



MARKET CHINA: AN HISTORICAL AND INSTITUTIONAL ANALYSIS OF A CHINESE MARKETPLACE AND ITS MARKET ENVIRONMENT

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**MARKET CHINA: AN HISTORICAL AND INSTITUTIONAL
ANALYSIS OF A CHINESE MARKETPLACE AND ITS MARKET
ENVIRONMENT**

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MARKET CHINA: AN INSTITUTIONAL ANALYSIS OF A CHINESE MARKETPLACE AND ITS MARKET ENVIRONMENT

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The present study investigates the nature of markets and market development in China. It is made up of an introduction, conclusion, and five additional chapters. Each of the chapters focuses on some aspect of markets, institutions, and/or the interactions of the two as they relate to China, with most dealing principally with the development of markets in a specific part of China, Yiwu, Zhejiang Province. The author invested nearly three years of his life in Yiwu, developing relationships, carrying out interviews, and investigating the nature of market-related change in this part of China. In addition, he also had the opportunity to visit a number of other marketplaces throughout the nation. The works in the volume are the outcome of both his experiences and resulting research, and display the key roles of institutions, identities, particular individuals, and markets, themselves, in defining development.

BIOGRAPHICAL SKETCH

Mark Jacobs was born in Palo Alto, California. After receiving his primary and secondary school educations in California, Wisconsin, and New Jersey, he entered the University of Wisconsin-Madison, spending his junior year abroad in Taiwan. In December 1985 he received his B.S. in Applied Mathematics. He subsequently attended the University of Chicago Graduate School of Business, from which he graduated with an MBA in finance and international business in 1988. After a period of work in Asia, he returned to graduate school, and in 1996 garnered an M.A. in the Social Sciences from National Sun Yat-Sen University, a school in which the primary language of instruction was Chinese. Mark was the first non-native Asian to receive a degree from the school. After another short stint of employment, he enrolled in the Cornell Ph.D. program in Sociology, from which he graduated in June 2010.

This dissertation is dedicated to my parents, Jessica, Reiyah, and anyone else who has helped me along the way. I express great thanks and appreciation to all those involved.

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A CHRONOLOGY OF CHINA'S DYNASTIES*

Name of Dynasty	Years of Existence
Xia	1994-1523 B.C. or 2205-1766 B.C.
Shang	1523-1027 or 1766-1122
Zhou	1027 or 1122-256
Qin	221-206 or 209
Han	206 B.C.-220 A.D.
Three Kingdoms	220-280 A.D.
Jin	265-420
Northern and Southern	420-589
Sui	581-618 or 589-618
Tang	618-907
Five Dynasties and Ten Kingdoms	907-960 or 979
Song	960-1279
Liao	907-1124 or 947-1125
Jin	1115 or 1126-1234
Yuan	1260 or 1271-1368
Ming	1368-1644
Qing	1644-1911
Republic of China	1911-1949
People's Republic of China	1949-Present

* As perhaps is already evident, for many of the dates there is significant debate. One reason for this is because many of the transitions were not instantaneous, but rather occurred over an extended period of time. Still, the dates here, while frequently approximate, offer some sense of the various changes taking place. Sources: Meskill, 1973 and Fairbank and Reischauer, 1978.

LIST OF CHINESE PHRASES

Transliteration	Chinese Character	Meaning
<i>moshi</i>	模式	model
<i>Sunan</i>	苏南	Area of Jiangsu Province
<i>Wenzhou</i>	温州	City in Zhejiang Province
<i>Zhejiang</i>	浙江	Zhejiang Province
<i>hukou</i>	户口	Residence Registration
<i>shengchan dadui</i>	生产大队	Brigade
<i>gongshe</i>	公社	Commune
<i>yi gong bu nong</i>	以工补农	Develop Industry to Help Out Agriculture
<i>yi gong jian nong</i>	以工建农	Develop Industry to Build Agriculture
<i>jian dao cha</i>	剪刀差	Exploitation of Underdeveloped Areas by Developed Ones
<i>ziben zhuyi de heiyangban</i>	资本主义的黑样板	Dark Template of Capitalism
<i>fan geming fubi</i>	反革命复辟	Counter-revolutionary Reassertion of Power
<i>gua hu</i>	挂户	The use of another company's standing to

		register one's own company
<i>renmin minzhu zhuanzheng</i>	人民主义专政	Populist Dictatorship
<i>makesi liening zhuyi maozedong sixiang</i>	马克思列宁主义毛泽东思想	Marxism, Leninism, and the Thought of Mao Zedong
<i>nanxun</i>	南巡	“Southern Tour”
<i>zhengfu</i>	政府	Government
<i>jihua</i>	计划	Planning
<i>xingzheng</i>	行政	Administration
<i>guanli</i>	管理	Management
<i>zhili</i>	治理	Govern
<i>fangshou</i>	放手	Let Loose
<i>Zhonghua Quanguo Zonggonghui</i>	中华全国总工会	All-China Federation of Trade Union
<i>Chen Youde</i>	陈有得	Yiwu Greater Trade Union Chairperson
<i>Choucheng Zhen</i>	稠城镇	Choucheng Township
<i>Guanxi</i>	关系	Relationships
<i>Hu Jintao</i>	胡锦涛	Premier of China
<i>Jinhua shi</i>	金华市	City in central Zhejiang in which Yiwu is located
<i>Lao bai xing</i>	老百姓	Common people

<i>Mao Guagnlie</i>	毛光烈	Former mayor of Yiwu, current mayor of Ningbo
<i>Wang Zhaoguo</i>	王兆国	Secretary of China national trade union
<i>Xie Gaohua</i>	谢高华	First mayor of Yiwu following reforms
<i>Xinhua</i>	新华	National media organization
<i>Yang Shouchun</i>	杨寿春	Former vice mayor of Yiwu and former head of Yiwu Propaganda Bureau
<i>Yiwu Zonggonghui</i>	义乌总工会	Yiwu General Trade Union
<i>Yiwu Gonghui Shehuihua Weiquan Moshi</i>	义乌工会社会化维权 模式	Yiwu Trade Union Socialized Workers' Rights Model
<i>Yiwushi Zhigong Falv Weiquan Zhongxin</i>	义乌市职工法律维权 中心	Yiwu Worker's Legal Rights Center
<i>Zhejiang Gongrenbao</i>	浙江工人报	Zhejiang Workers' Daily
<i>Zhejiang Sheng</i>	浙江省	Zhejiang Province
<i>Zheng mian wei zhu</i>	正面为主	Emphasizing the positive

<i>Zhengfu de yanglaoyuan</i>	政府的养老院	
<i>Zuzhi bu</i>	组织部	

INTRODUCTION

MARKET CHINA: AN HISTORICAL AND INSTITUTIONAL ANALYSIS OF A CHINESE MARKETPLACE AND ITS MARKET ENVIRONMENT

In a general sense, the works in this volume relate to markets, their development and character (in an institutional sense). More specifically, the papers here all deal with the nature of emerging markets in China (and the manner by which these markets are emerging). Their focus is on processes of “market transition” (Nee 1989; 1996), wherein a nation moves from an economic system predicated on planning to one associated with markets. Such a shift involves many transformations. And, while there has been much research relating to the outcomes of these changes, there has been comparatively less investigation of the specific processes (apart from politically oriented ones) by which the outcomes have emerged. There thus exists a need for more research regarding the processes of market change. A particular lack of focus has been associated with the manner by which markets arise and develop. This has been a problem in research on transition processes generally, leading, in the words of one prominent transition scholar, to a situation in which “the mechanisms giving rise to transformative economic development are not yet well understood” (Nee 2009:4). My goal in undertaking the various works in this volume was to try and remedy this deficiency. I put stress on the formation and development processes of markets, especially in terms of how they relate to institutions and institutional change. This introductory essay serves as a prologue to the volume’s five distinct (but related) chapters, each of which deals with a particular aspect of markets, institutions and institutional change. It is organized in accordance with four main themes: markets;

the institutions that characterize them; the manner by which markets (and their relevant institutions) arise, change and develop; and how these issues all relate to the market transition situation of China (including how this transition process began and its subsequent nature). The essay specifies and discusses various conceptualizations of markets, one of which is a social organization approach that the various works within this volume rely upon. In addition, it also provides a summary of the papers making up the larger study. The purpose of this introduction then is to provide a foundation of understanding in preparation for the other essays to follow. It begins with a discussion of markets.

MARKETS

Markets involve processes of (at least mostly) free choice, predicated on price-based decision-making (though, of course, other influences, such as differing levels of knowledge among involved actors, advertising, actors' likes and dislikes, their conceptions of risk, various social influences, etc., all play roles as well). Markets are important if for no other reason than because they serve as the context of most business, economic, and even organizational action. Given that there is growing "concern that many of the accounts which centre on process and practice tend to downplay the importance of the broader settings in which action takes place" (Mutch, Delbridge, and Ventresca 2006:608), an enhanced understanding of markets is of importance. A logical starting point to start off this analysis is to define what "markets" are. Such a task is easier said than done, however. This is because, in many works, particularly business and economic ones, the word market is often used, but seldom explicitly defined. Related research instead generally assumes the existence of implicit market understandings. This has been an ongoing problem. In

fact, a Nobel Prize recipient in economics, “George Stigler found it ‘a source of embarrassment that so little attention has been paid to the theory of markets’” (quoted in McMillan 2002:8). But, even when the word market is defined, its meaning differs depending on various factors. One factor is the background of the individual who is doing the defining. For example, economists generally refer to markets in one way, while sociologists, and many other social scientists do so in another. A consensus on the term is therefore frequently absent. As one author writes, “the word ‘market’ is...equivocal” (Braudel 1992:223). To understand what markets mean necessitates therefore a review of some frequently encountered definitions of the term.

The roots of the word market can be traced to the Latin term *mercātus* meaning “to trade.” In its earliest form, market referred specifically to “A public gathering held for buying and selling merchandise” (Pickett 2000:1071). That is, it meant a marketplace, or a limited field of exchange. Such market forms can be traced back to the earliest of human history, as far back as the seventieth century BC (Rothenberg 1992:6). Marketplaces have continued to play a prominent role throughout the world ever since. Many authors have analyzed the function of marketplaces, with the French author-scholar, Fernand Braudel (1992), undertaking some of the most well known analyses. Marketplaces, while certainly socially impacting, have also often been portrayed as having various maladies, the most prominent of which are poorly diffused knowledge and information. In such markets, involved actors have tended to be cliquish and isolated from others outside their own realm, with the markets generally encompassing little large-scale interaction (networks of relations with other similar markets) and/or information exchange. In reference to a marketplace located in Africa and referred to as a bazaar, Clifford Geertz (1979:124-125) wrote:

...in the bazaar information is generally poor, scarce, maldistributed, inefficiently communicated, and intensely valued. Neither the rich concreteness or reliable knowledge that the ritualized character of nonmarket economies makes possible, nor the elaborate mechanisms for information generation and transfer upon which industrial ones depend, are found in the bazaar...The level of ignorance about everything from product quality and going prices to market possibilities and production costs is very high, and a great deal of the way in which the bazaar is organized and functions (and within it, the ways its various sorts of participants behave) can be interpreted as either an attempt to reduce such ignorance for someone, increase it for someone, or defend someone against it...The search for information one lacks and the protection of information one has is the name of the game.

Because of their frequent lack of ties to the outside, marketplaces as markets have also generally been limited in their overall social impacts. A better understanding of the influence of markets on overall society thus requires a consideration of other conceptualizations.

A second common representation of market is one linked to the notion of the market as a mechanism. This is the market commonly referred to in economics. It has, in fact, been said that the “one mechanism that economists relate most of their analyses to—their master mechanism, so to speak—is the market” (Hedström and Swedberg 1998:3). Mechanisms define the relationship between two entities, and scholars posit another of their functions is to provide explanatory insight regarding the connections and linkages between the two (Hedström and Swedberg 1998:7-11). Markets, at least within economics, are a mechanism (or process) in the sense that they

explicate the relationship between the supply of and demand for various items, such as commodities, finished goods, and/or services. That is, they function to explain the relationship between supply and demand. A key factor in this conceptualized role is the role of prices as the mediator of existing relations. In fact, within economics, markets and prices are oftentimes viewed as analogous entities. As a result, the environment of exchange has been considered to be unimportant (only prices are important). Such a notion dates back to the time of Adam Smith, and has been a prominent perspective within classical and neo-classical economic portrayals ever since. This view of markets as a type of mechanism also assumes markets to be naturally arising entities, with this emergence based on the human “propensity to truck, barter, and exchange one thing for another” (Smith 1952:6). Under such a formulation, “institutional effects are neglected and rendered as a part of the mysterious force of the laissez-faire economy” (Lie 1991:226). The market-as-mechanism view assumes an impersonalized exchange relationship, held in place by certain prescribed forces (Lubasz 1992:39), these forces being Smith’s “invisible hand,” or the relationship between supply and demand, predicated both on the actions of free agents,¹ who act in pursuit of their own rationally determined individual interests (leading supposedly to increasingly efficient systems), as well as on tendencies related to the (assumed to be) natural advancement of the division of labor, a process understood to result in the promotion of exchange. A market is signaled, according to neo-classical economics, when, for a specified product and geographic area, prices of the product change in unison, and move towards an equilibrium, the point at which supply equals demand (Lie 1997:342; Braudel 1992:227).

However, there are problems with such a characterization as well. For one

¹ According to Nobel winning economist, Milton Friedman, “The central feature of the market organization of economic activity is that it prevents one person from interfering with another in respect of most of his activities” (1962:14).

thing, it “bypasses questions of how buyers and sellers get together” (McMillan 2002:8), assuming that this process occurs naturally. The question of who is involved in exchange is therefore not important; with market-involved actors conceptualized as anonymous and independent. The approach also does not answer how exchange relations are maintained and contracts enforced, but instead supposes that these processes occur naturally. In addition, it leaves out the “interactive, mutually constitutive relationship between markets as economic process and markets as social institutions,” ignoring the idea that “the social institutions and organizational patterns that constitute the marketplace are not merely emergent properties of an abstract market mechanism” (Bestor 1998:154). Also overlooked is the possibility of variations and points of uniqueness among different markets. Rather, most economists assume markets to be of a positivistic form, the same in meaning and function regardless of context and/or participants. They likewise tend to ignore the idea that modes of exchange are “central to reproducing particular patterns of relationships, and co-ordinating social identities, functions and actions, that is, the notion that the exchange of goods, services, information and other social forms links people up in culturally specific ways” (Slater and Tonkiss 2001:8), which limit actors as to their forms of action. This helps to keep existing systems in place, and constrains macro-level change. Another weakness of most economic conceptualizations concerns the taken-for-granted motivations of involved actors. Questions have arisen regarding how rational and ego-driven those participating in economic activity actually are (Kahneman and Tversky 2000). Lastly, scholars have ignored the manner by which markets arise. The assumption has been, as in the words of Oliver Williamson, that “In the beginning there were markets” (1975:20). In fact, “[little] consideration has been made of where new markets come from and how existing markets affect the origins, stability, and transformations of other

markets” (Fligstein 2001:14).

One reason for this situation relates not only to how markets are depicted in economics, where, as already noted, for the sake of calculative convenience, market exchanges “involve only prices and quantities” (Simon 1991:40), but it has also resulted from a prominent view commonly found within many of the other social sciences, particularly anthropology and sociology. This view emerged, in part, out of the work of Karl Polanyi, work that has enjoyed “a substantial reputation amongst historians and scholars of other social sciences [apart from economics]” (North 1977:706). One aspect of Polanyi’s work posited that a significant realm of economic activity, a realm Polanyi identified as characterized by economic action associated with the mechanisms of reciprocity and/or redistribution, is embedded in networks of social relations and enmeshed in institutions (Polanyi 1957:148). Polanyi also stressed that, unlike forms of economy identified primarily with reciprocity and redistribution, the modern market economy is “an economic system controlled, regulated, and directed by markets alone; order in the production and distribution of goods is entrusted to this self-regulating mechanism” (Polanyi 1957:68). In making such a declaration, Polanyi defined the market an independent entity, and left economics’ “core concept of the market unchallenged. Despite his embeddedness thesis, market exchange remains a disembedded concept” (Lie 1991:219). Polanyi’s views have had major impacts in the sense that, until recently, most social scientists have tended to ignore economic-exchange forms of action, leaving such matters to be monopolized by economists. Recently, however, Polanyi’s views regarding modern markets have begun to be debated. A realization has arisen that strong inter-linkages exist between social and economic factors. In turn, interest among social scientists, apart from those just in economics, concerning things economic has grown considerably.

A catalyst for this change was a 1985 paper by Mark Granovetter. In this work, Granovetter raised questions regarding various notions that were acting to minimize the importance of social relations in modern economies. He wrote of economics' tendency to place little focus on the idea of human interaction as an influencer of economic outcomes, believing this to be inappropriate. But, Granovetter also asserted that the idea, as frequently found in the non-economic social sciences, of an overly deterministic social environment is also in error. Regarding these differing propensities he asserted that the "Under- and oversocialized accounts are paradoxically similar in their neglect of ongoing structures of social relations" (Granovetter 1985:481). He posited that both types of accounts have depicted actors as atomized entities (Granovetter 1985:485). He called for a greater focus on the nature of economic relations among social actors, insisting that there be an extension of Polanyi's concept of embeddedness. Granovetter declared the additional need for the application of embeddedness to situations associated with modern markets, insisting that, "a sophisticated account of economic action must consider its embeddedness in [social] structures" (Granovetter 1985:481). This need exists, Granovetter believed, due to the fact that the actions of actors in market economies are "embedded in concrete, ongoing systems of social relations" (Granovetter 1985:487). Various scholars, particularly in sociology and business, have, as a result, heeded Granovetter's calls for change. In turn, structural approaches have tended to "[dominate] the debate on markets" (Swedberg 1994:267).

There have been criticisms of the embeddedness approach, however. It has been asserted that, though the conceptualization improves upon the idea of markets as being strictly dependent upon mechanisms of price and efficiency, other factors need to be considered as well. According to one set of authors:

...the embeddedness approach—as currently configured—continues to be a partial explanation. In pursuing a role- and relation-based understanding of market arrangements, embeddedness scholarship treats markets as structurally determined and implicitly outside the realm of meaning, interpretation, and individual agency...Markets conceptually remain reified empirical objects, external to social actors who constitute them, rather than being conceived of as reified abstractions that represent intersubjective states of mind and meaning, reproduced through ongoing social participation and social investment. In order for participants to come together and meaningfully interact, they must share at least a sense of purpose, if not a syntax of intersubjective essentials (Biggart and Beamish 2003:450).

A more directly stated meaning of this is that embeddedness approaches tend to overlook the culture and history of markets. They also de-emphasize the role that social interaction plays in shaping and influencing the nature of markets. While society is not all determining, market actors, in their interactions with others, certainly are influenced by and influence society in ways that are not merely structural. These influences also impact markets. For example, allocations of power help determine how action will take place, as do existing beliefs. These are not purely structural factors. The meanings and forms (apart from structure alone) of interactive action are important and deserve consideration as well.

The idea of markets as social organizations, a third definitional approach, and the approach principally applied in this volume, incorporates these views. Such an organizational perspective has a relatively long history and assents to the importance of structural concepts. But, while networks are an important aspect of this approach,

the approach bolsters the structural (embeddedness) perspective of markets by including other factors as well, for example elements associated with organizational history, ideology, culture and values (Blau and Scott 1962:4)—the institutional side of markets. It does away with the idea of markets as a positivistic form, embracing the notion of market diversity. It takes markets as social constructions, both in the sense that differing markets possess unique forms of social interaction, as well as from the perspective that they encompass unique forms of social reality (Berger and Luckmann 1966). The approach assumes individual differences: “Markets are social constructions that reflect the unique political-cultural constructions of their firms and nations” (Fligstein 2001:97). Linked to this is the idea that an understanding of market systems necessitates the inclusion of a focus on socially based institutions (more about institutions will be said later).

