research lens to only two logics has contributed towards the emphasis on competing rather than reinforcing elements among multiple logics. When attention is restricted to only two logics, the issue of how larger numbers of logics might influence organizational identity construction may simply be missed (Goddrick & Reay, 2011). The opportunity to gain a finer-grained theoretical understanding of the potential feedback loop that links micro-level identity construction efforts with the larger institutional environment where multiple institutional logics reside may also be lost. I thus join other scholars in arguing the urgent need for incorporating larger numbers of institutional logics into institutional analysis on organizational identity construction (Greenwood et al., 2011).
Secondly, this study answers scholarly appeals for integrating micro and macro approaches to the study of organizational identity (Glynn, 2008; Greenwood et al., 2011; Pederson & Dobbin, 2006) by exploring the construction of both individual organizational identity and collective identity. This study contributes to this modest body of work (Glynn & Abzug, 2002; Navis & Glynn, 2010) by focusing on the relationship between institutional logics and organizational identity in an entrepreneurial setting during a period in which market supporting institutions were virtually absent (Fan & Child, 2010). Prior studies of new market categories have found that the construction of a collective identity preceded the construction of individual organizational identity (e.g. Navis & Glynn, 2010), the empirical evidence from this study suggests exactly the opposite and more importantly, individual organizational identity construction preceded collective identity construction. This then begs the question of why, and perhaps more importantly, how generalizable are the observed patterns (Figure 2).

The emergence of entrepreneurial firms as a new category of firm was an institutional innovation in the Chinese business system (Redding & Witt, 2007). Not only were there no readily available existing institutions (e.g. Elsbach & Kramer, 1996) for entrepreneurs to draw on, the general societal factors were actually hostile to private entrepreneurship (Tsui et al., 2006). Therefore identity construction of individual entrepreneurial firms was essential for the survival of firms. It facilitated them to gain legitimacy (Suchman, 1995). This is in line with the suggestion by Selznick (1949) that actors capable of combining logics in novel ways to construct organizational identity subsequently contributed to creating a new category of firm, thereby effectively acting as institutional entrepreneurs (Battilana et al., 2009).

I suggest that the following contextualized factors might have contributed to the observed patterns here: (1) there is no clear evidence that the legitimation of the category is important for individual entrepreneurial firms; (2) the industries and/or sectors that individual firms
operate in are highly fragmented and ill-defined; (3) there is substantial regional variation in the development and growth of individual entrepreneurial firms, therefore the conditions for constructing a collective identity are premature; and (4) the impact of the influence of state policies manifested in regulatory rules is disproportionately significant for entrepreneurial firms as an emerging category. Further, the patterns observed here were consistent with other scholarly work on China which found that during the initial period (the same as the scope period of this study), changes were driven by disparate entrepreneurs through a “bottom-up” process (see Fligstein & Zhang, 2011 for a review). It therefore follows that collective identity construction was only viable after enough individual entrepreneurial firms survived and gained legitimacy. Entrepreneurs leveraged emergent logics to support and/or change existing logics to construct collective identity. Hence collective identity construction served as an indicator of a macro level shift in the composition of institutional logics, as well as modifications to the four contextualized factors specified above. This thus raises intriguing questions for future research, regarding the relationship between institutional logics and organizational identity. Is it conceptually conceivable that individual organizational identity construction and collective identity construction can occur simultaneously rather than sequentially? If yes, what are the conditions that facilitate the two identity construction processes happening simultaneously?

Further, existing research on collective identity construction has highlighted the importance of de-valuing the outer group and describing the deficits in the existing system (e.g. Weber et al., 2008) in constructing alternative logics and the associated collective identity that are in opposition to the existing institutions. This study is complementary in the sense that I explored the relationship between institutional logics and collective identity where emergent logics were somewhat contradictory to existing logics. The evidence that emerged from this
study suggests that entrepreneurs did not de-value the outer groups such as SOEs which were associated with the dominant institutions. Outright challenges might trigger resistance and even hostile reaction. In this particular case, emergent logics co-existed with existing logics, but did not replace them. Entrepreneurial practices and symbolic claims associated with collective identity construction emphasized differences and complementarities. However, the influence of institutional logics affecting entrepreneurial firms changed. Entrepreneurial firms were primarily influenced by the market logic. Therefore the composition of logics that entrepreneurs drew on to construct organizational identity might have changed as well. This is best informed by future empirical studies that examine firms established after the collective identity of entrepreneurial firms has been established.