Characterizing markets as a form of social organization implies that markets are a “kind of cooperation among men that is conscious, deliberate, purposeful” (Barnard, 1968 [1938]:4). This differs from the economic conception of markets that assumes involved actors are independent and directed solely towards their own economic interests, constantly shifting allegiances based strictly on price-based considerations. Under such a conceptualization there exists little need to consider issues of context or meaning. Also unlike economic conceptualizations, which treat markets as one endpoint of a continuum between markets and hierarchy, the conceptualization of markets as social organizations does away with the sharp distinction between hierarchies and markets, a distinction that is inherent in the work of transaction cost economists, such as Oliver Williamson. Rather than sharply distinguishing between markets and hierarchies, relevant scholars assume that markets include aspects of hierarchy within them (Perrow 1986:255). This implies that factors such as authority relations, structural considerations, the identities of involved actors, issues of

temporality, values, etc., must be accounted for and explained. Additionally, in contrast to economic approaches, which suppose that efficiency considerations are the sole determinant of market development, conceptualizations emphasizing the social organizational perspective view market changes as being linked to various causes, of which efficiency is but one. Some other factors of focus are the need for reduction in uncertainty and the desire for stability. As part of such an approach, “The central idea is the emergence of the market as an identity” (White 2002:22-23), wherein a sense of organizational order is achieved that provides market actors with a sense of predictability and assurance. Such identities are socially constructed, dependent on existing institutional frameworks. Historical considerations are critical to this approach, since the emergence of market order is not instantaneous, but rather occurs over time, dependent on factors associated with history, experience and path dependence. In this sense, markets, like other organizations, exist when “there is a probability that certain persons will act in such a way as to carry out the order governing the [market]” (Weber 1978:49). The Weberian approach applied here “incorporates economic and cultural factors and allows for historical diversity” (Hamilton and Biggart 1988:S75). It also emphasizes factors associated with authority, authority that is primarily top-down rather than bottom-up, while likewise including a discussion of political factors and the role of the modern state in impacting change.

But, even in applying such an approach one must be careful. One reason for such care relates to market definition. Although theories of industrial organization often assume otherwise (Swedberg 1994:261), markets are not the same as industry (Brooks 1995:536). Also, although Marx asserted that the scale and framework of production determines the nature of markets, something that has acted to influence some to emphasize production over other aspect of market doings (White 1981), in

fact markets are not determined just by a group of producers engaged in the manufacture of a similar product. Markets include and are impacted by a diverse array of participants, not only producers, but also buyers, sellers, input suppliers, as well as those overseeing and influenced by market-related activities: government officials, the courts, unions, the media, and the general public. Markets differ by geographic area and by involved actors, and by the degrees of involvement of these actors. Even within nations, markets are multiple in their forms and characters. Such assertions imply that the boundaries of markets are important, as are the manner in which activities are organized and managed within market boundaries. This is particularly the case for newly arising markets, especially when research exists showing that an organization's beginnings have ongoing influences on the nature of action in and regarding that organization over time (Stinchcombe 1965). Along similar lines, we may assume that the manner by which a market develops will have ongoing impacts on how action within the market's boundaries takes place in the market's future. Periods of market transition are thus particularly critical periods of change and deserve greater attention, particularly from the standpoint of emerging market organization.

INSTITUTIONS AND MARKETS

But how markets develop and operate depends on various factors, including, as previously mentioned, existing institutional frameworks, the degrees to which institutional frameworks change, and the manner by which this change occurs. What are institutions? To help answer this question, let's start off with some examples. Prominent institutions include language, money, social norms, laws, logics, and religions. It is necessary to start off with such examples because institutions, like markets, are also often defined in differing ways, and their meanings are not always

clear. For example, Nobel winning economist, Douglass North, has defined institutions as, “the rules of the game in a society or, more formally...the humanly devised constraints that shape human interaction” (1990:3). North, however, asserts an intentionality to the emergence of institutions that is not always present in other definitions. An alternate definition, for example, posits that institutions are “systems of established and prevalent social rules that structure social interactions” (Hodgson 2006:2), with no mention made of deliberate action. North’s approach also stresses the notion that institutions constrain and limit behavior, but ignores the fact that institutions also encourage and facilitate various forms of action as well. Institutions are not simply limiting, but can also have action-promoting effects, too. Thus, perhaps another, more sociological approach to the definition of institutions is better for the purposes here. It refers to institutions as “cognitive [how reality is framed], normative [focusing on values and norms], and regulative [the constraint or regulation of behavior] structures and activities that provide stability and meaning to social behavior” (Scott 1995:xiii). As such, institutions are entities acting to structure and define human action, doing so in at least three different ways. This depiction, offering insight regarding the action influencing aspects of institutions, and also emphasizing the heterogeneity of institutions in different areas, can also be found in another, similar definition, which defines institutions as: “shared rules, which can be laws or collective understandings, held in place by custom, explicit agreement, or tacit agreement” (Fligstein 1996:658).

Markets are themselves one type of institution, and encompass cognitive characters (i.e., institutional logics), normative frameworks, and various regulative features that distinguish them from other economic forms of exchange and/or action, such as planning or autarky. These features also differentiate markets from one another. At the same time, nested within any market, and acting to influence it from

within, are other institutions. The assertion made here is that each market encompasses its own unique institutional forms and conceptualizations, which are dependent on the existing institutional environment the market faces. As Krippner (2001:785) notes, “congealed into every market exchange is a history of struggle and contestation that has produced actors with certain understandings of themselves and the world that predispose them to exchange under a certain set of social rules and not another”, and the unique aspects of a particular market not only differentiates that market from other markets, but also help, within the market, itself, to structure, based on what actions the market allows and disallows, inter-actor relations, both at the individual and organizational levels.

MARKET DEVELOPMENT AND INSTITUTIONAL ESTABLISHMENT AND CHANGE

Unlike the idealized markets of neoclassical economics that assume perfect information and fully knowledgeable actors, significant uncertainty tends to characterize markets, particularly during the market startup process. This is due to the fact that early on in their development markets generally possess few standards, and diffusion of information within them is poor. Differentiation among buyers and sellers, and their products, has also not taken place. In addition, expectations, including assessments of what is valuable and what is not, have not yet had time to form. Within this context, market affairs are quite wild. But, changes, predicated on the development of an overall order, occur over time. These changes take place via various processes, including: institutional entrepreneurship; government intervention; isomorphic tendencies (wherein actors and behaviors, via rationalization and standardization, become similar to one another in appearance); and the formation of stable market relations, pushed forward via experience and the diffusion of

knowledge. These latter processes are often dependent on the development of network structures.

MARKET TRANSITION AND CHINA

One way in which markets arise is through a form of development known as market transition. Market transition refers to the process by which an economy moves from a reliance on planning to a situation featuring forms of market control. This involves institutional change, and the establishment of new institutional frameworks, both through policy changes and also based on the actions of institutional entrepreneurs. One change that occurs is that greater power over economic decision-making diffuses from the state to individual actors, giving market actors more control over their lives. Generally, this initially occurs through political means. But, political processes are only a part of the story. This is because once in possession of freedom market actors apply this freedom in ways that promote their own interests, taking advantage of their new powers to garner benefits for themselves. A natural division of labor emerges, based on specialization, and driven forward by comparative advantage, and research has shown that within China such processes have benefitted economic actors comparatively more than political ones (Nee 1996).

Discussions of China's market transition have generally assumed the beginnings of relevant transition processes to be the year 1978. This is because in December of that year, the Third Plenum of the Eleventh Chinese Communist Party Congress took place, and it was during this meeting that various changes occurred, ones focused on a reorientation of development strategy. Researchers have asserted that it was these politically induced changes that catalyzed China's market transition process. In turn, research on market transition in China has focused overwhelmingly on the changes that occurred from 1978 on. While history has been discussed, it has been framed in

terms of the post-1949, pre-1978 situation (Byrd 1991). Little has been noted regarding China's pre-1949 market situation (even though, prior to 1978, markets did exist in China). Therefore, in this introductory essay, I will, in discussing China's market transition situation, adhere to established convention and focus on the situation just preceding market transition, considering just post 1949/pre-1978 affairs. I will also summarize the catalysts for change (the following chapters will attempt to provide insights regarding the actual processes of change). At the same time, however, more needs to be known about China's market traditions. Thus, a subsequent chapter will delve into China's pre-1949 market situations, as well as provide more insight regarding China's current retail and production markets.

THE 1949-1978 PLANNED ECONOMY SITUATION

Following Liberation in 1949, China's Communist party took power. One of its first objectives was, by relying on the application of models borrowed from the Soviet Union, to re-make China into a planned economy. The goal was to have power over economic coordination situated primarily in the state (a process that had actually already actually begun under the previous Republican rulers). In its pursuit of this goal, China was successful, and, according to one scholar, at the start of reforms in 1978 the nation "was undeniably a command economy" (Naughton 1995:38).

What is meant by a command economy? A command economy refers to an economic framework wherein the instructions of government officials, ones predicated on the logic and demands of national economic plans, largely determine patterns of allocation within the existing economic system. In contrast to market economies, where the influence of (mostly) free prices largely determines patterns of allocation, in command economies the influence of prices is minimal. A second requirement for the functioning of a command economy is that existing power-holders possess control

over a preponderance of society's resources. Frameworks must be put in place to allow for such outcomes to emerge.

Something that needs to be emphasized, however, is that even though in any particular category there exist general similarities that help to define that category and characterize its members, there still generally are differences among a category's members that act to distinguish these individuals from one another. Such has certainly been the case with respect to the members of the command economy category. During the time China was a part of this group, it possessed features that separated it from the other command economies of the world. Its situation was certainly unlike that of the Soviet Union, with which scholars have frequently linked it. In fact, it differed in a number of respects. By highlighting these differences, greater understanding of China's pre-transition conditions may be obtained. This is the goal here.

In terms of these differences, during its planning period, China's economy was significantly weaker, and more decentralized than the economy of same-period Soviet Union. Although following the 1949 communist victory, China's new rulers did in fact set up a new state bureaucracy, which they hoped would achieve a unified leadership and unified administration (*tongyi lingdao, tongyi guanli*) situation, in reality, apart from the early period of communist rule, when Soviet planners helped China to formulate the nation's planned systems, this never really occurred. One reason for this was because China's then-leader, Mao Zedong, had a strong bias against over-centralization, believing that it stifled peoples' incentives (Qian and Weingast 1996:11). As a result, in contrast to the Soviet Union, a significant degree of administrative decentralization generally existed in China. This was a situation that frequently underwent change, however, largely because China's leaders were ongoingly experimenting with differing decentralization levels, ever trying to achieve

a proper fit (Lyons 1990:40). Two major instances of decentralization occurred in 1958 and 1966, with the first later followed by re-centralization, and the second not.

Because of decentralization tendencies, China's local areas (those of provincial-level standing and below) possessed control over significant financial and material resources. Various policies, particularly those emerging during the Cultural Revolution (1966-1976), encouraged China's localities to pursue their own independent processes of industrialization, a kind of autarky. To adhere to these policies, however, the areas needed to have resources available to them, and China's central government allowed them the resources they required. But, this resulted in the locales' possessing the ability to resist central planning measures, while also providing the areas with opportunities to undertake self-benefitting actions not necessarily in line with the greater interests of China as a whole. What resulted was a kind of central-state/locality dual structure. In fact, according to one author, this led to a situation that engendered "the de facto development of local government property rights" (Naughton 1995:43), a situation that would come into play in the development of China's town and village enterprises (TVEs) later on. It was a situation that also resulted in problems of unconstrained investment at the local levels (Wong 1985:255). These were sets of circumstances that were significantly different from those of other command economies, with which China has frequently been linked.

Another difference between the China situation and that of other planned states was that the number of goods covered by the central plan in China was comparatively small. In terms of what were then category I and category II goods, respectively defined as goods with country-wide unified distribution and subject to oversight by the State Planning Commission, and specialized goods distributed by those central ministries responsible for them, in 1981 there were only 837 categories of such goods

in China, as compared to 65,000 in the Soviet Union (Tidrick 1987:176; Byrd 1991:105). Another author states that the number of category I and category II goods in China at the time was even lower, citing figures of only 67 in 1981, and 210 in 1979 (Wong 1985:259). Whatever the case, there appears to have been significant differences, especially after 1965, between the number of goods subject to planning in the Soviet Union and the number in China. But it should also be noted, however, that product categories in China were less specific than in the Soviet Union, with a number of related, but different, products lumped together into general groups. On the one hand, this made the differences between China and the Soviet Union seem larger (significant differences still existed, however), and on the other hand it also meant that product accounting in China was more difficult to maintain. This caused planning to be problematic, something that again, was different from other command economies, where forms of accounting tended to be relatively specific, and planning more precise.

Yet another existing difference between China and other planned command economies was the degree of firm diversity that existed in China. Normally, planned economies are simple in nature. This is because, as can be inferred from above, the greater the level of complexity in an economy the more difficult planning and governance within the economy becomes. By 1978, China's economic situation, however, was relatively complex, and, in this sense, China was a relative outlier. Factors indicative of China's complexity were the nation's total number of firms, and the variety of these firms. Although state-owned firms in 1978 represented 78% of the nation's total industrial output, by that time there had already emerged significant numbers of commune and brigade enterprises (the precursors of the later town and village enterprises) in the country. In fact, between 1970 and 1978, firm numbers in China increased from 195,000 to 348,000, with most of these increases occurring at

the local level (Wong 1985:262). Such changes were largely the result of central government policies encouraging local self-sufficiency. The size of China's firms also tended to be small, with firms of over 500 workers accounting for only a little more than 40% of industrial output. In contrast, during the same period, in the Soviet Union firms with over 1,000 workers constituted 74% of that nation's industrial output, and 75% of its industrial work force (Naughton 1995:40).

Though, like the situation of the Soviet Union, markets for industrial goods in China were not well developed, the degree of outside-the-plan economic interactions in China was more pronounced than that found in the Soviet Union (where a second economy also existed). A considerable amount of bartering took place in China, and this "involved bargaining between producers and users or commercial intermediaries rather than a hierarchical formal planning process" (Byrd 1991:106). Bargaining between entities for products occurred not only to satisfy actual user needs, but also as a means by which localities could make up for deficits in planning goals. Much of this bargaining was, as in the Soviet Union (where firms relied on *blat* rather than *guanxi*), legal, but the Chinese situation also encouraged the illegal underreporting of production results by producers, who then used the gap between actual and reported amounts to provide for their area's barter trade needs. That is, producers illicitly stockpiled reserves with the explicit intention of involving themselves in the barter trade. Though such trade differed from the processes of price-dependent markets, it still offered a taste of the supply-demand mechanisms by which markets functioned, providing a kind of foundation for actual, price-dependent market undertakings that later on came into being. Again, this was substantially different from the situation found in the Soviet Union.

One last difference that needs to be mentioned relates to the contrast between the levels of social wealth found in different command economies. Although the Soviet

Union was not prosperous, it was far wealthier than China. China was an overwhelmingly rural nation, with low levels of urbanization. Agriculture played a much more important role in China as compared to the Soviet Union, where a greater focus was put on industry. This resulted in China's central government having far fewer resources upon which to rely than was the case in other command economies. To deal with this situation, the government set up strong demarcations between the urban and rural areas, limiting, through such mechanisms as the *hukou* policy (which disallowed rural residents from residing in the cities), contact between them (Cheng and Selden 1994). The efforts of the central government focused primarily on the cities, leaving the rural areas largely independent. This system, however, required the assistance and cooperation of lower level governments (particularly in the rural areas) to maintain social stability and order. Apart from instances of major infractions to social conventions, China's central government did not have the ability to involve itself in activities at the micro-level. The result was that significant deviation from command economy standards existed in late 70s China, particularly in those ideologically more open areas in the south, closer to the coast, and/or away from central control in Beijing, for example places like Guangdong, Fujian and Zhejiang. In many of these areas, a significant grey economy existed (Chan and Unger 1982), and, even prior to the start of reforms in 1978, technically illegal, private business activity had already begun.

In summation, what may be said regarding China's command economy on the eve of market transition? We can, as others have previously noted, say that China's command economy differed substantially from other command economies of the time (Lyons 1990). Existing differences were, as is outlined above, the result of a number of factors, with a couple of these being the decentralized nature of China's economy, and the fact that the nation's local governments were not simply bystanders in the

determination of their own futures, willing to adhere strictly to the commands of central leaders. They were much more independent. While China's pre-1978 economic system did encompass a centralized element, this was, when considered from a command-economy category-wide perspective, comparatively small, with much decision-making power decentralized to the lower realms. Also, change in China was ongoing, encompassing processes of centralization/decentralization, experimentation, and political upheaval (e.g., Great Leap Forward, Cultural Revolution). Even a limited degree of market activity, in the form of 30,000 rural periodic markets, existed as well (Naughton 1995:45). This resulted in a number of problems: an inability to clearly define the division of authority between the central state and lower levels of government; unclear policies; inefficient use of resources (including duplication and over-investment), which resulted in excessive waste, pervasive shortages, and poor quality goods;² distinct urban and rural divisions; and, regionalist tendencies and protectionism.

***THE CATALYSTS FOR MARKET TRANSITION AND THE ROLE OF
MARKETPLACES IN CHINA'S SUBSEQUENT MARKET DEVELOPMENT***

Overall, then, on the eve of market transition, China's economic situation was not ideal. It was, however, functional, and it "was certainly not an abject failure" (Naughton 1995:52). In turn, various questions need to be asked. Why did reforms, in the form of a complete institutional reorientation, occur when they did? Why didn't tweaks to the system simply take place, whereby the overall system remained largely the same? These are questions not often asked. Instead, the assumptions have been that the reforms were simply a natural outcome of existing context, and that

² Naughton notes that by the end of the 1970s inventories relating to industrial and material supply systems in China stood at 41% and 39% respectively. This compared to similar figures in the Soviet Union of 19.5% and 22%, almost twice as much (1995:49).

achieved results were intentional. Such a perspective can be seen in the following (see also Wedeman 2003:10):

After the end of the Cultural Revolution in 1976, the main concern of China's leadership was to overcome the disruption of the previous ten years, to resume rapid growth, and gradually to modernize the economy. It quickly became clear, however, that the ambitious investment plan and modernization program adopted in 1977 would strain China's resources. They would also fail to correct the underlying inefficiencies and structural imbalances in China's economy. So in December 1987, the Third Plenary Session of the Eleventh Party Congress adopted a new program of "adjustment and reform" (Tidrick and Chen 1987:1).

The sense one gets from this passage (and others like it) is that a switch was simply turned on and markets resulted. There exists the feeling that China's leaders suddenly decided that they wanted growth, and that this then led to the rise of markets. But, was this really the case? Did China's leaders simply decide one day to "set out to make the nation wealthy and powerful" (Perkins 1988:601)? And, once they made this specific decision (assuming they did), was it really that easy and obvious for them to make a switch to markets? Why were markets selected in the first place? Why not just continue on in a fashion similar to the past? In fact, at the time positive changes were already under way, and minimal change could have improved the existing situation greatly (Naughton 1995:61). Simple changes could have been chosen over large-scale reform.

But simple change was not the strategy selected, and many reasons have been cited as the cause of the radical reforms: the experience of the Cultural Revolution,

which made the Chinese people accepting and desirous of reforms; international forces, pushing China to change; and, various others. Still, these reasons alone cannot explain the results that occurred. Reform is a difficult and complicated process, and the assumption of an intentionality with respect to the actions that occurred is questionable. Deng Xiaoping, now considered to be the “architect” of reforms, admitted that he had never had any conception of the outcomes his actions might bring. Likewise, the term “groping for stones to cross the river” has been frequently used to describe the nature of reform policy selection and implementation that China’s leaders implemented. These elements do not imply the intentionality and strategic focus that researchers have asserted were extant. Rather, they convey a sense of adhoc action and tentativeness. What can be said, however, is that during times of difficulty decisions were made to implement change in the hopes of improving the situation. These decisions, in turn, yielded positive results, which induced more change. The fact that Deng was willing to follow a pragmatic course of action, stressing a “seek truth from facts” approach, which de-emphasized the dogmatic ideology of the past, was what made him notable.

Actually, the innovations occurring at the Third Plenum were less ones of policy and more ones of focus and approach. The Third Plenum signaled a reorientation away from investment in heavy industry to a focus on agriculture and consumption. Also arising during this meeting was a willingness among leaders to engage in united action, intended to benefit China. Deng Xiaoping, along with the more conservative leader, Chen Yun, who, as early as 1956 had argued for implementation of a combination of planning and markets (Hsu 1985:441), together looked for ways to improve the existing situation. In terms of possible forms of action, however, their available choices were few. This is because initial post-Mao strategies intended to result in the quick and intensive development of heavy industry, which Deng

supported (Naughton 1995:62), had been unsuccessful, and new approaches needed to be found. But, especially because of the failed, earlier attempts, which had used up existing resources, there existed limits on the amount of help the government could provide. At the same time, Deng and his supporting cohort needed to differentiate their approaches from the policies of Hua Guofeng, Mao's chosen successor, and Deng's then competitor for power. They could not simply follow in the tracks of Hua and expect to garner the backing from others they required.

One way in which the Deng-Chen alliance succeeded was by portraying itself as an innovative force, acting to move China away from the Maoist past, one that had frustrated many in the nation. Another key to the partnership's success was a willingness to experiment, to try new things, and to allow those at the local level to take responsibility for action. A third aspect was the realization that the cost of reform, in terms of the expenditure of resources, would need to be low. The emphasis on large investments in heavy industry could not continue, and alternative means of growth would need to be found. The decision was made to reorient China towards a greater focus on both agriculture and the consumption of consumer goods, processes that would require the willingness and involvement of the common people. The two processes would be tied together, and dependent on each other for their success. Based on emerging outcomes, this new focus was another important triumph.

Portrayals of the successes that have occurred, however, have tended to de-emphasize the role of the Chinese people and their society. The successes have instead generally been portrayed as a function of political action. Such a view has been ongoing, and as Thomas Rawski wrote in 1999, about 20 years after the start of reforms: "The evolution of China's market economy [was] propelled by an unusual combination of modest, often hesitant, official policy initiatives and widespread,

partially co-ordinated experimentation” (149). A major reason for such perspectives has been the assertion that China’s private businesses have developed under the direction of local governments. The often referred to government founded and managed town and village enterprises (TVEs) are examples of this, and have been the subject of much Western research (Walder 1995; Oi 1999). But, the set of such firms has only been a portion of the total number of organizations emerging in the post-reform period, representing only a modest percentage of the market developments that have occurred. In fact, many of the market-related changes that occurred were not so much a result of government direction, but were instead related to the actions of the common people. Such changes arose in the rural areas, and with little direct government (either local or central) involvement (apart from the freedom to act). Rather, the processes that took place were ones wherein, as a result of improved agricultural outputs, the incomes of China’s peasants increased, in turn inducing an expansion in the demand for consumer items. Rural-based industry, again frequently without the involvement of or any help from the polity, then expanded to meet the growing demands. Marketplaces also formed, serving as distribution points for manufactured consumer items, helping to allocate products to traders, who then, in order to resell the products to end users, often relied on the periodic markets of China’s market past. Political actions, impacted by the examples and policies set by Deng and Chen, provided the freedom needed for these changes to occur, but it was the people of China, its rural peasants, who served as the means by which China developed. It was they, through their entrepreneurial actions, who initiated a preponderance of the market changes that occurred. In many cases, it was only after the fact that policy adapted to the occurring changes, legitimizing market actors’ new forms of action. It is the story of these rural market actors then that needs to be told. The papers within this volume start to tell this story, attempting at the same time to

explain the evolution of China's market system.

A primary focus of resulting narratives is the role of China's marketplaces in the changes that have occurred. The papers here emphasize how the marketplaces and their relevant new environments emerged, changed and became rationalized. Marketplaces have played a critical role in China's development, but surprisingly, they have received little attention among scholars (at least apart from agriculturally directed markets).³ In Chinese academic literature, however, there has been a relatively high degree of focus on those specialized marketplaces that sell various manufactured consumables, some of which are small commodities (things like handicrafts, simple hardware items, and everyday use consumables (umbrellas, socks, underwear, writing implements, cosmetics, ceramics, bags, buttons, yarn, toys, watches, eye glasses, etc.)), textiles, and clothing. The marketplaces and the production clusters, with which they are normally interconnected, have both been referred to as two of the most important and distinctive innovations occurring as part of China's shift from planning to markets (Lu and Yu 2009:50). Some examples of major specialized markets are: Zhejiang's Yiwu Small Commodities Market, Luqiao Textile Market, various markets in Wenzhou; Jiangsu's Changshu Clothing Market; Shandong's Linyi Small Commodities Market; various markets in Guangdong; Hebei's Hankou Hanzhengjie Market; and, Sichuan's Chengdu Hehuachi Small Commodities and Clothing Markets. From the start, these markets functioned as outlets for products produced by the non-state sector economy, primarily private enterprises, but also including the part-private, part-public town and village enterprises. Without the existence of these markets and the networks of exchange

³ Some discussions of China's rural agricultural markets are presented in *China's Rural Market Development in the Reform Era*, by Him Chung (2004), Terry Sicular's (1995) "Redefining State, Plan and Market," and Andrew Watson's (1988) "The Reform of Agricultural Marketing in China since 1978." English language writings relating to China's specialized markets selling manufactured consumer items, however, are virtually non-existent.

they facilitated, China's private economy would have been severely constrained. The markets served to provide small and medium size producers (SMEs) a means to get their products to consumers in a cheap and efficient manner. Although the trading networks created were primarily domestic ones, certain markets, particularly the Yiwu Small Commodities Market in Zhejiang, also acted as facilitators for SMEs to enter international markets. The role of these marketplaces has been severely underappreciated.

The works in this volume relate primarily to the Yiwu Small Commodities Market, China's best-known specialized marketplace. More about this marketplace will be said in the chapters to follow.

THE PAPERS IN THIS VOLUME

The volume of work here is made up of this introduction, a concluding chapter, and five additional essays. The first essay provides an institutionally framed introduction to China's markets, doing so from both the perspectives of history and current conditions. Given that there has been a paucity of research written regarding China's overall market character, such an introduction is important because it provides a foundation of understanding by which the other essays in the volume may be better comprehended. With regard to this essay's historical review of markets, in addition to offering a general historical overview of China's previously existing market systems, it also focuses on three unique (as compared to markets found elsewhere) characteristics that typified China's markets: market structures that were characterized by and dependent on a system of periodic markets; a market agency situation predicated on distinct, geographically defined actor groups (the example of the Huizhou merchants is highlighted); and distinctive forms of production relations, distinguished by production clusters. In terms of the essay's focus on China's

current market situation, the analysis focuses specifically on the state of China's retailing and production situations, emphasizing the role marketplaces have played in each. It is clear from the essay's findings that significant degrees of continuity exist between past and present.

The second essay sets itself the goal of showing the relevance of institutions to market change. Its subject is institutional logics. Applying discourse analysis to differing theorizations of change, it distinguishes between macro- and micro-level institutional logics to show how, even when faced with similar macro-level institutional logics (involving the change from planning to markets), areas with differing micro-level institutional logics, ones that were developed and in-place prior to the period of market transition, will, during market transition, develop in different fashions. In fact, these dissimilar local institutional logics will have ongoing impacts. This suggests the relevance of local contexts and their institutional characters to organizational outcomes.

Markets are competitive realms. Through competitive interactions, some actors succeed and others fail. How certain actors attain success is still not well understood, however. The third essay examines the means by which a market actor goes about positively differentiating itself from its competitors, thus attaining competitive advantage. The focus of the essay is on a particular differentiating mechanism, firm celebrity. Taking China's most famous marketplace, the Yiwu Small Commodities Market, as its basis, the essay examines the means by which firm celebrity arises, and how other intangible assets, such as legitimacy, reputation and status, impact celebrity's existence and development. The essay adopts a historical, relationally framed approach to show how agency and structure act to influence the nature of celebrity emergence. It also outlines the effective strategies used by Yiwu actors to distinguish their market from other competing markets, thus bringing the market

competitive advantage.

The volume's fourth chapter concerns the process of innovative change in a public organization. The paper focuses on the Yiwu branch of China's All-China Federation of Trade Unions (ACFTU). Over the last decade, this branch, the Yiwu General Trade Union (YGTU), underwent significant innovative change, and has since come to be known as an exemplar of innovation among Chinese public organizations. The essay seeks to answer four primary questions: What organizational innovations took place; what actors and factors facilitated their occurrence; how were the innovations legitimized; and how are they being theorized and disseminated? The paper concludes that the roots of the arising innovations were not, as most conceptualizations of change assert, associated with exogenous factors (e.g. jolts), but rather were endogenous in nature, a function of institutional entrepreneurship. Relying on the results of interviews, as well as on a review of relevant literature, the paper outlines the processes of organizational innovation involved.

The fifth and final essay of the volume considers the manner by which processes of market rationalization take place. Its subject is a set of firms acting as suppliers to the world's largest retailer, Wal-Mart. It examines the forces acting to institutionalize workplace standards for the treatment of workers, and investigates the nature by which these standards are institutionalized within this set of companies. The paper considers three change mechanisms: agency, economic structure, and authority, and finds that foreign buyers have had less of an impact than one might expect, while newly emerging market structures have had the greatest impact. Authority mechanisms have also had an effect, though a comparatively smaller one.

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CHAPTER 1

CATALYZING MARKETS IN CHINA: THE ROLES OF PATH DEPENDENCE, INSTITUTIONAL DIVERSITY, AND INSTITUTIONAL ENTREPRENEURSHIP IN FOSTERING CONTEMPORARY MARKET FORMS

China's market transition has frequently been referred to in miracle-like terms. Many have noted the relative smoothness of the nation's post-reform change. Something that has not received significant attention, however, is the path dependent nature of the changes that have occurred. Linkages exist between pre-1949 forms, and those of the post-reform period. But, how, after a 30-year association with anti-market forms of planning (1949-1978), have these linkages been maintained? The paper focuses on three organizationally related elements distinguishing China's contemporary market system: marketplaces as centers of commercial activity; cluster-like structures of production; and, market agency dominated by networks of businesspersons (with network membership predicated on geographic origin). Analysis shows that the three elements possess pre-1949 roots. How during planning did linkages persist? Also, how, in the post-1978 period, have the three path-dependent factors re-achieved their former statures? The paper posits that institutional diversity and institutional entrepreneurship have been critical to emerging outcomes.

For any organization, the implementation of system change (i.e., the transition from

planning to markets) is generally a difficult and problematic undertaking. Adjustments to existing institutional frameworks are required. But, institutions, by definition, are not easily changed. Institutions are “shared rules, which can be laws or collective understandings, held in place by custom, explicit agreement, or tacit agreement” (Fligstein 1996: 658). As such, institutions are predicated upon issues of legitimacy, or “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995: 574). The difficulty of system transition relates to the lack of legitimacy for new institutional forms. Oftentimes, when transformations lack legitimacy, key actors (individuals or organizations with the power, resources, and potential to implement institutional change) tend to act in ways that make it difficult for institutional change to occur. Assuming legitimacy exists, however, these same key actors can, in the role of institutional entrepreneurs (DiMaggio, 1988: 14), be decisive in assuring that change takes place smoothly and with little difficulty.

How is this of relevance to recent transformations in China? Here, the focus is on the sequence of major institutional reforms that began in December 1978. The stated goal of these post-1978 reforms was economic growth. Early on, the changes were meant to restructure the Chinese economy, shifting previously extant allocation systems away from planning to a reliance on market mechanisms. Many nations have undergone similar modifications, processes frequently referred to as market transitions (Nee, 1996). Process results, however, have been anything but easy. In the case of China, the nation’s smooth encounter with market transition (Tiananmen notwithstanding) has made it a bit of an anomaly.

The relative ease with which market transformations have evolved in China has often been attributed to neo-classical or functional forms of explanation. The

assumption has been that the transformations were simply the result of existing demands, extant conditions, unfilled needs, and/or the understood desire of involved actors to improve system efficiency and reduce transaction costs (Pierson, 2000). From such a perspective, China's market transition has been a kind of natural convergence process whereby China's institutional frameworks have simply come to match those of other successful market economies (Woo, 1999: 117). Curiously, however, related research has essentially ignored both the pre-reform institutional structures of planning and the social elements involved in change. It has supposed that macro-level adjustments alone were of import, with actors at the micro-level merely following along in the aftermath of policy decisions. Micro-issues of agency have been severely neglected.

This results in some questions. One question relates to, how, after a 30-year institutional engagement with redistributive forms, did planning's influences in China diminish as rapidly and as easily as they did, especially when at the start of reforms "well functioning markets of goods and factor inputs [at the national level] did not exist" (He, Wei and Pan, 2007: 605)? If markets did not exist, how did they so easily appear? Another question concerns how it was that the institutions characterizing the newly emerging, post-1978 markets ended up being so similar to institutions that had existed 30 or more years before, especially when, in theory, the differing environment should have resulted in the emergence of changed institutional forms (Stinchcombe, 1965)? More explanation is needed.

This paper offers such explanation. It begins with a review of various elements relevant to institutional theory, placing particular emphasis on how path dependence can play a role in the facilitation of institutional change. Also emphasized are the roles of institutional diversity and institutional entrepreneurship. The paper's second section moves on to focus on the path dependent and institutionally diverse natures of

development in China, beginning with a consideration of China's contemporary market situation. It identifies the three unique institutions of China's emerging markets: marketplaces as centers of commercial activity; production organized in cluster-like structures; and, market agency predicated on networks of businesspersons (with network membership predicated on the similar geographic origins of network members). Following this, the paper provides a historical overview of the nation's pre-1949 market situation. This summary indicates that prior to liberation in 1949 there existed in China analogous, and very similar, counterparts to the three in-focus institutions. The paper's third section, relying on theory, Chinese-language journal articles, and insights derived from long-time fieldwork, focuses on how mechanisms associated with institutional entrepreneurship have impacted China's market transition. The purpose is to detail the impact of institutional entrepreneurship on China's market transition process. The conclusion summarizes the paper's various findings.

THEORY AND ASSERTIONS

EXISTING VIEWS OF INSTITUTIONAL CHANGE

For institutionalists, the explanation of institutional change has often been a problem. Institutionalism has generally assumed a determinism that clashes with notions of change. The supposition has been that, once institutions are in place, contextual environments act to inhibit further change, foster institutional continuity, and stabilize extant conditions. Institutions have been viewed "as the source of stability and order" (Scott, 2001: 181). But, in real life, change does occur. How then has it been theorized?

Apart from the functional and neo-classical perspectives mentioned above, wherein change is said to take place largely as a result of the perceived need to attain

economic benefits (i.e., lower costs and/or increased efficiency), another approach to institutional change has been to view it as incremental, but still ongoingly impacted (at least to some degree) by existing institutions. This approach does not view change as being completely linear, but rather as occurring in a stepwise linear pattern, wherein seemingly massive changes sometimes seem to occur, but in fact overall logics (and consistency) are retained. This perspective helps to explain how differing nations, in the face of the effects of similar globalist forces, respond in dissimilar ways to the same forces (Guler, Guillén and Macpherson, 2002), and why the diffusion of a particular practice will, across different locales, frequently exhibit differences in the way it occurs (Lounsbury, 2007). Notions of path dependency are preserved.

Another approach to institutional change has focused on how jolts, shocks, or points of significant disequilibrium impact existing systems (Meyer, 1982; Romanelli and Tushman, 1994). Research along these lines contends that institutional life is marked by periods of discontinuity, in the form of historical events, during which existing contexts undergo non-linear disruptions. These result in significant structural change (Sewell, 1996). Examples of such periods are regulatory adjustments, the advent of new destabilizing innovations, political and/or social turbulence, etc. The belief is that in reaction to the collective uncertainty engendered by such transformations, attempts are made to move towards a new equilibrium, and this catalyzes massive alterations. Quests for equilibrium attainment thus serve as the source of institutional adjustments. Researchers view related transformations as abrupt (though actually couched within a sequence of long-term activity), radical, and all encompassing. This conception of change discounts the impacts of path dependence.

AN ALTERNATIVE APPROACH TO INSTITUTIONAL CHANGE

Based on existing evidence, explanation of the institutional changes occurring in China cannot be completely explained by any of the various approaches detailed above. While the success of recent Chinese reforms was certainly enhanced by the perceived functional needs associated with economic development, the occurrence and success of the reforms was not completely determined by policy changes or by a ubiquitous, existing sense that markets were the answer. Other mechanisms were involved. Transformations were also not stepwise or gradual. Massive institutional adjustments occurred, and these resulted in a relatively rapid, as well as wide-scale minimization of planning influences. Still, path dependency, in the sense of ties to the past, was extant. How then to depict the changes?

I focus on path dependence, institutional diversity, and institutional entrepreneurship to come up with an answer, coming to three assertions. Assertion one contends that enacted institutional outcomes were path dependent. This helped to further China's market transition in that path dependency served as a mechanism by which legitimacy could quickly be attained. This was of particular importance given that, at the start of reforms, and in many places in China, "There was great animosity towards businesspeople" (11/29/08 Hangzhou interview of former Zhejiang economic reporter). By making those who potentially were to be impacted by markets aware that the proposed changes possessed a prior, domestic history, the modifications became ones that could be more easily accepted by reform-involved actors. The proposed changes already possessed a certain level of legitimacy, and this eased the market transition process.

The second assertion contends that the influence of planning in China was never total. Following liberation in 1949, institutional diversity existed. In turn, the paper places great emphasis on the notion that "even the most 'settled' paths are typically, if

not inevitably, littered with flotsam and jetsam—with elements or more or less developed systems of alternative industrial orders, abandoned or partially realized institutional projects and ‘paths not taken’” (Schneiberg, 2007: 48). The paper considers the possibility that it was China’s existing “paths not taken,” that is market remnants that survived during the time of Mao (1949-1978), which served as the catalysts for post-reform development, thereby acting to simplify involved processes. Such a situation would also explain the linkage between contemporary and past forms: their roots are one in the same.

Third, I assert that the market-embedded agency of comparatively small sets of local Chinese actors, who during the planned period continued to be involved in market activity, significantly influenced China’s market-transition processes. These actors served as institutional entrepreneurs, or “individuals who somehow break with the rules and practices associated with the dominant institutional logic(s) [in this case planning] and thereby develop alternative rules and practices” (Battiliana, 2006: 657). It was they who helped catalyze markets via the diffusion of their market expertise and knowledge, applying action templates that they had retained during the planning period. Once policy change occurred, they diffused these templates to others in society. These groups of actors served in the role of teachers, inculcating, through their actions and direct teachings, others in market ways, and promoting market transition in the process.

In the next section, I provide historical insight regarding elements of China’s past and contemporary market-forms. The goal is to offer evidence of the path dependent and institutionally diverse natures of China’s recent, post-reform development.

**THE PATH DEPENDENT AND INSTITUTIONALLY DIVERSE NATURES
OF CHINA'S DEVELOPMENT: AN HISTORICAL OVERVIEW OF
CONTEMPORARY AND PRE-LIBERATION MARKET FORMS**

CHINA'S CONTEMPORARY MARKET SITUATION

Any system of allocation (i.e., planning or markets) is dependent on the institutions that frame it. Issues of organization and agency are especially critical both to how the system will function and to the success it will achieve. Here the focus is on the three related institutions of especial uniqueness to China's market economy: marketplaces as centers of commercial activity; cluster-like structures of production; and, market agency dominated by networks of businesspersons (with network membership predicated on geographic origin). The intent is to show that the three institutions have played key roles in China's recent development.

CONTEMPORARY CHINA'S UNIQUE MARKET ORGANIZATION—

MARKETPLACES AS INSTITUTIONS China's contemporary market system is one that has, to a large degree, relied upon the development of marketplaces (in the sense of geographically specific, concentrated, large scale, focal points of exchange, with sellers situated in individual trading stalls) to emerge. China now has in excess of 4,000 of these marketplaces of a scale of at least 100 million RMB (around USD15 million) in total annual sales that encompass in total more than 2.6 million stalls, and in 2007, the numbers of these marketplaces (of the scale indicated) increased by close to 20% (Song, Wang and Wang 2008: 3). Though in the West, marketplaces early on were associated primarily with only the distribution of agricultural goods (Xu, 2008), in China, such marketplaces have been a key to the nation's industrial development, helping in the distribution of consumer goods. For nations in the midst of market transition, resolving the problem of distribution is generally a difficult one, especially

for small and medium-sized enterprises (SMEs) (Ding, 2006). The marketplaces have thus been key elements in the development of China's non-state dominated, market economy, facilitating the relations of actors who might not otherwise have interacted, and making buyers (and suppliers) knowledgeable about opportunities that they might not otherwise have been aware of. Although the role of marketplaces in China's development has been an important one, it is also one that has been severely under-researched, with a number of the nation's marketplace specifics being completely overlooked. For example, in contrast to the situation found in the industrialization processes of other more developed nations, during China's recent development the role of the marketplaces in China over time has advanced rather than weakened (Xu, 2008: 59). The origins of many of the marketplaces have also been rurally situated rather than arising out of the urban sector.