In addition, I suspect that the patterns emerged here may be generally applicable to established organizations as well as entrepreneurial firms. That is, the feedback loop linking micro-level identity construction efforts with macro-level institutional logics may not be unique to new ventures, but relevant for established organizations as well. I further suggest that the dominant focus on organizational identity change rather than organizational identity formation and construction may have unintentionally contributed towards the current treatment of organizational identity along separate micro and macro paths (Navis & Glynn, 2011). The intertwined nature of individual organizational identity and collective identity is likely to be more visible and transparent when identity is being formed. Exploring organizational identity construction during the formative stage was evident in the seminal work on organizational identity (Albert & Whetten, 1985). I join other scholars in emphasizing the advantage of a focus on organizational identity construction in entrepreneurial settings in contributing towards a more comprehensive approach to the study of organizational identity (Navis & Glynn, 2011).
Thirdly, this study offers empirical evidence that extends the notion of cultural entrepreneurship (Lounsbury & Glynn, 2008). It moves beyond prior research on identity construction in an entrepreneurial setting that has focused on the immediate context of the market to include the broader institutional and cultural environment. By investigating the broader audience of potential resource holders including the government, industry bodies and research institutions, I extend the notion proposed by cultural entrepreneurship that identities place “more (less) emphasis on distinctiveness when institutional context has (lacks) legitimacy” (Lounsbury & Glynn, 2001:547). The results of this study suggest the opposite, and more importantly, that actors drew on multiple institutional logics to construct the distinctive and normative aspects of organizational identity simultaneously when entrepreneurial firms as a new category of firm lacked legitimacy. The two aspects are integral parts of organizational identity construction. Material practices and symbolic claims associated with constructing the distinctive and normative aspects of organizational identity occurred in parallel rather than in series. A number of factors may have contributed to this contradictory finding. First, this study was conducted in a context where entrepreneurship is not reinforced by the broader institutional structures of a society, therefore the findings emerged from this study may explain much more variance than the more local entrepreneurial efforts captured in the notion of cultural entrepreneurship. It therefore follows that empirical studies that situate identity construction as embedded in the broader institutional and cultural contexts beyond the immediate context of the market are likely to offer new insights into the notion of culture entrepreneurship. Second, this study expands the exclusive focus on stories and narratives as proposed in the notion of cultural entrepreneurship to include other forms of symbolic claims such as (re)naming, logos, photos, showrooms, site layouts and languages, as well as enactment of identity (entrepreneurial actions and practices) (Glynn, 2008). It is possible that by restricting the lens to stories, important patterns that may help to expand and
strengthen the notion of cultural entrepreneurship are simply missed. Hence more grounded empirical studies encompassing both claim-making and enactment of identity are needed to expand and facilitate the generation of theoretical knowledge in this area. Further, I suggest that more grounded studies conducted in contexts other than North America (e.g. Greenwood et al., 2010) will go some way in generating comparisons, and perhaps more importantly, helping to refine and expand the theoretical insights proposed in the notion of cultural entrepreneurship (Lounsbury & Glynn, 2001).

While I believe the study I have reported here offers a number of important theoretical contributions, the limits to its scope raise intriguing questions for future research. For example, what skills are needed so that actors are able to identify and combine reinforcing elements among multiple institutional logics? What are the conditions under which multiple institutional logics may cooperate rather than compete for influence in societal domains? How can individuals and organizations skilfully draw on multiple logics to better situate themselves to serve their own purposes? Do established organizations embedded in existing logics see the possibility of innovation from existing institutional arrangements? Another potential fruitful line of research is investigating the conditions under which aggregated micro-level organizational identity construction lead to alterations at macro-level institutional patterns at a higher level. Further, how do changes at the macro level in turn influence future micro-level organizational identity construction efforts? This line of inquiry is likely to expand existing theoretical understanding of the relationship between institutional logics and organizational identity. It is also consistent with calls from scholars to explore the connection between multiple institutional logics and organizational identity (Greenwood et al., 2011; Thornton et al., 2012). I hope that other scholars will join me in this endeavour.
CONCLUSION

Applying theoretical insights developed in the West to a context such as China, this thesis expands existing understanding of the notion of institutional logics, strengthens the theoretical foundation of institutional entrepreneurship, and offers a more nuanced understanding of the relationship between institutional logics and organizational identity. In conducting my studies in China, I respond to calls for research in contexts other than North America (Greenwood et al., 2010; Scott, 2005; Thornton et al., 2012) in order to generate comparisons and explore the extent to which the results emerged here apply across institutional contexts. Further, there has been on-going debate as to how China can contribute and relate to the advance of theoretical understanding in general (Tsui, 2004). In my view, this is an issue that has to be informed by detailed evidence on the Chinese situation (Barney & Zhang, 2009). The re-emergence of China as a central player in the global economy has been widely recognized as one of the most important social changes in the past three decades (Keister & Zhang, 2008). Its transition has attracted attention from policy-makers, practitioners and academic scholars who are keen to understand the workings of societal institutional change. Similar changes happened long ago in the Western context (Chandler, 1992; Dobbin, 1994), and as a result it has been difficult, if not impossible, to study them retrospectively. The current transformation in China offers a rare, real-time laboratory to study changes in societal logics, and how they influence field practices, organizations and individuals within the society. Insights gained from exploring this particular context may have ground-breaking implications for the study of institutions and organizations in general.
REFERENCES


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A system of state patronage in which officials took an active role in promoting private enterprises existed during the early stages of Chinese industrialization in late-Imperial times (Boisot and Child, 1996). During the period of Nationalist government, many “nationally capitalist firms” were controlled by politically dominant families (Coble, 1980). The post-1949 communist regime witnessed the concerted effort of the Party to bring economic and social life under the control of the state. The market logic was suppressed to the point of non-existent.

I use “giving meaning” instead of sense giving (Weick, 1995) because sense giving is retrospective (Weick, 1995; Weber and Glynn, 2006). My definition of “giving meaning” is providing meaning and guidance for changes in the society. It is both forward thinking and retrospective, therefore more appropriate for this study.

I use the term “political theorization” to differentiate it with theorization proposed by Strang and Meyer (1993). Theorization implies in general distributed theorization. In other words, there are visibility and transparency in the process. In the case of China, the heated debates within the Party were not transparent to the outside. The Party made the results available to the public, although one could discern the general direction by paying close attention to Party newspapers. Therefore the term “political theorization” is more appropriate for this study.