The fact that China's marketplaces generally possess rural roots has impacted their development in the sense that forms of growth bear direct ties to China's system of rural periodic markets. In addition, marketplace development initially took place not so much because of government actions or policies (in many rural areas governmental activities were comparatively constrained as compared to the urban situation), but rather through the efforts of the local people. In fact, a frequently encountered opinion heard in China's most famous marketplace locale, Yiwu, Zhejiang, is the following: "the people lead, and the government follows" (10/28/08 Yiwu interview). Possessing such activist inclinations, those from Yiwu have become famous throughout China for their market development skills. This role aligns with forms of market agency unique to China. It is to a discussion of these contemporary and unique forms of agency that the paper turns to next.

CONTEMPORARY CHINA'S UNIQUE FORM OF MARKET AGENCY—

BUSINESS GROUP NETWORKS AS INSTITUTIONS Market agency relations in China have been distinguished by a reliance on distinct groups of activist entrepreneurs or what may be termed market facilitators. Membership within these groups has been predicated on ties of geographic origin. Following the 1978 decisions to engender a greater reliance on markets, the involvement in market activities by these business groups emerged rapidly and on a wide scale. Actors from Zhejiang, Guangdong, Fujian, Taiwan and Hong Kong are all now famous throughout China for their role in market promotion.

Those from Wenzhou (Zhejiang) are one example. Strong networks of member interactions have characterized this group and others like it. These networks are ones premised on trust and personal relationships, and they have helped to resolve the problems inherent in developing markets, where information flows and social capital have yet to emerge in their needed forms. With respect to the success of China's marketplaces, for example, one recently interviewed Fujian businessperson intoned that "Any marketplace in China that hopes to be successful must include actors from three places: Zhejiang, Fujian and Guangdong. Without the involvement of persons from these three areas, the marketplace will fail. Only they possess the networks of entrepreneurial and business knowledge needed to achieve marketplace success, and their presence is needed to provide participants from other areas the opportunity to learn" (2/26/09c Yiwu interview).

CONTEMPORARY CHINA'S UNIQUE PRODUCTIONS STRUCTURES—

PRODUCTION CLUSTERS AS INSTITUTIONS The role of clusters—"geographic concentrations of interconnected companies and institutions in a particular field"

(Porter, 1998: 78)—has been significant with respect to the organization of production in China. One paper notes that at the start of the 21st century, in Guangdong Province, alone, there were 122 different municipalities, each of which was dominated by a single-product industry (Bellandi and Di Tommaso, 2005: 713). Similar situations exist in many other parts of China, in particular, Zhejiang Province, which is famous for the arrangement of its private, small and medium sized businesses into localized cluster forms. These clusters are particularly evident with respect to the production of textiles, clothing, metal products, and plastic consumer goods (Sheng and Zheng, 2004: 10-11).

CHINA'S MARKET PAST

With regard to the three element of interest: market organization, market agency and structures of production, how does China's contemporary situation compare to that found in the past? To answer this question, the paper starts out by providing a brief, and general, overview of the history of China's pre-reform market system. It then reviews the past backgrounds of the three, of-interest institutions: marketplaces as a key element of market organization; market activity premised on the actions of specific business groups; and, production organized on the basis of clusters. Did similarities exist? The two sets are found to be highly similar, suggesting the relevance of path dependency to China's contemporary market situation.

A BRIEF HISTORY OF CHINA'S PRE-REFORM MARKET SYSTEM Market activity in China has a long history, extending for a period of over two thousand years, dating back to the Qin (BC 221-BC 206) and Han (BC 202-AD 220) dynastic periods (Xu, 1997: 21). Even though China's market pursuits have involved dissimilar periods of development (often organized cyclically), still long-distance, inter-regional

trade involving luxury items and essentials like salt was early on quite common throughout the nation. It was with the emergence of the Song dynasty (960-1279) that commercial activity in China really began to expand in breadth, coming to include an expanded range of items, and targeting a much wider group of consumers, resulting in the formation of more nationally oriented market linkages. Periodic markets (*ji shi*) also came into being, tendencies of autarky lessened, and "the number of rural households participating in the local marketing process increased" (Shiba, 1975: 43). In turn, the number of intermediate urban centers increased, as did existing levels of economic differentiation (Shiba, 1975: 43). Markets also became more independent, and "By the twelfth century, markets had burgeoned outside city walls, where they stayed open all day and night without government interference" (Hansen, 1996: 2).

Between the years 1300 and 1500 (during which time overseas commerce was banned, high taxes were imposed, infrastructures were poorly maintained, regime change occurred, and a lack of a monetarized economy was present) the emerging market framework experienced a downturn. Its more modern rebirth can be traced back to around the middle of the Ming dynasty (1368-1644) (Elvin, 1973: 203), a time when the importance of periodic, rural markets expanded greatly (Xu, 1997: 21). Over about the next 130 years, the foundations of China's economic situation for the next 400 years took shape,⁴ and from around the year 1500 on an era of vigorous growth began in the nation, stimulated by an ever increasing expansion of markets. During this period, competition increased and increasing levels of product specialization became evident. A unique factor associated with the period was that "invention was almost entirely absent" (Elvin, 1973: 203), meaning that little technological innovation occurred in either agriculture (apart from the introduction of new seeds and plant varieties), or industry (Rankin, 1986: 6). As William Rowe

⁴ Correspondence with Yoshinobu Shiba, May 15, 2006.

(1984) discovered in his researches of 1796-1889 Hankow (Wuhan), even in the absence of the existence of technological innovation, trade was not only growing, but it was also becoming more and more intricate. As China's market structures evolved, however, the markets continued to have their own points of distinctiveness as compared to those of other places.

CHINA'S MARKET ORGANIZATION FROM AN HISTORICAL PERSPECTIVE

While there has been ongoing debate about whether China's market, particularly from the Qing Dynasty (1644-1911) on, was a nationally based one, what scholars do not question is that its structure was hierarchical in nature. Certain major Chinese cities sat at the top of this hierarchy, with each of these cities representing a different market region. It was G. William Skinner (1964) who first developed this conceptualization, framing China's imperial-period communities according to an eight-tiered, ascending hierarchy (minor markets, standard market towns, intermediate market towns, central markets, etc.), formulated on the basis of the range and amount of a city's commercial activities. Skinner also posited that early on there were nine primary trading regions in China (8 + 1 (Manchuria), with a total of six central cities (those cities at the top of the hierarchy). Each of the trading regions was, at least to a certain degree, independent from the others.⁵ Regarding the level of this independence, however, there again has been significant debate, with even one of Skinner's former students, Mark Elvin, asserting that "anyone who is tempted to think of the late traditional Chinese rural economy as... 'self-sufficient', or 'uncommercialized' has only to look at this network [the linkages of market towns that began to arise in the seventeenth century] and its density to realize how inapplicable these terms are" (Elvin, 1973:

⁵ Skinner believed that due to limitations associated with high transport costs the regions were virtually isolated (1977: 284-285).

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The system connecting the nation's various markets together, particularly at the lower levels, has, until at least recently, been that made up of periodic markets (*ji shi*). In the Ming Dynasty, periodic markets greatly expanded in scope, but lapsed somewhat during the inter-regnum, wartime period at the Qing's start. By the mid-Qing, however, "the majority of China's provinces and districts possessed a high density network of rural-area, periodic markets" (Xu, 1997: 24). Growth of these markets continued throughout, such that by the end of the Qing (~1911), China had 21,866 such markets (as compared to only 6,674 in the Ming Dynasty) (Xu, 1997: 24).

The markets are referred to as periodic in the sense that they did not operate continuously, but only convened at specific times, generally only between two to five days of a 10-day period. In one place a three-occurrence market might meet on days 1-4-7 or 2-5-8 (that is, in the first case the 1st, 4th or 7th days of the 10 day span). On the other days of the 10-day period, the market would travel to different nearby locations, convening on a similar, non-sequential, multi-day schedule. One common question that has arisen has been, why rely on the periodic market as opposed to a fixed market? The answer is conveyed in the following passage:

In essence, because the total amount of demand encompassed by the marketing area of any single rural market is insufficient to provide a profit level that enables the entrepreneur to survive. By repositioning himself at periodic intervals, the entrepreneur can tap the demand of several marketing areas and thereby attain the survival threshold (Skinner, 1964: 10).

Although it was generally true that "Repression of rural marketing for

ideological reasons was the general trend during Mao's era" (Chung, 2004: 30), based on fieldwork results, and in contrast to some portrayals (Rozelle Huang, and Benziger, 2003: 91), apart from those times of severe political upheavals (i.e., the Great Leap Forward and early in the Great Cultural Revolution), for many areas the impact of Maoist policies on rural periodic markets was not enough to do away with the markets' operations, and throughout the Mao period periodic markets continued to function. This was certainly true in areas of Zhejiang, like Wenzhou and Jinhua (Yiwu), where, although comparatively constrained, market activities were ongoing, especially during the 1970s. In fact, in the mid-1970s, the then Vice Premier of China's State Council, Chen Yonggui, critically declared that, "if you want to see capitalism you should go to Wenzhou" (Li, 1997: 171). Likewise, in Yiwu, throughout the planned period "all types of markets went on operating in line with their traditional breadth and scale, and new forms of business organization to a large degree coexisted with the private traders" (Bao and Wang, 2002: 5).

CHINA'S PAST FORMS OF MARKET AGENCY China is a large country, its regions are quite distinct, with some areas possessing histories associated with commerce, and others not. This has impacted the nature of development in China, resulting in a particularly diverse commercial environment characterized by a wide range of varying activity. One element of historical noteworthiness is that the country's development has been predicated on the agency of specific actor groups, defined by member geographic origins and cultural backgrounds. The activities of these groups, which traditionally were grouped into nine (or in some cases ten) different factions (those of Shanxi, Shaanxi, Ningbo, Shandong, Guangdong, Fujian, Huizhou, Dongting, Jiangshi, and Longyou), have been crucial to economic workings in China. To offer a better perspective of the groups, focus here is directed to one of

the groups, the Huizhou merchants.

The homeland of the Huizhou merchants was a mountainous area of what is now southeast Anhui and northeast Jiangxi Provinces. The Huizhou people's involvement in business activity can be traced back to the Eastern Jin dynasty (317-420 AD) (Wu, 2004: 44). Like the home areas of the other nine or ten prominent business factions in Chinese history, the geographic character of the Huizhou merchant's origins was characterized by high population levels and a constrained amount of livable terrain, land that was not only relatively infertile, but that was also in short supply (Pan, 2005: 11). Even though, early on, Huizhou's population levels were already comparatively high, because the area came to be considered a comparative "utopia" during a period when there was much ongoing social unrest (some of which was large scale) elsewhere, substantial migration to the area continued, and Huizhou's population experienced ongoing expansion, increasing from 36,000 in the year 464 to 1.452 million by 1578 (Pan, 2005: 4-6; Fang, 2005: 416).

The highpoint of the Huizhou merchant's activities was a 300 year span extending from the middle of the Ming dynasty to a point during the reign of Dao Guang (1821-1851), of the Qing period. During this time, Huizhou businesspeople were the most powerful commercial group in China, and their geographic range extended from the mouth of the Huai River in the East; Gansu, Yunnan, Guizhou, and Shaanxi in the west; Beijing, Liaoning and Shandong in the north; on to Fujian and Guangdong in the south. They also participated in overseas trade, engaging in commerce with such countries as Japan, Portugal, and Southeast Asia (Xiao, 2005/6: 57). The early trade activities of the Huizhou merchants were centered on their home area, relying on water transport, in the form of a network of rivers and streams, to facilitate trade with places like Hangzhou, the capital of Zhejiang Province. Traded products included various unprocessed products native to their region, articles like tea,

tong oil, kaolin (Huizhou traders supplied much of the clay used in production of the famous Jingde pottery) and lumber. But, over time, the sphere of their dealings expanded, both in terms of product type and regional focus. In addition, Huizhou merchants became heavily involved in pawn-broking and the lending of money (Pan, 2005: 52).

Networks of close relations characterized Huizhou businessperson relations, and credibility and trust were inherent aspects of their business activities. They put great emphasis on the idea that “only via the establishment of a good business reputation and the attainment of client trust [could one] profitably guarantee business development and prosperity” (Zhang 2005: 56). Such customs further enhanced their dealings with other businesspersons, representing a key element of their economic success. But, another factor that must be noted with regard to their success is that it was predicated on the traders’ political relations. When these relationships changed, largely as a result of political shifts in commercial policy, the business success of the actors diminished considerably. This was true not only of the Huizhou merchants, but also with respect to those from Shaanxi and other places as well. Political factors played a strong role.

Following liberation in 1949, the foundations of new business group emergence began. In various cases, the planning period fostered the need for cooperative efforts that possessed similarities to those engaged in earlier by the Huizhou businesspersons. This was particularly the case in many parts of southern Zhejiang, where an intentional lack of central governmental support necessitated that the local population (including local political actors) cooperate together in the furtherance of commercial activities. In areas of Wenzhou and Jinhua (especially Yiwu), characterized by high populations and low incomes, and where pronounced life difficulties existed, the people began to collaborate in the undertaking of market activities. The government

did its part by turning a blind eye to these pursuits (Peng, 2004: 1065). In parts of Wenzhou locals ongoingly even engaged in illicit smuggling pursuits and other outlawed commercial activities, while in greater Jinhua (of which Yiwu is a part) a tradition known as “trading chicken feathers for candy (*ji mao huan tang*)” prospered and became a cover for a much broader range of trading endeavors.

THE ORGANIZATION OF PRODUCTION IN CHINA FROM AN HISTORICAL PERSPECTIVE Historically, forms of regionally based, production specialization characterized China’s markets. A focus of this production system was the cluster organization. According to Denggao Long (1997: 13), the history of production clusters in China goes back to at least the Ming and Qing dynasties (but evidence suggests that in many areas of China the existence of clusters was even earlier). These centers came about, at least partly, as a result of the high level of geographic and environmental diversity in China. Because of this diversity, natural forms of comparative advantage arose with respect to specific products.

Based on the notion of comparative advantage, Xu (2002: 43-44) breaks down China’s territory into different regions, positing that by the Qing dynasty there were four primary economic zones: the Jiangnan region, encompassing the delta area of the Yangtze River, and, since the Tang dynasty, the most developed region in China; the Pearl River delta area, in China’s south, which included Hong Kong and Guangzhou, and whose growth was, since the Song dynasty on, very much tied to foreign trade; China’s northern plain areas, encompassing the provinces of what are now Hebei, Shandong, and Henan, which had early-on witnessed development, then economic difficulties, with resurgence again taking place at the onset of the Ming dynasty; and, the middle part of the Yangtze, made up of the provinces of Jiangxi, Hunan and Hubei, the grain basket for the rest of the nation. In these different areas,

“what resulted was the rise of a situation wherein areas each had their own special sense of economic character” (Xu, 2004: 9), with trends of specialization arising in different product groups.

One of the product groups in which specialization occurred was the manufacture of silk items. But, cotton wares also experienced the specialization phenomena as well. Of cotton manufactures, Craig Dietrich (1972: 133) wrote, “the specialized sector of the industry became concentrated in certain areas.” Dietrich went on to describe how specific locales also focused on particular aspects of the cotton-production process, with some areas concentrating on the growing of cotton, and others on its processing and manufacture. Even with respect to the manufacture of cotton related products, different geographic areas specialized in distinct modes of production, with some dealing in production for local consumption and others specializing in manufacture for export. In a certain region, manufacturers of an individual product tended to cluster in a small area, with “a few villages, suburbs or parts of a city...commonly found to produce a major portion of [an area’s] cloth output” (Dietrich, 1972: 134). The existence of such specialization furthered and was itself enhanced by the expansion of markets. As markets developed, specialization increased and vice versa. This gave rise to the emergence of production clusters.

In places like Zhejiang Province, prior to liberation in 1949 clusters were common. They usually arose around a first-moving firm, and involved trends of increasing specialization (Wang, and Yu, 2008: 26). The histories of some of the clusters are quite long. For example, scholars have attributed the beginnings of the Yongkang metal processing cluster, located in Jinhua (close to Yiwu), to be the Spring and Autumn period of the Eastern Zhou Dynasty, sometime around the 8th century B.C. By 1947, the Yongkang cluster had become quite large, with 1,059 firms

involved in ironware production, 850 firms producing bronzeware, and 822 tin-ware manufacturers. Although on paper, Yongkang's metal working firms were constrained in their activities between 1949-1978, following reforms firms in the area expanded quickly, and by 1983 their total numbers were at least three times that present in 1947 (Hu and Fan, 2003: 5). This suggests the presence of ongoing cluster production during the time of Mao. Fieldwork results suggested similar conclusions.

The above discussion makes clear that, at least with regard to the three, focused-upon points of uniqueness of China's markets: structures based on marketplaces; agency predicated on groups of geographically defined market activists; and, the organization of production premised on clusters, a strong sense of path dependency is evident between past and contemporary forms. The review also shows that even during the (1949-1978) period of planning, market activities, though certainly constrained in form, continued, thereby serving as a link between the past and the present. It remains to be seen, however, how this link underwent actualization. To provide an answer, I rely heavily upon fieldwork results, focusing upon the role of Yiwu actors in China's market transition changes.

THE ROLE OF INSTITUTIONAL ENTREPRENEURSHIP IN FOSTERING CONTEMPORARY MARKET FORMS: AN EMPIRICAL EXAMPLE

In western business scholarship, there has been little mention of the efforts of Zhejiang businesspersons in promoting market forms in China. But, in China there is a saying akin to the following: "Wherever there are Zhejiang businesspersons, there will be markets" (Chen, 2006: 299). Throughout China, those from Zhejiang have become famous for their market abilities. One reason for this fame is that there are now over four million Zhejiang businesspersons who have left their homes to engage in entrepreneurial activities and invest in businesses outside their province. Another

source of fame is the success that those from Zhejiang have achieved during the reform period. This has been especially true of individuals from two areas of Zhejiang: Wenzhou and Yiwu. Here I focus on those from Yiwu.

Yiwu is unique in that its post-reform development featured an emphasis on markets first, and only later promoted manufacturing. As previously mentioned, a long-time business tradition existed in Yiwu called the “Chicken Feathers for Candy Trade,” wherein Yiwu traders (mostly from a township called Niansanli), primarily during periods after harvests or prior to planting, would go out to other locales to trade. Their stated purpose was to use their self-produced hard candy to barter for chicken feathers, which they then sold to producers of feather dusters or used themselves as a fertilizer to enhance nutrient-poor soils (2/13/09a Yiwu interview of former trader). In fact, the dealings they engaged in generally involved more than this, and throughout most of the Maoist period there existed a substantial trade in consumer items as well (2/16/09 Yiwu interview with former trader). In the early 1970s, with the advent of what later became the town and village enterprises (TVE’s), Yiwu businesspersons began to barter for or purchase such firms’ seconds or excess production amounts, going on to then sell these in their trade outings, earning what for some amounted to comparatively large returns. In carrying out their trade, Yiwu traders focused their activities on rural-based pursuits, trading in only those locales where higher government oversight tended to be minimal. To support these expanding trading activities (and prior to the start of reforms), Yiwu markets, particularly ones in Niansanli, grew in scale, coming to include a wide range of products produced in other parts of Zhejiang, things like hardware and small metal toys from Yongkang, socks from Zhuji, gauze fabric from Jiaxing, buttons and lighters from Wenzhou, and balloons from Zhenhai (2/13/09b Yiwu interview with former trader). Later, Yiwu traders began to travel by rail to farther away places, such as

Shanghai, Guangdong and Manchuria, to source out products and bring them back to Yiwu. In this way, Yiwu markets received an early start.

Once reforms began, market efforts took on a new intensity, and various other service activities arose to support them. In particular, Yiwu's logistics activities underwent noticeable development. In addition, Yiwu traders (and Wenzhou ones, as well), changed from engaging simply in trade, to taking part in the building and management of markets in other areas. They used their own, trade-generated capital to invest, and relying on Yiwu's comparatively advanced logistics systems to transfer products back and forth, they sent in-demand items to Yiwu for sale, and brought Yiwu products to their own markets for exchange, earning arbitrage returns in the process. But, their hardships were extreme. Anti-business mentalities existed, and Yiwu entrepreneurs in their undertakings in other areas often met with prejudice and distrust. Still, the Yiwu entrepreneurs persevered and, on average, their markets grew increasingly successful. This was particularly the case for Yiwu's own market, which continued to expand. In the process, however, it also experienced the pains of development. Government involvement grew, with the local government eventually taking over responsibility for the market's management, and going on to rationalize market operations further. Today, Yiwu's market is one of the largest, and certainly the most famous market for consumables in China.

In undertaking the efforts they did, the role of Yiwu businesspersons as institutional entrepreneurs is apparent. Their actions resulted in the breaking down of market barriers in China, the facilitation of improved market-driven institutional frameworks, and the attraction of additional participants to the emerging market-movement. They continue to be involved in such efforts, building and managing markets throughout China. In so doing, they have advanced the processes of market transition substantially. The following is a quote from a market owner and manager

from Yiwu, who, along with his brother, now runs markets in four different Chinese provinces.

Originally many of those in our markets had little understanding of how to do business. We held classes for them to introduce them to basic business concepts. We also sent them to Yiwu to educate them and to give them a sense of what the future might hold. By sending them to Yiwu we also helped them to form ties with producers and sellers there. All of these actions have helped to make our market a success (5/17/08 Dongying, Shandong interview with Yiwu market owner).

Yiwu institutional entrepreneurs (along with those from other groups), and the successful market model they promoted, have helped to diffuse markets and market knowledge throughout China, thereby involving more and more actors in market activity. Their efforts have significantly aided the processes of China's market transition.

CONCLUSION

This essay initially raised a set of questions. Why has China's market transition process been as smooth as it has been, and, how, after a thirty-year period during which planned institutions dominated, was it possible for post-1978 market institutions to resemble so closely their pre-1949 counterparts? The paper concluded that path dependency, combined with institutional diversity and institutional entrepreneurship, were key to resolving these issues. After 1949, rather than completely dissipating with the rise of planned systems, evidence suggests that

bastions of market activity remained in China. It was these system remnants that after 1978 served as facilitators for the rapid reconstitution of market forms. That is, the role of path dependency was important. The 1978-initiated reforms were the jolt catalyzing actors to begin the work of institutionalization (Sine and David, 2003: 187). Following the freeing up of market constraints, actors emerging from within existing “remnant” fields of market activity, motivated by incentives premised on self-gain, and legitimated by a growing political acceptance of new forms, involved themselves in processes of institutional entrepreneurship, promoting and engendering institutional change. The actors were tied to templates of market development. Others learned from these templates and they, themselves, then developed. Market successes provided additional legitimacy for markets to expand even further.

This then helps to explain the ease of China’s market transition. It depended on processes that were promoted endogenously, based on already previously legitimated forms (e.g., periodic markets, economic specialization, and individual agency), and catalyzed through the efforts of motivated micro-level actors. The analysis also explains the similarities of China’s emerging markets to past market forms. The explanation being that the two periods’ situations were predicated on many of the same institutions, ones that had survived (in constrained forms) during planning, and which, once constraints on market involvement decreased after 1978, underwent full resurrection. Again, much of the change occurring did so from within, at the micro level, rather than by being forcefully imposed from without (although the market successes of other nations certainly provided motivation for national-level policy makers to continue to promote market transition). The various involved processes were significantly impacted by the path dependent natures of emerging change, the institutional diversity inherent in China’s developmental sequence, as well as the institutional entrepreneurship of various Chinese business groups. In total, these

factors greatly furthered the China market-transition process and acted to amplify its overall success.

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CHAPTER 2

MEANING AND THE INSTITUTIONALIZATION OF TRANSITION OF TRANSITION: AN APPLICATION OF DISCOURSE ANALYSIS TO TWO PROCESSES OF ORGANIZATIONAL DEVELOPMENT IN CHINA

This paper investigates the interrelations of higher-order and local institutional logics, examining how they relate to organizational development. Its focus is on multi-level meanings. Applying discourse analysis, I consider the theorizations of two different organizational frameworks, each emerging out of unique institutional contexts, but located within the same organizational field, comparing how transitions in higher-order institutional logics impacted the two theorizations over time. Differences were evident, indicating that even when facing the same changes in higher-order institutional logics, same-field actors, in dissimilar micro-institutional logic environments, theorized the changes differently. This suggests the relevance of local contexts to organizational outcomes.

Surprisingly, organizational research has directed little focus to the manner by which higher-order, field-level processes of institutional change inter-relate with local level action (Purdy and Gray 2009:356). Researchers have given only slight consideration to the possibility that the embeddedness of different actors within dissimilar institutional contexts impacts the actors' interpretations of life, influencing the manner by which they theorize and frame a particular event. This is strange because the foundations upon which institutionalism are built strongly assert the inter-relation between institutions and meaning (Zilber 2002). This was evident in the work of

early institutional scholars. Such work emphasized that the reality actors face in their everyday lives influences the manner by which action occurs (Berger and Luckmann 1966). The reality they referred to was a socially constructed one, dependent upon the meanings that actors attribute to what is happening around them. The assumption was that institutions depend upon shared meanings, meanings that are premised on social interaction (Zilber 2002:234). As in semantics, meanings encompass both sense and reference, and cannot be separated from their contexts. From the beginning, social theorists also emphasized the relation of meanings to action. Weber posited that meaning, in the form of interests, drives action. He also conjectured that interests are subjective and socially dependent (Swedberg 2003:16). Weber stressed the context-dependent aspect of meanings, a relation that he posited helps to structure the nature of agency. More recently various scholars have also emphasized meaning. Scott depicted the cultural-cognitive as one of the three “pillars” of institutions, founded on the shared understandings of actors (Scott 2001:52). Quoting D’Andrade, he declared that, “In the cognitive paradigm, what a creature does is, in large part, a function of the creature’s internal representation of its environment” (D’Andrade quoted in Scott 2001:57). As such, meanings are important. Even though there is much evidence to support that meanings are important to organizational understanding, however, meanings have continued to be an understudied area of institutional analysis (Zilber 2002:235).

This lack of emphasis, as Phillips, Lawrence, and Hardy assert, is at least partially due to the fact that institutional research “has tended to focus on the effects rather than the process of institutionalization” (2004:635). One reason for this has been that, until recently, institutional analysis has directed little attention to institutional change. In the past, institutional researchers assumed that organizations are born into already institutionalized contexts, supposing that the only changes taking

place were those undertaken by actors to “increase their legitimacy and their survival prospects” (Meyer and Rowan 340:1977). That is, the assumption was that change plays a role in organizational theory only to the extent that actors do what they can to adhere to existing in-place scripts of action. In turn, organizational activity and resulting organizational structures cohere into isomorphic frameworks. Institutional theory, rather than considering the possibility of novel change, instead asserted “the taken-for-granted nature of much of organizational life” (DiMaggio 1988:5), with neo-institutional theorists stressing similarities rather than differences, and taking meanings as already known. There was thus little apparent need to focus on the nature of meaning.

Another reason for organizational theory’s earlier lack of interest in meanings, particularly meanings at the local level, was due to the fact that relevant researchers viewed meanings as collective in nature. They posited meanings to be field-level constructs, rather than functions of lower-level systems. For example, DiMaggio and Powell talked about the “collective rationality” inherent in organizational fields, emphasizing the “mutual awareness among participants in a set of organizations” (1983:148). They and others like them hoped to “move away from assessments of individual rationality or action to investigate how collective rationality comes to provide fundamental sources and motivations for...actions” (Hoffman and Ventresca 2002:8). Their focus was on higher-level workings and on the similarities in meanings possessed by actors across a field. Resulting research did not consider the possibility that individual actors at the local level might interpret a particular event in ways that differed from that of others.

But, within organizational literature, the relevance of meaning has recently begun to change. In conjunction with an expanding interest in institutional change, researchers have begun to pay more attention to the role of meaning. One aspect of

this newly developing interest has come forth in the guise of analyses focusing on institutional logics. Institutional logics specify the makeup and the meaning of institutions (Thornton and Ocasio 2008:100). In an organizational sense, they help to direct the attention of involved actors to a focus on a limited range of issues and to these issues' solutions (Lounsbury, 2007: 289), thereby normalizing organizational behavior and defining actions appropriate to a particular situation (Thornton and Ocasio 2008:102). In this sense, institutional logics provide "guidelines for practical action" (Rao, Monin and Durand 2003:795). But, for much existing organizational research, the primary application of institutional logics has been as supra organizational, macro-level constructs (Lounsbury 2007:289). In this sense, work on logics has come under the strong influence of neo-institutional thinking. This was apparent in early institutional logic conceptualizations (e.g., Fligstein 1990; Haveman and Rao 1997; Thornton and Ocasio 1999; Thornton 2002), which were heavily impacted by earlier, isomorphically directed studies. These studies took a strictly field-wide approach to change (in the sense of not considering differences among actors), stressing coherence in change forms, and assuming that changes in institutional logics affected actors in a similar fashion. Any discussion of meanings was done at the higher field level, and this research regarded logics as "taken for granted . . . as appropriate arrangements for all organizations within the field" (Hinings, Greenwood, Reay and Suddaby, quoted in Purdy and Gray 2009:355). The focus was on the uniformity of change across an entire industry field. Resulting studies posited a common identity among industry players (Thornton and Ocasio 1999:803), and assumed a commonality across all actors with respect to the actors' institutional-logic interpretations. For example, one set of authors (taking industry as a field) wrote that, "industry is a relevant boundary for identifying institutional logics because industry producers develop common identities and "valuation orders" that

structure the decision making and the practices of the players in a product market” (Thornton and Ocasio 1999:805). Related research gave little consideration to the possibility that a possible outcome of institutional-logic changes might be one wherein, on a general level, actors cohere to a similar institutional logic, but at the local level continue to maintain their own individual forms of logic. There was little sense that differing sets of geographically distinct actors might concurrently interpret a logic in dissimilar ways, ways dependent on meanings arising out of the actors’ own institutional contexts. Again, rather than considering differences, the emphasis was on similarities.

A second set of institutional logic work (e.g., Purdy and Gray 2009; Reay and Hinings 2009; Marquis and Lounsbury 2007; Reay and Hinings 2005) has taken a different approach. It has expressed an interest in disparate meanings, considering situations apart from those defined associated with just entire fields. This set of work has contended that coherence to a particular, dominant logic does not always occur, and has allowed for the possibility that unique, competing logics might coexist within the same field. Such a perspective distinguishes this work from earlier institutional logic approaches, which had relied on the dichotomous approach to institutional logic change, wherein change takes place sequentially, in the form of a shift between two different field-wide equilibriums: one logic gives way to another logic—with only two, dominant logics involved. No other institutional logics were considered.

This second set of work has also examined situations apart from just mature fields, which had been the primary focus of the first set of work (e.g., Greenwood et al. 2002; Greenwood and Suddaby 2006; Lounsbury 2007). For example, Purdy and Gray (2009) considered a situation involving new-field emergence. They accepted the possibility that during the emergence of a new field differences in outcome might occur. Their research concluded that, for the situation they studied, differences did,

in fact, arise, and that these differences were the result of the adoption by actors of dissimilar institutional logics. Purdy and Gray also did not discover just one dominant-logic, only, but instead observed the presence of many logics. Other researchers within this set of work have also considered the possibility that organizations do not always simply accept changes in logics, but often resist such processes. In one case, (Marquis and Lounsbury 2007) posited the existence of multi-level institutional logics, concluding that the competitive dynamics associated with differing local and national logics can impact emerging results. They established that competing logics often exist together, finding, in the case they studied, that logics existed at both the national and local levels. Their work, however, again focused on entire fields, saying little about the possibility of geographically localized, dissimilar changes within the same field, and ignoring the possible influences of local institutions. Even so, other related studies have gotten around the problem of geography by taking a geographic-specific approach (Reay and Hinings 2009, 2005; Haveman and Rao 1997), thus dealing with one local-logic set only. Even in situations where researchers took such an approach, however, there was still little comment as to what influence this might have on resulting meanings. But, this second set of institutional logic research does include some attention to the idea that actors can be differentially impacted by changes in institutional logics (Reay and Hinings 2005). Rather than attributing these differences to factors associated with meaning, however, researchers have attributed the differences to the differential power standings of different-actor groups. Again, as with other institutional logic research, little, in a specific sense, has been said regarding the role of meaning. Meaning has continued to be a neglected aspect of institutional logic research.

A third set of institutional logic approaches, however, has begun to consider the relation of institutional logics to local-level organizational results (e.g., Greenwood,

Díaz, Li and Lorente 2009; Lounsbury 2007; Townley 2002). Related studies have moved away from an isomorphic approach to outcomes, and have instead focused on the possibility that multiple rationalities might arise within the same field. Such studies have also considered outcomes such as the possibility that, due to differing, geographically distinct logics, the introduction of a new practice at the field level might yield differential adoption of the practice by different areas (Lounsbury, 2007). Another outcome they have considered has been one wherein even in the same organization, as a result of differences in local institutional logics, the same practice might be diffused in ways that differ across actors, with seeming acceptance of the practice by some, but with strong resistance to the practice actually continuing to exist (Townley, 2002). Greenwood et al. (2009) also considered the prospect that, as a result of multiple logics within the same field, geographically distinct actors might respond to the same overarching logic in different ways, dependent on differing areas' local institutional logics. They concluded that, "...it is necessary to trace the relationship between organizations and the logics that constitute their institutional context" (Greenwood et al. 2009:1). A distinguishing factor within this third set of institutional logic work has therefore been that local level factors are important, particularly with regard to their impact upon resulting meanings.

It is in line with this third set of work that I develop the present paper. Rather than focusing on a situation where a number of competing institutional logics exist at the higher-order level, however, I instead take the approach of earlier institutional logic work and examine shifts in dominant logics. Unlike the earlier institutional logic studies, however, I consider the role of local-level logics as well. My interest is in a form of environmental transformation relating to institutional transition (Peng 2003). Institutional transitions are occurrences during which the formal and informal organizing frameworks of a society—its institutional logics (Friedland and Alford

1991:248)—undergo significant change. The resulting situation engenders feelings of uncertainty among social participants concerning what is appropriate and what is not. Meanings become unclear. For some, this becomes a period of crisis, but for others it is a time of opportunity. Those stressing opportunity tend to be entrepreneurial by nature, and are motivated to act in ways that give rise to new organizational forms. The emerging creations are ones that they believe will better fit with the new environment (Sine and David 2003).

I focus specifically on a particular form of institutional transition referred to as market transition (Nee 1996; 1989). Market transitions involve the shift from economic systems of planning to markets. I consider the process of market transition in China, pondering the nature of transition at the local level, examining how, during the shift from planning to markets, local systems melded with changes in higher-level institutional logics. I rely on discourse analysis to investigate the theorization processes undertaken by two differing sets of actors, each influenced by a differing developmental model. Each of the models possessed a unique, local institutional logic. My interest is in how the two sets of actors, each of which was favorably biased towards one of the two respective developmental forms, over time, theorized their favored logic. To understand the nuances of the emerging theorization processes, I apply discourse analysis to various journal articles pertaining to each of the logics. I divide a group of selected articles into two sets, with each set possessing a favorable view of one of the logics. The time period I consider is one extending from 1978 until 2005. During this time, China moved from a perspective wherein markets were passively allowed, and much variation tolerated, to one in which there was an active embrace of market forms, and rationalization of existing systems was increasingly of focus. My assumption is that the two sets of journal articles should reflect this higher-order trend. This is because in China all media related output,

even at the local level, must pass through censors, individuals who have been certified by the Communist Party's Department of Propaganda. Media publications are expected to reflect generally the party line. Isomorphic forces therefore exist, which compel authors not to veer too much from party-supported norms. This means that when carrying out innovative action institutional entrepreneurs must engage in "institutionalization projects" (Rao 1998:914), constructing "legitimizing accounts" (Creed, Scully and Austin 2002:476), in which they try to frame their organizationally directed innovations in ways that they assume will garner the Party acceptance they desire, and which, in line with notions of isomorphism (DiMaggio and Powell 1983; Meyer and Rowan 1977), the innovations will need, if they are to be successful. Undertaken actions (at least in the case studied here) are generally "driven not by a logic of consequences but by a logic of appropriateness (Thornton and Ocasio 2008:106).

To gauge the role of meaning, the specific mechanism I analyze is theorization. Theorization, is defined as the "the self-conscious development and specification of abstract categories and the formulation of patterned relationships" (Strang and Meyer 1993:492). Researchers have focused on theorization primarily in its role as a lead up to the diffusion and adoption of a new practice (Strang and Meyer 1993), but theorization is also associated with processes of legitimacy attainment (Greenwood et al. 2002:60, 61). This legitimacy-attainment aspect of theorization has not previously received significant attention, but it is what is of interest here. Legitimacy has been defined in various ways. Scott defined it as "a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws" (1995:45), while Suchman viewed it as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (1995:574). Regardless,

legitimation is linked to meaning in the sense that for an organization to become legitimated it must convey to relevant actors a meaning of itself that makes these actors believe that the organization is appropriate and aligned with the demands and norms of society. That is, legitimation depends on the communication of a particular meaning (Suchman 1995:586), one that is appropriate and that emerges out of theorization processes. Theorization conveys meaning in the sense that it involves the advancement of comprehension-enhancing theories that “actively motivate certain groupings as meaningful and consequential” (Strang and Meyer 1993:496).

I focus on theorization processes to gauge changes in the comparative expression of meanings conveyed by the two sets of actors. I assume theorization-involved actors to be the decipherers of ongoing action (Zilber 2002:235), and also suppose that legitimation processes are ongoing. As such, I rely on dynamic forms of theorization. Because theorization processes have generally been considered to be static in nature, however, I incorporate into their structures a set of dynamic framing processes as well. My goal in focusing on theorization processes (and framing) is to compare how actors in the two areas of interest, places characterized by differing local institutional logics, theorized changes in field-level institutional logics. While these changes were the same for both, did the two sets of actors theorize them in the same way? That is, did the same changes have the same or different meanings for the two sets of actors?

There has been little empirical work done on theorization processes, and little is known about them (Greenwood et al. 2002:75). Still, researchers have posited that the nature of theorization processes should differ depending on the contexts involved, given that locally based actors “have to justify change (or resistance to change) by appealing, in a compelling way, to the particular values embedded in [their] setting. The form of those appeals will vary by institutional setting, but their purpose will be

the same” (Greenwood et al. 2002:75). The purposes will be the same in the sense that the actors are all focused on attaining legitimacy. The field in which action is taking place is composed of local-level governments. Actors in this field engage in processes of theorization, seeking acceptance for their actions from those in higher levels of government. Other researchers have hypothesized that the manner by which this occurs should, given the existence of dissimilar institutional logics at the local level, differ by location (Greenwood et al. 2002:75). It is the possibility of such differences that is of interest here. The goal is to see if, in a situation involving the same change in field-level institutional logics, during which isomorphic, macro-based pressures are present for both sets of actors, the two sets of actors will theorize the changes in differing ways. This would suggest that meaning depends upon context. Hence, when considering situations in which change is occurring in higher-order institutional logics, care would need to be taken in concluding the effects at the local level that will emerge from this change. That is, different meanings will influence the nature of change outcomes.

The paper possesses utility in the sense that it provides enlightenment regarding institutional logics, the meanings they project, and how those at the local level, impacted by local-level institutional logics, interpret and react to these meanings. The goal is to show how different interpretations of field-level changes in institutional logics elicit different reactions, which are evident in resulting unique forms of theorization. In this sense, the paper adheres to the assertion of researchers that in order “[t]o more powerfully demonstrate the effects of competing institutional logics...it is important to show how they differentially shape behavior” (Marquis and Lounsbury 2007:805). The paper also continues the work of other theorists who have begun to show that, in the aftermath of a jolt or shock to a system, resulting forms of equilibrium do not necessarily imply coherence to a single organizational

form. Although research of the past has asserted that “When rival entrepreneurs promote incompatible frames, the frame that enjoys greater political support from the state, professions, and other organizations becomes ascendant. Proponents of losing frames can exit, migrate, or convert to the ascendant frame” (Rao, 1998: 912), more recent results have shown that deviations from such an outcome can certainly occur. Research has provided increasing evidence that within the same field, and under the same dominant institutional logic, differing approaches can coexist, with all of them achieving institutionalization. The paper shows how this can be the case, focusing on the manner by which manipulations of meaning, taking place via processes of theorization, can result in such an outcome. The paper also deals with other gaps in past research. For example, even though researchers have previously applied discourse-related approaches to the analysis of theorization (Greenwood et al. 2002), it remains to be seen whether the results obtained in these analyses were specific to the context considered. In order to be fully confirmed, the earlier results require generalization to other environments (Greenwood et al. 2002:75), particularly to settings outside of North America. Lastly, unlike prior work that considers theorization efforts to be largely static in form, the current study investigates theorization processes from the context of ongoing institutional transitions. Adopting a dynamic perspective, it links together, via a focus on discourse-related mechanisms of theorization and framing, various processes associated with environmental transformation, institutional logics, institutional change, and entrepreneurial activity. Again, this is an area that researchers have asserted requires more attention (Sine and David 2003:186).

The research gaps identified above serve as the basis for an examination of two differing theorization approaches. The two approaches are each associated with a respective organizational framework, or model. Models (*moshi*) have played a

significant role in the structuring of the outcomes of China's recent economic reforms. They are functional structures, which their adherents have used both to promote specific forms of social and organizational development, and to judge the relative progress of the particular locale in which the model is found. Given the rapidness by which "the Chinese state swung from promoting state socialist institutions (and condemning capitalist ones) to promoting a version of capitalist institutions (and undermining socialist ones)" (Hsu 2006:70), there was a need for structures intended to cope with the changes taking place. A means also had to be found by which to judge the rights and obligations of the various forms of development that were emerging, "and it was during this time that most 'models' came forth" (Yu and Li 2002:54). Following the advent and pursuit of reforms in China, many models arose. But, especially early on, significant uncertainty existed regarding the appropriateness of these models. This uncertainty was heightened by the fact that the models supported differing approaches. Some geographically specific paradigms advocated continued government-led development, while others in different areas championed market-based development (Yu and Li 2002:54-55). A focus of this paper is on how two particular models developed and theorized themselves to gain acceptance. The paper directs attention to a "market" led model, and a "government" led one. Below I provide insight regarding various concepts used to develop the paper's positions. I start off with the notion of market transition.

MARKET TRANSITION

Market transition is a form of environmental transformation. It is characterized by institutional transitions involving the transition of an economy from a reliance on planning to one premised on markets. The focus of market transition-related discussions has generally been directed to macro processes of policy change (which

might also be termed changes in higher order institutional logics from planning to markets). As policy makers make decisions in favor of markets, this results in shifts in the relative powers (in the form of control over resources) possessed by political and economic actors (Nee, 1996:910; Nee and Oppen 2009:2). These shifts, open up new avenues of action for involved actors, and are said to lead directly to changes at the micro level, changes that arise as a result of alterations in resource distributions. Market transition related research, however, apart from observing that the actions of entrepreneurs help to accelerate processes of institutional change, has largely overlooked the specifics of strategic oriented action at the micro level (Peng 2003:277). It also has yet to supply a nuanced description of the interactions between changes in macro-level institutional logics and institutional logics at the local level. There thus exists opportunity to enhance the framework of market transition theory further.

Such improvement can occur through an enhanced focus not just on the outcomes of market changes, but also on the processes by which market-related change occurs via the theorization efforts of local actors. There is a great need for this given that, even as market transition research has itself acknowledged, the change from planning to markets results in greater freedoms for micro-level actors: “markets open up alternative avenues for mobility through emergent entrepreneurship and labor markets” (Nee 1996:910). How actors apply these freedoms, in possibly divergent ways, is not well known, however. In addition, although the “transition to a marketlike economy [stimulates] the rapid growth of economic institutions centered on transactive exchanges” (Nee and Su 1990:22), such changes occur over time, in a step-by-step sequence, which is not necessarily the same across geographic realms. As Nee and Matthews relate, although policy making has the ability to serve as a catalyst for change, research on transition processes “is advanced by research that

brings societal institutions and structures more fully into explanations of the causes and effects of transformative change, rather than [simply] conferring causal priority to the political domain (1996:402).

THEORIZATION AND FRAMING PROCESSES

In attempting to unearth the possible effects of institutional logics on institutionalization processes, the paper relies on two factors: theorization and framing. Although theorization and framing have each received significant attention, they have seldom been tied together, and when such ties have emerged, the authors linking them have generally regarded the two as essentially the same, doing little to distinguish one from the other (Bartley 2004). In fact, theorization and framing are different, yet complementary, concepts. I start out here with a mention of theorization and then proceed to a discussion of framing. Following this, I then link theorization and framing together, showing their complementary aspects.

Previously, the paper already outlined many of the important notions relating to theorization. It also mentioned framing, but without going into much detail. Many perspectives of framing characterize framing as more or less of a one-time event. Such a conceptualization has been particularly prominent in areas of anthropology (Oliver and Johnston 2000:40), which regard framing as static in nature, functioning simply “to render events or occurrences meaningful,” and acting to “organize experience and guide action” (Benford and Snow 2000:614). From such a perspective, frames serve simply to define an existing situation. But, there is also another conception of framing that has recently begun to be accepted as well. This is the notion of framing as “an active, processual phenomenon that implies agency and contention at the level of reality construction. It is active in the sense that something is being done, and processual in the sense of a dynamic, evolving process” (Benford

and Snow 2000:614). Here, framing is not a static event, but is distinguished by an ongoing dynamism, involving continuous re-interpretation, and alteration of related forms. Relying upon such a conceptualization of framing and combining it with theorization can yield impressive results. This is because theorization classifies elements together into categories based on some indicated similarity or linkage between them, which can be real or enacted. In this sense it defines similarities, and once the patterns it proposes are named the patterns tend to take on a fixed form. Frames, at least as conceptualized here, however, are action-oriented systems and function to stipulate shared meanings, doing so by influencing “the interpretations of reality among various audiences” (Fiss and Hirsch 2005:29). Framing frequently seeks to answer questions like, “What is going on?” or “What should be going on?” (Benford and Snow 2000:614), applying cognitive perspective management to do so. Relevant actions rely upon efforts at presentation, involving selective influencing of perception, and the linking of important elements with existing forms of understanding in ways that are frequently intended to achieve a particular objective. This generally entails purposefully melding issues at the individual level with a broader story line into a form that is logical and culturally aligned, at least from the perspective of “symbolic vehicles of meaning” (Swidler 1986:273). The assertion is that by combining dynamic framing processes with more static processes of theorization that theorization can be depicted in dynamic ways.

THE IMPORTANCE OF DISCOURSE

The various inter-relations taking place among institutional logics, agency and theorization can be observed through analyses of discourse. Processes of discourse are integral parts of any theorization event. Researchers define discourses as “structured collections of meaningful texts” (Phillips, Lawrence and Hardy 2004:636).

Discourses integrate the relationships between institutional logics at the macro and micro levels with agency-predicated efforts of theorization and institutionalization occurring locally. Discourse analysis “involves the systematic study of texts—including their production, dissemination, and consumption—in order to explore the relationship between discourse and social reality” (Phillips, Lawrence and Hardy 2004:636). Applying discourse analysis, researchers can garner an enhanced appreciation of the theorization framework in which the discourses are embedded. This aids in the achievement of an understanding of the overall institutionalization process.

RESEARCH METHODOLOGY

The paper integrates a longitudinal analysis of changes in higher order institutional logics, with an examination of theorization processes at the local level. The focus is on the relation between higher- and lower-level institutional logics and the manner by which those theorizing their lower-level actions manipulate meanings in order to conform to the demands imposed by higher-order institutional logics. I hypothesize that such manipulation depends on the lower-level institutional contexts into which the actors are embedded. By simultaneously considering the theorization processes of two different, institutionally distinct places, the discussion incorporates a focus on local institutional characters. The two theorization processes examined are ones that early on related to: the Sunan and Wenzhou Models, frameworks that will be further introduced at the start of the case analysis below, and from which local institutional logics can be determined; and later, in the aftermath of economic development, once the models had become of less relevance, to the Sunan and Wenzhou areas in general. Following the specification of local-level institutional logics, a historical review of changes in higher-order institutional logics will then follow. I then tie the higher-

and lower-level institutional logics together in an examination of how the two places theorized their respective processes of development.

There are various ways I might have pursued this theorization process examination. One way might have been to have interviewed actors with direct knowledge of how the models and their portrayals changed, and how the occurring changes related to alterations in higher order institutional logics, individuals like: academics, journalists, and government leaders. I decided against this, however. The reason for this decision was that existing research has shown that retrospective accounts are not always accurate, particularly in cases where a precise sequencing of events is needed, and where emphasis is put on the timing of the events that occurred. Golden (1992, 1997) investigated whether retrospective memories of past strategies are accurate or not, examining the correlations between strategies that were self-reported by chief executives in one year, and recollections of those same strategies made by the chief executives two years later. Based on the results, he found that “retrospective errors may be pervasive; nearly 60 percent of the retrospective accounts studied here did not agree with validated reports elicited only two years earlier” (Golden 1992:852). This seemed to be reason enough to look for other choices.

Rather than relying on retrospective accounts, I decided instead to link theorization processes with a set of discourses from the past, judging the changes that took place in the two theorizations processes based on a longitudinally framed discourse analysis of 50+ articles drawn principally from “The China Academic Journals Full-Text Database,” a database that is part of “The China National Knowledge Infrastructure.” This information set has been self-designated as “the world’s largest database of research content from China.” The China Academic Journals Database is composed of scholarly journal articles on China ranging from 1985 up until the present. Taking 1985 as my starting point, I selected articles in

increments of five years from that point on, stopping at the year 2005. That is, I chose articles from the years 1985, 1990, 1995, 2000, and 2005. My rationale for selecting articles from just these 5 sets of years was that I am interested in the differing responses to higher-order institutional logics in the two areas, rather than continuous processes of change. For each of the years, I chose five articles relating to each of the two models (a total of 10 articles per year), doing so by separately inputting the Chinese characters for the Sunan Model (苏南模) and Sunan (苏南) and the Wenzhou Model (温州模式) and Wenzhou (温州) into a search of journal abstracts, to come up with articles from which to choose. The total number of articles I attempted to select in this manner was 50. I say, “attempted to select,” because in certain cases the desired number of five articles for a particular developmental type could not be attained for a referenced year. In such cases, I selected articles from a subsequent or prior year (depending on the nature of the institutional logics involved). In choosing those articles that I ended up using for the study, I tried to find authors who would be supportive of a particular local logic. For example, with regard to the Wenzhou Model, I looked for analyses written by researchers from Zhejiang University or the Zhejiang Academy of Social Sciences (with the assumption being that because Wenzhou is in Zhejiang, Zhejiang-based researchers should be supporters of their local model). For the Sunan Model article selection, I followed a similar process. In addition, I also included other relevant articles from additional sources to bolster understanding of the situations taking place. Also, although the authors of the articles were intellectuals and scholars, who sometimes tend to have views that differ from those of the common people, the impacts of any bias arising from using such a group is minimized by using the same group throughout. That is, although perhaps bias in opinions exists, as long as I continuously draw from a similar set of authors this bias should exist for all of the

articles surveyed and thus not affect overall results. A list of the articles used appears in Table 2.1.

TABLE 2.1: LIST OF ARTICLES USED IN THEORIZATION ANALYSIS

Year/Model	Article Information
1985/Sunan	Yuan, Zhang. 1985. “Nongcun Fazhan Moshi yu Rencai de Peiyang Shiyong Duice.” <i>Keji Jinbu yu Duice</i> 2: 29-31.
1985/Sunan	Zhou, Yuan and Zhao, Ming. 1985. “Sunan Xiangzhen Qiye Xinqushi.” <i>Liaowang</i> 36: 25-27.
1986/Sunan	Sun, Guogui. 1986. “‘Sunan Moshi’ Tanta.” <i>Nongye Jingji Wenti</i> 9: 13-15.
1986/Sunan	Liu, Shibai. 1986. “Lun Sunan Moshi—Wuxishi Xiangzhen Gongye Niaokan.” <i>Caijing Yanjiu</i> 10: 3-8.
1986/Sunan	Li, Zongjin. 1986. “‘Wenzhou Moshi’ yu ‘Sunan Moshi’.” <i>Jingji Yanjiu</i> 8: 67, 57.
1986/Sunan	Zhu, Tonghua. “Lun ‘Sunan Moshi’—Zai Jiangsu Shangye Guanli Ganbu Xueyuan dui Biyeban Xueyuan de Jianghua.” <i>Jiangsu Jingmao Zhiye Jishu Xueyuan Xuebao</i> 02:1-7.
1986/Wenzhou	Luo, Hanxian. 1986. “Wenzhou Moshi yu Shichang Jingji.” <i>Nongye Jingji Wenti</i> 9: 10-12.
1986/Wenzhou	(No author). 1986. “‘Wenzhou Moshi’ yu Shichang Tixi.” <i>Zhejiang Shehui Kexue</i> 3: 18-21.
1986/Wenzhou	Yuan, Enzhen and Wang Yunxian. 1986. “Shangpin Jingji yu Wenzhou Moshi.” <i>Caijing Yanjiu</i> 9: 14-17, 10.

Table 2.1 (Continued)

1986/Wenzhou	Zhang, Renshou, Yang, Shaoguang, and Lin, Dayue. 1986. "Wenzhou Moshi de Tese ji qi Yiyi." <i>Nongye Jingji Wenti</i> 9: 4-9.
1986/Wenzhou	Yang, Yi. 1986. "Wenzhou Moshi Tanyuan." <i>Zhejiang Shehui Kexue</i> 5:31-34.
1986/Wenzhou	Zhang, Renshou. 1986. "Sunan, Wenzhou Nongcun Gongyehua Moshi de Bijiao." <i>Jingji Shehui Tili Bijiao</i> 3: 22-26.
1990/Sunan	An, Yuanmao. 1990. "Xiandaihua Guochengzhong de Nongcun Bianhua." <i>Jiangsu Shehui Kexue</i> 4: 72-76.
1990/Sunan	Zhu, Tonghua, and ?, Kejian. 1990. "Jiangsu Xiangzhen Qiye zai Tiaozhengzhong Qianjin." <i>Liaowang</i> 48: 14-15.
1990/Sunan	Zheng, Bangxing. 1990. "Lun Sunan Moshi de Shengmingli." <i>Huazhong Shifan Daxue Xuebao</i> 3: 18-23.
1991/Sunan	Zhao, Chenggang. 1991. "Sunan Moshi Tezheng Tan." <i>Weishi Zazhi</i> 4: 28-30.
1991/Sunan	Sunan Moshi he Shehui Jinbu Ketu Zu. 1991. "Wanshan Sunan Moshi—Tuijin Shehui Jinbu." <i>Jiangsu Shehui Kexue</i> 3: 91-111.
1990/Wenzhou	Bao, Bingzhong, and Xu, Dongmin. 1990. "Wenzhou Siying Jingji Xianzhuang ji Fazhan Fangxiang de Tanta." <i>Shanghai Shifan Daxue Xuebao</i> 2: 1-3, 14.
1990/Wenzhou	Bao, Rongqing, Xu, Dongmin, Zhu Guanqin, Yang, Xiaolu, Xu Qing, Qian, Zhenghong, and Hong, Wentao. 1990. "Wenzhou Siying Qiye de Xianzhuang yu Fazhan." <i>Shanghai Daxue Xuebao</i> 6: 101-104.

Table 2.1 (Continued)

1991/Wenzhou	Wen, Lianhong. 1991. "Fazhan Xiangzhen Jiti Jingji—Zou Gongtong Fuyu Dao Lu." <i>Zhejiang Caijing Xueyuan Xuebao</i> 4: 74-78.
1991/Wenzhou	Hu, Hongwei, and Zhang, Xiangrong. 1991. "'Wenzhou Moshi' de Xin Biange." <i>Liaowang</i> 17: 21-23.
1991/Wenzhou	Li, Yunhe. 1991. "Lun Wenzhou Nongcun de Gufen Hezuo Zhi." <i>Nongye Jingji Wenti</i> 11: 51-54.
1995/Sunan	Pu, Guorong, Gu, Caidong, and Mei, Qun. 1995. "Sunan Moshi de Chuangxin yu Fazhan." <i>Kexue Shehui Zhuyi</i> 3: 37-41.
1995/Sunan	Wu, Yangdiao. 1995. "Sunan Moshi de Weida Chengjiu he Fazhan Wanshan." <i>Jiangnan Luntan</i> 6: 5-6.
1995/Sunan	Wang, Xialin. 1995. "Sunan Moshi yu Jianshe you Zhongguo Tese Shehui Zhuyi." <i>Xuehai</i> 1: 3-12.
1995/Sunan	Zhang, Yulin, Wu, Dasheng, and Zhu, Rupeng. 1995. "Sunan Moshi de Gaige yu Chuangxin." <i>Shehuixue Yanjiu</i> 1: 40-49.
1995/Sunan	Fan, Conglai. 1995. "Sunan Moshi de Fazhan yu Xiangzhen Qiye de Chanquan Gaige." <i>Guanli Shijie</i> 4: 156-162.
1994/Wenzhou	Zhang, Renshou. 1994. "Wenzhou Moshi: Qiye, Shichang yu Zhengfu Zhineng de Xin Bianhua." <i>Zhejiang Xuekan</i> 3: 21-28.
1994/Wenzhou	Wu, Xiang. 1994. "Wenzhou Moshi de Xin Fazhan yu zai Renshi." <i>Liaowang</i> 32: 9-11.
1995/Wenzhou	Dong, Chaocai, Li, Yunhe, and Yan, Xuruo. 1995. "'Wenzhou Moshi' de Shida Fazhan Qushi." <i>Nongye Jingji Wenti</i> 10: 34-36.

Table 2.1 (Continued)

1995/Wenzhou	Yu, Binghui. 1995. "Wenzhou Moshi jiqidui Zhongguo Jingji Fazhan de Yingxiang." <i>Zhongguo Renli Ziyuan Kaifa</i> 6: 42-46.
1996/Wenzhou	Zhou, Hanmin. 1996. "'Wenzhou Moshi' Zouchu Chentong." <i>Nanfengchuang</i> 8: 19-20.
2000/Sunan	Lin, Lefen. 2000. "Lun Sunan Xiangzhen Jiti Qiye de Gaizhi yu Chuangxin." <i>Xiandai Jingji Tanta</i> 6: 35-37.
2000/Sunan	Wu, Kun. 2000. "Sunan Xiangzhen Qiye Fazhan Zhong Cunzai de Zhuyao Wenti ji Duice." <i>Nanjing Jianzhu Gongcheng Xueyuan Xuebao</i> 2: 41-44.
2000/Sunan	Shen, Jian. 2000. "Sunan Xiangzhen Qiye de Fazhan yu Sikao." <i>Yanjiu Tanta</i> 5: 8-9.
2000/Sunan	Chen, Jiansheng. 2000. "'Sunan Moshi' de Shichanghua Gaizao." <i>Caijing Kexue</i> 4: 100-104.
2000/Sunan	Gu, Songnian. 2000. "Sunan Moshi: Shi yijing Lishi Zhongjie, haishi zai Chuangxin Yanjin?" <i>Jiangnan Luntan</i> 12: 16-17.
2000/Wenzhou	Yao, Heping. 2000. "'Xin Wenzhou Moshi' Daibiaozhe Zhongguo Jingji Tizhi Gaige de Zhongyao Quxiang." <i>Zhongguo Jidian Gongye</i> 17: 35.
2000/Wenzhou	Jin, Xiangrong. 2000. "Duozhong Zhidu Bianqian Fangshi bing Cunzai he Zhejin Zhuanhuan de Gaige Daolu." <i>Zhejiang Daxue Xuebao</i> 30(4): 138-145.
2000/Wenzhou	Qing, Jiangbei. 2000. "'Wenzhou Moshi' Tiaozhan Xianxing Ganbu Renshi Zhidu." <i>Dangdai Jingji</i> 8: 16-17.

Table 2.1 (Continued)

2000/Wenzhou	Zong, Changqing. 2000. "Wenzhou Moshi: Dianran Jingji de Zaisheng zhi Huo." <i>Gaige yu Lunli</i> 12: 46-50.
2000/Wenzhou	Ma, Jinlong. 2000. "Wenzhou Moshi de Yanbian yu Chuangxin." <i>Jiangsu Gaige</i> 1: 34-35.
2004/Sunan	Li, Ke. 2005. 2005. "Cong 'Sunan Moshi' dao 'Xin Sunan Moshi'." 2005. <i>Sunan Keji Kaifa</i> 8: 9-10.
2005/Sunan	Chen, Shuyu. 2005. "Cong 'Liangge Fayang Di' Kan Wuxi Minying Jingji de Fazhan." <i>Jiangnan Luntan</i> 5: 34-36.
2005/Sunan	Hong, Yingxing. 2005. "Sunan Moshi de Xin Fazhan he Difang Zhengfu de Zhuanxing." <i>Jingji Yanjiu Cankao</i> 72: 23-27.
2005/Sunan	Cao, Baoming. 2005. "Quyue Jingji Shehui Xietiao Fazhan: 'Xin Sunan Fazhan Moshi' de Fenxi yu Jieshi." <i>Jianghai Xuekan</i> 4: 67-72.
2005/Sunan	Song, Yanqi. 2005. "Jiedu Xin Sunan Moshi." <i>Xiao Chengzhen Jianshe</i> 1: 68-69, 72.
2005/Wenzhou	Fang, Liming, and Xi, Congqing. 2005. "Wenzhou Moshi: Neihan, Tezheng yu Jiazhi." <i>Zhejiang Daxue Xuebao</i> 35(3): 174-178.
2005/Wenzhou	Wang, Huabing. 2005. "Wenzhou Moshi Yanhua yu Fazhan Wenti Yanjiu Zongshu." <i>Jingji Congheng</i> 2: 74-76.
2005/Wenzhou	Liu, Lunsan. 2005. "'Wenzhou Moshi' Bianxing." <i>Chaoshang Zhoukan</i> 32: 27-28.
2005/Wenzhou	Ge, Jianxin. 2005. "Wenzhou Minying Jingji Fazhan de Qishi." <i>Dangdai Jingji</i> 12: 30

Table 2.1 (Continued)

2005/Wenzhou	Li, Guohong. 2005. "Wenzhou Minying Jingji Xin—Lun Fazhan Zhide Guanzhu." <i>Zhejiang Jingji</i> 21: 38-39.
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The choice of 1985, 1990, 1995, 2000 and 2005, was, apart from the fact that the journal database began in 1985, premised on two other factors. The first relates to China's Five-Year Plans. One of these plans began in each of the years studied. These plans are Chinese Communist Party initiatives intended to establish the development framework and strategy for the period to which they relate. During the period considered, the fifth (1976-1980), through the tenth (2001-2005) Five-Year Plans were of relevance. Contents of the plans are generally already known prior to their taking effect. The second, and even more important reason, relates to China's National Party Congresses, which also take place every five years, meeting sometime between September and November of the year in which they are held. The Party Congress is (at least on paper) the highest body within the Communist Party in China. The Congresses of interest here were the ones taking place in 1977 (the Eleventh Party Congress), 1982, 1987, 1992, 1997, and 2002 (the Sixteenth Party Congress). They were of relevance because major policy changes generally take place shortly before (and sometimes, but less often, just following) these congresses. During the period under study here (1978-2005), major points of change occurred in 1978, 1984, 1988, 1991, 1996, and 2003. Therefore, for the years selected, major policy trends would have already been evident throughout the nation, as well as in Wenzhou and Sunan, the two places of interest. Any impacts associated with these policy trends (assuming they exist) should be able to be ascertained within the journal writings reviewed.

As previously mentioned, I begin the case study by first examining the local institutional logic situation. I do this by relying primarily on descriptions of the models contained within two books, *Wenzhou Moshi yu Fuyu zhi Lu*, which discusses the early situation of the Wenzhou Model, and *Sunan Moshi yu Zhifu zhi Lu*, focusing on the Sunan Model. Both books were published under the auspices of the Shanghai Academy of Social Sciences. Based on the descriptions of these books, as well as a few other supplementary resources, I provide general outlines of the models and their resulting local institutional logics. I then examine the higher-order institutional logic situation. The approach I use is similar to that applied by several others pursuing research on institutional logics (Fligstein 1990; Ramirez, Soysal and Shanahan 1997; Ruef and Scott 1998; and, Thornton and Ocasio 1998). The goal of this methodology was to determine whether and how macro-level institutional logics changed over time, framing the changes that occurred into a longitudinal history. To do this I carried out a literature review of articles and books relating to China's reform and past governance processes, unearthing information relating to the developments that occurred. On the basis of this review, I constructed a history of the events taking place over the time period that were of relevance to the formation of higher order logics, particularly with respect to the nature and development of the two local institutional logics.

LOCAL INSTITUTIONAL LOGICS—THE TWO MODELS

THE SUNAN MODEL

The Sunan Model originated in an area of southern Jiangsu Province, adjacent to Shanghai (an area referred to as Sunan). This region, although characterized historically by high population densities, is one that from ancient times on has been a comparatively wealthy one, with fertile lands, high agricultural outputs, and an early

focus on industry. Prior to liberation in 1949, the industrial output of Wuxi, one of the three principle areas making up the Sunan area, was ranked third in the nation, behind only the major urban areas of Shanghai and Guangzhou (Tao 1988:3). Even after 1949, the region experienced significant industrial development, diversifying away from just a reliance on food processing and textile production, which had previously been the mainstays of its industrial economy (Tao 1988:5). During the late 1950s and 1960s, the Sunan area benefitted from various policy changes. The first was the implementation of the *hukou* guidelines. These guidelines required that workers from agricultural areas, categorized as rural residents, who had previously been living and working in urban areas, return to their home areas. Sunan had seen a large segment of its population migrate to Shanghai for work, and when the new policies forced these individuals to return to their rural homes, the returning individuals brought with them the experiences and networks of personal relations that they had gained in the more developed Shanghai urban environment. The second change occurred later, taking place during the Cultural Revolution (1966-1976), and related to a policy called the “go and work in the countryside or mountain areas” movement, which encouraged educated urban youth to move to rural areas and apply their talents to the development of these areas. Given Sunan’s proximity to Shanghai, many Shanghai youth were sent there. They brought to the area a wealth of talent, resulting in noticeable benefits for commune industrial development. The benefits related not only to the youths’ talents, but again also to the fact that the transfers helped in the formation of new ties between Shanghai state-operated enterprises (SOEs), and Sunan commune-managed industry. These factors, combined with state policies in the 1970s promoting the growth of industry within the agricultural areas, as well as Sunan’s ease of interaction with Shanghai businesses, promoted the growth of brigade (*shengchan dadui*) and commune (*gongshe*)

businesses. The focus taken in this development was one associated with using industry to make up for the shortcomings of agriculture (*yi gong bu nong*) and the use of industry to develop agriculture (*yi gong jian nong*) (Tao 1988:27). At the time, the agriculture-related industrial production of the SOEs was not sufficient to keep up with the quickly expanding needs of the agricultural areas, and the commune firms helped to resolve this problem, manufacturing things like agricultural equipment and tools that could be used by the communes in upgrading their systems of production. In addition, by undertaking its own industrial production, Sunan alleviated problems associated with the “scissors movement” (*jian dao cha*), in which urban areas would use their privileged positions to extract resources from agricultural communities, processing these resources, and benefiting greatly in terms of the price markups made prior to the sale of these products to other areas (Tao 1988:28). In this sense, the urban areas gained greatly, with few of the resulting profits being seen by the agricultural areas. The agricultural areas therefore reacted in ways intended to improve their own situations, establishing their own businesses. Given the political climate of the time, the firms that developed were commune- and/or brigade-managed ones. Following early 1980’s disbanding of the brigades and communes under de-collectivization, the towns and villages took over management of these enterprises. Political and economic responsibilities, which previously had both been concentrated in the communes and brigades, were to be split up. The intention was to transfer commune and brigade governmental functions to the town and village governments, while shifting their economic functions to the town and village economic committees, respectively (Jacobs 1985:110, 111). In most areas, however, this split did not occur, and government and economic activities remained intertwined. The firms continued to be politically managed, but became known as town and village enterprises (TVEs).

Regarding the Sunan Model, itself, Tao cites five key factors as characterizing

the framework: 1) the local collective economy as its core part; 2) the TVE as the principal organizational form; 3) a developmental foundation predicated on coordinated development of the agricultural, industrial and service economies; 4) an economy characterized by inter-regional economic cooperation (primarily in the form of expanding networks of relations encompassing the urban and rural areas, but also between rural areas with one another as well); and, 5) the goal of egalitarian wealth distribution (1988:12-20). The Sunan Model accepted the notion of the development of the commodity economy (another name for capitalist forms), with the goal of the elimination of poverty in the countryside and riches for all (Tao 1988:357). Because there existed a surplus of labor within the countryside, a primary purpose behind the establishment of TVEs was to provide local workers with jobs. Due to their early beginnings and close ties to the SOEs, the Sunan TVEs often used SOE management practices and organizational forms as blueprints for their development (Tao 1988:144). As such, Sunan-area, locally run public firms tended to be of large scale and multi-functional, encompassing a wide array of activities within them. They also tended to be bureaucratic and hierarchical, emphasizing coordinated direction. People generally acted as they were told. Of particular importance were activities relating to the supply of inputs and the sale of outputs (Tao 1988:140). Emphasis was placed on established networks of interaction, particularly with out-of-area outsiders, rather than on impersonal market relations.

THE WENZHOU MODEL

The Wenzhou Model originated in Wenzhou City, located in the southeastern part of Zhejiang Province, at about the north-south midpoint of China's eastern coast. The city has a history of being quite isolated from other areas, given the mountainous regions surrounding it on its northeastern, western, and southwestern peripheries, and

the Pacific Ocean to its east. Although separated from other areas of China, the people of Wenzhou have a history of interacting with the outside. During the Tang Dynasty the city had extensive trade with Japan, and during the Sung Dynasty its foreign trade interactions expanded to include Korea and Cambodia as well. The products sold to these outsiders included porcelain, wooden carvings, leather, embroideries, carvings, and various agricultural products and timber (Yuan 1987:2). At various times during the Yuan, Ming and Qing Dynasties the city also engaged in prosperous outside trade. For example, in 1876, Wenzhou, by treaty agreement, became a legal port for outside trade. This brought many foreigners to the city. Wenzhou's residents became known for their trading abilities, with Sun Yat-Sen commenting that the only thing limiting the area's development was its transportation situation. He recommended that the city, to foster its growth, be connected by rail with outside areas (Yuan 1987:3). During the 1900s, up through liberation in 1949, Wenzhou continued to experience increases in its trade. This growth was predicated on the following factors: 1) an excellent harbor; 2) an abundance of natural resources; 3) a commercial institutional foundation; 4) an abundance of Wenzhou natives diffused throughout the world, living in 47 overseas nations; 5) a tradition of excellence in handicrafts; and 6) much economic potential (Yuan 1987:4-5). Unfortunately, following liberation in 1949, Wenzhou's potential went unused. In its conflict with the Taiwan-based Nationalists, the government viewed it as a war-front area, investing little in the region, and generally ignoring it. As a result, the Wenzhou port fell into disuse. In 1976, the amount of official trade occurring at the port had fallen by 64.93% as compared to its amount in 1965 (Yuan 1987:6), and prior to the start of reforms in 1978, the city had become one of the poorest in Zhejiang. Wenzhou has always had a large population (5.61 million in 1978), but its population increases of 2.4% annually between 1950 and 1982 led all of Zhejiang (Liu 1992:698).

Wenzhou, however, also had comparatively little land for farming (78% of Wenzhou's land is mountainous), significantly less land than that of already restricted resources in Sunan, and less by 2/3 the average, per-capita amount in China (Yuan 1987:18). As a result, the Wenzhou people were quite poor. In 1978, the average income of Wenzhou rural residents was only a third the average in Zhejiang Province (Parris 1993:244). A high percentage of the Wenzhou people, unable to make enough to survive in their local areas, frequently went to other places in search of work and sustenance. Many local people, in an effort to survive, also engaged in illicit activities, like piracy and the smuggling of goods in from Taiwan for resale in other parts of China. Such activities continued even during the time of Mao. The city became known as a place undermining socialism by seeking a return to the capitalistic practices of the past. A March 22, 1979 article in China's national Xinhua Newspaper focused on the situation, citing Wenzhou as "a black template of capitalism" (*ziben zhuyi de heiyaban*), and "a counter-revolutionary intent on the re-establishment of an old order" (*fan geming fubi*) (Xinhua News Agency Reporters 1977:2). Thus, unlike Sunan, Wenzhou was known as a place involved in activities not in accord with accepted theories of socialist development.

From the start of its post-reform development, Wenzhou engaged in private-based activity. But, how was it able to take part in such practices given the nature of the political environment of the time? Liu (a political scientist) notes four reasons for this ability: 1) consensus among top leaders that poorer areas be given autonomy in developing themselves; 2) the active support of a group of central government leaders, the most important of whom was Wan Li, an official with close ties to Deng Xiaoping; 3) strong backing from regional leaders, particularly officials in Shanghai; and, 4) local political support (Liu 1992:703-705). One other reason for Wenzhou's unique development was its separation from other places. At the time, society was

still relatively closed. People in China's cities did not know what was taking place in more isolated regions. Another reason was the 1978 reforms, which freed up economic activity, and also created a huge surplus of workers. Because, with higher levels of emerging productivity, fewer workers were required to till the land, a means had to be found to deal with this surplus labor problem, which in Wenzhou was estimated to have been more than 880,000 workers. Unlike Sunan, the development of Wenzhou's commune system of businesses had been minimal, and there was also no major urban center, like Shanghai, from which to draw expertise and establish easily fashioned supply, production, and sales networks. Existing businesses could not absorb the emerging huge mass of workers, nor did they have the funds needed to expand. There was also not enough time for the local state to engage in new business formation. A quick remedy to existing problems had to be found. This necessitated that the Wenzhou people rely on themselves.

The resources and technology available to start up a household enterprise were not significant. But, local traditions existed with respect to handicraft production and concerning the undertaking of commercial activity in outside areas. An entrepreneurial mindset was likewise present and the Wenzhou people were not afraid of hardship or of failure. They already possessed little and failure would simply return them to their starting positions. Success would engender great change, however. What means did Wenzhou's private entrepreneurs use to start up and operate their household businesses? Yuan cites the following: 1) independently run ventures; 2) the "*gua hu*" practice, or the borrowing by illegal business types of the operating rights of legally sanctioned ones; 3) involvement in vertically structured cooperative relations, whereby Wenzhou household firms would provide specialized production services to already established firms; 4) agreeing, via contractual relations and for an agreed-to fee, to take over existing businesses, particularly state-run ones,

from those who no longer wanted to operate them; and, 5) networks of cooperative relations in which a number of businesses would work together, with each taking on one responsibility of a larger production goal (1987:24-26). Wenzhou’s independent operators, as a means to market their products, relied on specialized markets and professional sales people. Technology was not an emphasis, though price was. The environment was very competitive, and stressed a “survival of the fittest” mentality. If someone failed, the expectation was that they would learn from their experience and try again. Businesses were small and easily adjustable to changes in the environment. Individual achievement was of focus. Early on, the government played a role of general oversight, but not direct involvement. When problems occurred the people were expected to solve them on their own. For example, in the absence of capital resources, private (and still illegal) banks emerged to service peoples’ needs.

Again, institutional logics are “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton and Ocasio 1999:804). They act to set the tone for activity, promoting generally recognized, collectively adhered to parameters of action, and serving as shared assumptions about what is acceptable and what is not. As can be seen above, the institutional logics of the Sunan and Wenzhou Models differed substantially. Table 2.2 summarizes these differences.

TABLE 2.2: SUNAN AND WENZHOU LOCAL INSTITUTIONAL LOGICS

Characteristic	Sunan	Wenzhou
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Table 2.2 (Continued)

-History	Relatively wealthy area, with strong agricultural focus, but with comparatively early involvement in industrial production	Ongoingly poor region with need for outward focus, and development predicated on non-agricultural activities, particularly handicrafts. Residents engaged in various illicit activities aimed at their own survival.
-Ownership	State	Individual
-Production Focus	Heavy Machinery, Textiles, Processing of Agricultural Goods	Small Commodities
-Reliance on Markets	Weak	Strong
-Beliefs	Collectivism	Individualism
-Values	Egalitarianism	Survival of the Fittest, Heavy Focus on Profits
-Competitive Focus	Moderate	Strong
-Legal Orientation	Relatively Strong	Relatively Weak
-Primary Organizational Form	Town and Village Enterprise	Household-Based Firm
-Preferred Organizational Scale	Large	Small
-Intra-Organizational Relations	Hierarchical	Direct Contact

Table 2.2 (Continued)

-Organizational Focus	All Encompassing and Self Sufficient	Specialized
-Networks of Relations	Strong Ties with Shanghai State Owned Enterprises	Cooperative among Own People
-Role of Government	Extensive Involvement	Early on focus on oversight

CHINA'S HIGHER-ORDER INSTITUTIONAL LOGICS: 1978-2005

Based on a historical analysis of the 1978-2005 period of interest here, in a specific sense, early on there did not exist any clear consensus regarding acceptable forms of action. One reason for this was an intentionally enacted diffusion in the focus of action, in the form of a decentralization movement. This was a result of 1980-ratified programs aimed at revenue sharing and a dispersal of administrative responsibilities. In turn, local areas, in the aftermath of fiscal reforms that engendered strong development-focused incentives, actively pursued their own, independent growth. The methods adopted by local level officials were different in differing areas. Throughout the nation, internal jockeying for ideological dominance was significant, not only among those engaged in innovative activity (i.e., officials promoting their unique models), but also among adherents of planning, who continued to fight for their positions of power. The economist, Chen Yun, was the leader of the planning faction.

Proponents of markets, led by China's new leader, Deng Xiaoping, who in 1977 had taken over the top position in China's Communist Party's Politburo Standing Committee, had to be careful in the approaches they took. On the one hand, they needed to make sure not to completely alienate powerful members of the planning group. Even so, even minor reforms were "preceded by often intense debate and political dueling among reformers of all stripes, as well as between the reformers on the one hand and more orthodox elements in the Party, opposed to the progressive dismantling of socialism in China on the other" (Yusuf and Nabeshima 2006:4-5). Still, both groups also recognized that a basic level of unity needed to be maintained in order to keep society from becoming unstable, something which everyone feared most.

But, there were also other reasons why markets could not be immediately engendered. One was that such action would undermine the status of the party, amounting “to a confession of total economic incompetence” (Woo 1999:55). Another influencing factor was that China’s leaders were, themselves, not particularly clear as to the course of action they should follow (Woo 1999:55). As a result, “For much of the 1980’s Chinese reforms proceeded in an ad hoc manner under the nonstrategy of ‘groping for stones to cross the river’” (Yang 2004:7-8).

Still, there did exist a general framework regarding how the reforms should proceed, and this framework was successful in establishing an overall institutional logic that stipulated what was, at least on the surface, going to be allowed and what was not. This structure emerged during the December 1978 Third Plenum of the 11th Central Committee, which many view as the start of China’s recent reform movement. What arose was the assertion that economic reforms should be a primary focus of action, and that these reforms should be focused on achieving the Four Modernizations, goals that had in 1975 been established by the former Premier, Zhou Enlai. The Four Modernizations called for advancements in agriculture, industry, science and technology, and defense. Another result of the Third Plenum meeting was that a new expectation existed that the emerging reforms should be tied to action in line with the Four Cardinal Principles, stressing maintenance of the socialist path, continuation of a democratic dictatorship of the people (*renmin minzhu zhuanzheng*), alignment with Marxist-Leninist-Mao ideologies (*makesi liening zhuyi maozedong sixiang*), and reliance on the leadership of the Chinese Communist Party. Although such guidelines were broad in their approaches and were thus open to differing interpretations, they still conveyed three clear messages to the people of China: 1) the party’s legitimacy would be closely tied to economic achievement; 2) promotions in leadership positions would be linked with the ability to deliver economic results;

and, 3) the ideological purity of the party and the party's continued dominance over political issues would be an inherent part of any economic action (Woo 1999:11). Regarding ideology, the results of the meeting communicated a sense that emphasis on past planning-movement philosophies would continue. Meeting publications stressed ideologies based on egalitarianism, cooperative economic efforts, hierarchically defined action, and endeavors aimed at self-sufficiency (Woo 1999:17). These assertions set the tone of public discourse, and although economist Dong Fureng in 1979 suggested the need for privatization efforts as a means to increase economic efficiency and adaptability, a policy that in the 1990s ended up garnering strong support, because of the political and economic climate prevailing at the time his remarks were not taken seriously (Woo 1999:55).

Still, between December 1978 and August 1988 there was a general and ongoing trend favoring the expansion markets. One reason for this was the intentional efforts by market proponents framing market concepts in terms of socialist principles. For example, during the Communist Party's 12th Congress in September 1982, Party Secretary, and market supporter, Hu Yaobang, asserted that "Material civilization provides an indispensable foundation for socialist spiritual civilization...Each is the condition and objective of the other" (Hu, quoted in Zhang, 1996:46). At the same time, Deng Xiaoping reiterated his notion of "socialism with Chinese characteristics," a concept that stressed the need for development as a facilitator of socialism. In 1984, Deng pushed through the first part of a second round of reforms (the first round having been those reforms beginning in 1978, which included the 1980-81 approval and implementation of the household responsibility system, which in 1978 originated in Fengyang County, Anhui Province, as well as the 1980 fiscal and administrative reforms). The framework of the May 1984 changes was the "Provisional Regulations on Expanding the Autonomy of Enterprises," which encompassed a policy known as

the dual-track system, and provided managers of state owned enterprises (SOEs) with greater freedoms to oversee and manage the firms for which they were held responsible. One motivation behind this legislation was the 1980-1981 Polish labor strikes. The Polish uprisings had the effect of making conservatives realize the need for a departure from overly rigid Soviet-style programs, which had led to problems in Poland. There arose an awareness that the conservative's own legitimacy depended on continued strong growth, and that over-regulation would impact negatively the overall situation (Woo 1999:37). The reforms, apart from offering increased freedoms to SOEs, also freed up activity associated with the rise of the town and village enterprises (TVE). The TVE changes were extremely significant in providing legitimacy to the TVE form (Wong 1988:12). But, the consequences of these actions were different than had been expected. Rather than improving the situation of the SOEs, SOE performance actually declined, said to have been negatively impacted by outcomes associated with Janos Kornai's "soft budget constraint" phenomenon, wherein free of investment constraints, possessing easy access to investment funds (through China's state banks), and facing no negative impacts should they fail, SOE managers invested recklessly, driven by incentives premised on self gain (Woo 1999:37). The changes are said to have served as the precursor for massive increases in state-related corruption activity (Meaney 1991:124). The TVEs, however, quite unexpectedly, experienced strong success, prompting Deng Xiaoping to say in 1987 that, "What took us by surprise was the development of township and village industries" (Deng, quoted in Woo, 1999:14). The numbers of TVEs increased significantly, rising from 1,346 in 1983 to almost ten times this amount in 1985 (Wang 2007:8). Though the success of the TVEs was touted as evidence of the progress being made, in reality the situation was a sign of the still constrained nature of market reform. Organizational entrepreneurs preferred the TVE, a type of state enterprise,

because it offered them protection from indiscriminate attacks. Such attacks were often severe, particularly early on, because “Rural enterprises were viewed as disruptors of macroeconomic stability and greedy grabbers of production inputs that could have been used for SOEs” (Lai 2006:34). That is, in the absence of private investment protecting formal law, planning activists, of which there were still many, motivated by widespread anti-private property sentiments, often attacked firms that did not possess strong government ties (Qian 1999:12). Such attacks were especially prevalent during various periods of reform pullback, for example the “anti-spiritual pollution campaign” of 1983, the “anti-bourgeois liberalization campaign” of 1987, and after the Tiananmen Incident of 1989” (Qian 1999:12). But, businesspersons paid a price for their government protection. Numerous reports surfaced discussing the practice by local governments of arbitrary extractions from the enterprises, monies that would then be used by the governments for their own purposes (Wong 1988:23). TVE situations were thus characterized by much uncertainty.

October 1984 saw the announcement by China’s Central Party Committee of a second phase of the second round of reforms. Emerging changes reduced the number of items that were subject to planning, further increased SOE freedoms, and promoted greater opening to the outside world (Meaney 1991:124). Also, in an accompanying “Central Party Committee Resolution on Economic System Reform,” party leaders declared that enterprise reform would now be a primary focus of Party work (Lin 2001:32). The leaders also stipulated that the new objective of reform was to sequentially “reduce the scope of mandatory planning and appropriately expand that of guidance planning” (Zhang 1996:112-113). This signaled the beginnings of a revised government focus, one increasingly associated with governance as opposed to direct intervention. Still, the means by which improvement should occur were still not well understood. Much reliance on experimentation continued, again often resulting in

unanticipated and undesired results. For example, a State Council policy of February 1985, intended to promote improvements in the lending of bank funds, and which stipulated that any organization seeking bank loans must either establish its own collateral for such funds or find a guarantor to offer such help, ended up motivating local governments to act as guarantors for TVE borrowers. The changes simply encouraged a closer collaboration between local governments and the TVEs in their areas, since local governments increasingly acted as the guarantors of TVE bank loans. This further aggravated the problem of soft constraints, in that borrowing firms, protected by local governments, did not face the level of risks that they should have. In addition, another result was that there was “no easily identifiable party liable for the [TVE] debt” (Oi 1999:624). Governments could renounce responsibility, with the banks unable to do anything. The situation of banks suffered as a result. This was a problem that would have ominous future consequences.

Difficulties resulting from well-intentioned actions, but ones that engendered undesired results, were increasingly becoming a subject of concern. The results of new arising freedoms certainly did not adhere to the notions of market reformers, and their Western advisors (i.e., officials from the World Bank, Asian Development Bank, and the like), which asserted that increased actor autonomy should result in ever better results. The simple fact was that the ongoing freedom-directed changes were engendering poorly thought out investments, inflation, and corruption. The problem was that no checks and balances existed. The growing scale of unethical conduct by unregulated managers aimed at self-enrichment was generating a sense among the common people that the values of society were being eroded. This was particularly the case given that society’s values, in an effort to placate the planning faction, had continued to be premised on philosophies popular during earlier periods, and stressed notions like egalitarianism and action for the common good, concepts quite unlike

those of inequality and individualism more aligned with markets. By the end of 1985, open signs of discontent, in the form of social unrest, had begun to emerge (Woo 1999:39). This unrest grew larger and more widespread towards the end of 1986 (Woo 1999:39). The discord, combined with rising inflation, and various other unfavorable reactions to reforms resulted in a view that things were moving too quickly, and by 1986 calls were again being made for a retreat from change. In turn, “The liberal faction was in serious political trouble...because the party elite was particularly concerned about a Polish-style uprising developing from the student unrest” (Woo 1999:14). By January 1987, planning supporters had succeeded in getting reformer, Hu Yaobang, dismissed from his position as Communist Party Secretary. At the 13th Party Congress, held in October of 1987, Hu’s fellow reformer, Zhao Ziyang, previously China’s Premier, replaced him, while a protégé of Chen Yun, Li Peng, took over Zhao’s former position. The conservatives now had regained the foothold to power they desired. Even so, the Congress continued to be largely liberal in its tone, and was notable for the fact that it included an assertion that a role for private enterprise exists in the development of a socialist society (Han and Pannell 1999:278). In addition, the Congress called for China to pursue a “socialist planned commodity economy” (Yang 2004:7). The term “commodity economy” was known by China’s people to be associated with capitalism. The change in terminology was a situation that did not sit favorably with planning adherents.

Party Secretary Zhao, however, did not pay a great deal of attention to the feelings of the planners, and the sense was that following the 1987 Congress and into 1988 the liberal agenda held sway. Zhao continued to push for more market reforms, giving little regard to the levels of support for reforms throughout society. In his actions, Deng Xiaoping supported him, though Deng’s role was more of a behind the scenes one, with Zhao being the public advocate of reforms, but exposed to criticism

should problems with the changes occur. Even though Deng was not the public face of market reforms, however, his commitment to reform was strong and ongoing, even though at times he presented himself differently.

In early 1988, Zhao, publicly, and Deng, behind the scenes, continued their push for market reforms. In January and February of that year, Zhao sought to implement growth predicated on the development of the urban coastal areas into centers of export-oriented industry (Woo 1999:41). His goal was to link TVEs into existing networks of international trade, a strategy that showed his understanding of the developmental successes of other economies in Asia (Woo 1999:41). In accord with this strategy, in April 1988 the government approved the Law on Sino-Foreign Contractual Joint Ventures (Lai 2006: 49). Unfortunately, Zhao did not stay in office long enough to see the results of his work, however, for by August 1988 inflation was out of control, having risen from 6% in 1986, to 7.3% in 1987, and 18.5 % in 1988 (Woo 1999:40). This was creating major social problems. Unregulated spending by state-run enterprises, with access to seemingly limitless financial resources, had resulted in sharp increases in the existing money supply, and inflation and widespread anger throughout society were the result. There was also a sense among a large segment of the common people that reforms were leading to unfair benefits for a certain segment of the population and that others were suffering. The Party stripped Zhao of his role in economic management, and by September the government had begun to implement policies supported by the planning faction intended to deal with China's overheating economy. Social unrest continued, however, culminating in the June 1989 Tiananmen Incident when Zhao was unseated as Party Secretary, and replaced by centrist Jiang Zemin. But, although between 1989 and 1990 the conservatives attempted to reassert themselves, and reinstitute planning, they were not successful. Still, the economy went through a disrupting period of uncertainty. The

Tiananmen Incident seems to have signaled the start of a different sort of governmental tendency, however.

China's leaders realized that changes would need to be made, particularly with respect to the existing fiscal situation. The downfall of the Soviet Union in 1991 brought a realization that government structures required rationalization, and beginning in 1992 China's State Council began an effort to inaugurate various new regulatory agencies, an effort that continued into the early 2000s (Pearson 2005:302). There was also recognition that existing government-business relations could not continue unchanged. This sense arose due to actions over the period between 1991 and 1995 when state sector fixed asset investment increased by over 32% per year as compared to 12.2% between 1981-1985 and 15.8% from 1986-1990 (Yang 2004:67). Calls went out for greater separation between government and business, and for more of a focus on private enterprise. Deng's January-February 1992 "Southern Tour" (*nanxun*) was an indication that support existed for such changes, and signaled the lessening influence of ideological concerns. From this point on private ownership became more and more acceptable. In fact, because of the difficulty in sorting out their financial affairs, "by the early 1990s collectively owned enterprises were becoming liabilities rather than assets" (Oi 1999:624). Another problem was that TVEs and SOEs were both beginning to experience similar problems, ones relating to bureaucratic management and the firms' difficulties in adapting to new market conditions. The conditions were right for changes to be made, and at the 14th Congress of the Communist Party held in October 1992, Party Secretary, Jiang Zemin, endorsed the concept of a "socialist market economy." This signaled a shift in the role of the state from one of hands on involvement to a focus centered more on macro-level action, highlighting guidance and institution building. The "emergence of the notion of 'governance' in China was accompanied by a critique of the system of

socialist planning and associated forms of government" (Sigley 2006:499).

In November 1993, the Third Plenum of the Fourteenth Party Congress adopted a new set of reforms entitled the "Decision on Issues Concerning the Establishment of a Socialist Market Economic Structure." These reforms stipulated a new four-part strategy: a rule-based framework, a focus on the construction of a set of market-promoting institutions, clarified property rights, and new views regarding ownership (Qian 1999:23). The focus was on enhancing the separation between business and government as well as on creating greater market transparency. By the end of 1993, the government had readied specifics related to reforms of taxation and fiscal systems (Yang 2004:72), and it implemented these in 1994. The reforms were primarily directed at increasing the ratios of government revenue to GDP and central government revenue to total government revenues (Zhang 2006:457), and included three measures meant to reinforce the hard budget constraints on local governments: 1) major tax reform; 2) the requirement that local governments maintain balanced budgets; and, 3) reforms of the central bank, which lessened the ability of the local governments to influence loan distributions (Ahrens and Mengerlinghaus 2006:95). The reforms were successful in increasing revenue flows to the central government, with 55.7% of collected revenues going to the center in 1994, as opposed to 22% in 1993 (Zhang 2006:456). What the reforms also did, however, was to increase the financial difficulties of the TVEs. Local governments, unable to get out of paying taxes as they had in the past (Qian 1999:28) began indiscriminately exploiting the TVEs to resolve their own fiscal difficulties (Wang 2007:100-101). The TVEs, given their property rights situations, were powerless to protect themselves. This, however, encouraged the TVEs to engage in privatization efforts, and according to a November 4, 1994, *China Daily* article many began to separate themselves from local governments. By the end of the decade almost complete privatization was the result

(Li and Rozelle 2003:987). SOEs, particularly small and medium ones, also began to undergo privatization, with a “seize the large and release the small” policy in effect (Ahrens and Mengerlinghaus 2006:91). There was a general move towards privatization, and by 1997 the total number of TVE firms began to decline (Li and Rozelle 2003:981). The trend towards a private economy was furthered by the fact that by 1997 many of the staunchest advocates of planning had already died. The progress being made was akin to Paul Samuelson’s remark that “true progress in economics is made funeral to funeral” (quoted in Woo 1999:46).

1997 witnessed not only a growing trend towards a private market economy, but also the death of Deng Xiaoping in February, and the start of the Asian Financial Crisis as well. In addition, in September 1997 history was made when, during the 15th Congress of the Chinese Communist Party the role of the state sector was demoted to simply a “pillar of the economy,” while officials designated the private economy as an “important component of the economy” (Qian 1999:34). Another breakthrough of the Congress was the increased emphasis given to the rule of law (Qian 1999:35), and to administrative reform. By March of 1998, new reformist Premier, Zhu Rongji, was calling for a reduction in central government personnel by up to one half (Yang 2004:37). These reductions involved cutting the number of central government ministries from 45 to 29 (with similar actions taking place at the local level in 1999) (Qian 1999:30), as well as efforts made at continued banking reform. Attempts were also made to curb corruption, though Zhu Rongji’s efforts in this area were largely limited by outside interference. At the 9th National People’s Congress held in March 1998, delegates also endorsed a new emphasis on increased privatization (Zhang and Donaldson 2008:29).

The rising status of private ownership became apparent in March 1999, when the Chinese Constitution added Article 11, changing a clause’s original wording from “the

private economy is a supplement to public ownership” to “the non-public sector, including individual and private businesses, is an important component of the socialist market economy.” The impact was immediate, with local governments becoming less restrictive regarding private enterprises (Qian 1999:25). A primary reason pushing forward reforms was competition from other nations, particularly other East Asian and Eastern European countries. China wanted to maintain its status as a development leader (Qian 1999:26). China’s becoming a member of the WTO in December 2001 was another sign of China’s commitment to rationalization and internationalization. Significant increases in FDI during the period were evident as well.

In November 2002, Hu Jintao replaced Jiang Zemin as Communist Party Secretary, and almost immediately the new government began to take actions to correct various developmental problems associated with the Jiang period (Lin 2008:8). The National People’s Congress, of March 2003, approved the plans of the new Premier, Wen Jiabao, providing for an increased emphasis on rationalization, rather than a continued stress on downsizing (Yang 2004:60). In October 2003, during the Third Plenum of the 16th Party Congress calls were made for reforms in corporate governance. The government began to try and curb speculation, particularly in the real estate sector, and also placed greater focus on fiscal policy, allowing, in July 2005 the nation’s currency, the RMB, to move away from a strict peg to the U.S. dollar. There were also increasingly active efforts to engage in outward investment. In addition, efforts at privatization continued. In 2004, the Chinese Constitution stipulated private property rights as inviolable (Ahrens and Mengerlinghaus 2006:91). At the 5th Plenary Session of the Chinese Communist Party’s 16th Central Committee held in October 2005, the Chinese government continued to stress development, but added that such development should be “comprehensive, harmonious and sustainable”

(World Bank 2005:9). Stress was put on creation of a harmonious society. Greater emphasis was placed on stability and social issues.

If summarizing higher-order institutional logics for the period from 1978-2005, what may be said? For one thing, it is apparent that there was a growing acceptance of markets as a means of economic coordination. Increasing recognition was also arising that markets require the institutionalization of certain basic institutions, such as private property, property rights, and freedom of action. At the same time, however, there was also a growing realization that markets cannot always police themselves, and while planning restricted the efforts of social actors too much, unconstrained markets did not seem to work effectively either. China’s leaders concluded that government was needed, but in a changed form. China moved increasingly from “a notion of ‘government’ (*zhengfu*) as a task of ‘planning’ (*jihua*) and ‘administration’ (*xingzheng*) to one that involves ‘management’ (*guanli*) and ‘governance’ (*zhili*)” (Sigley 2006:496). This was not a smooth process, however, and reforms of reforms were constantly being made. Particularly during the early part of the process, action moved in a *fangshou* pattern wherein freedoms were allowed, and when their results proved to be more than had been expected, reverses then occurred. Periods of reform occurred in 1979, 1984, and 1987-1988, while drawbacks emerged in 1981-1982, 1986, and 1989 (Naughton 2007:97). Table 2.3 provides a general summary of changes in higher-order institutional logics taking place over the 1978-2005 period.

TABLE 2.3: HIGHER-ORDER INSTITUTIONAL LOGICS: 1978-2005

Time	Summary of Higher-Order Institutional Logics
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Table 2.3 (Continued)

<p>1978-1988</p>	<p>Newfound emphasis on economic development, particularly within political realm. Increasing acceptance of markets over time period, though much inconsistency in situation throughout. Efforts aimed at decentralization resulted in wide variation in different areas' approaches, with much experimentation present. Ideologies generally continued to be predicated on those of planned period, with emphasis on egalitarianism, cooperation, and self-sufficiency. Even so, role of ideology depended very much on the geographic area being considered. Significant regionalism and protectionism existed. Uncertainty was also high. Among rulers, particularly following Polish labor strikes of 1980-81, strong sense that political control must be maintained, but also that interests of people must be considered. If not, system problems might result.</p>
<p>1988-1991</p>	<p>Emerging dissatisfaction with reform situation. General sense that reforms were not in accord with existing ideologies, resulting in unfair benefits for some. High rates of inflation created difficulties for many, resulting in increasing social unrest. Pause in reform movement. Largely successful efforts made to reign in growth and inflation.</p>

Table 2.3 (Continued)

1991-1997

1991 fall of Soviet Union brought realization that changes would need to be made. Efforts begun to reinstitute more central control over nation, though emphasis became increasingly one of emphasizing governance as opposed to direct intervention. Inability of Central government to control unregulated investments by state enterprises and TVEs pushed forward notions that government and business must be separated, and that more reliance on markets was needed. Increasing acceptance of markets, with less stress on past ideologies. Efforts also made to expand central-government resources via fiscal reforms and revamping of tax system. In addition, actions taken to establish basic institutions needed for market economy. Beginnings of privatization movements.

Table 2.3 (Continued)

<p>1997-2002</p>	<p>More emphasis on administrative reform. Complete abandonment of socialist ideologies, particularly notion of egalitarianism. Size of government greatly reduced and government's focus modified, with less direct government involvement in economy. Increased attention given to rule of law, with sharp drawback from socialist forms. Added stress put on privatization, and almost complete privatization achieved by end of decade. Significant job losses resulted, along with increases in corruption. Although Premier Zhu attempted to attack this corruption, his efforts were undermined to a large extent by political forces. Increased emphasis on opening up, with large increases in FDI. China's 2001 WTO entry signaled efforts at internationalization.</p>
<p>2002-2005</p>	<p>Jiang Zemin replaced by Hu Jintao. Continued stress on development, but greater focus put on correcting imbalances within society, with emphasis on harmony. Greater attention given to stability as well. As part of movement to assert China's international role, investors encouraged to invest internationally. More attention directed to issues of corporate governance, with goal of increased levels of efficiency. Private property rights designated as inviolable. Realization that more needed to be done to bring benefits of market society to all.</p>

WENZHOU AND SUNAN THEORIZATIONS

Again theorization refers to “the self-conscious development and specification of abstract categories and the formulation of patterned relationships” (Strang and Meyer 1993:492). Here I posit that theorization processes depend upon context. That is, how actors theorize something cannot be completely abstracted away from the context of the theorizer and the situation he or she faces. Actors in one context will theorize something differently than will actors in another context. What the actors deem as important will also depend on the situations that have existed in the past, situations giving rise to expectations for conduct. I also assume that based on a comparison of differences in the theorizations of different actors, the meanings that actors hold can be identified. Here, to judge theorizations, I apply discourse analysis to two sets of articles, one set each for both Sunan and Wenzhou. The articles chosen represent the writings of authors situated in the institutional contexts of the places about which they are writing. I posit that due to these contexts, there should exist differences in the manner by which the authors theorize their situations, and that from these differences the meanings of action within the two areas may be found. Since an accepted facet of social analysis is that action depends upon meaning, the presence of different meanings should indicate the existence of differing forms of action. Finding evidence of differing forms of action would tie the discussion to the subject of institutional change. This is because differing institutional logics at the local level should, even within the same overall field, then result in dissimilar forms and patterns of change, even in a situation where all members of the field are impacted by the same higher-order institutional logics.

From the results of the discourse analysis, it was apparent that, while there were some similarities in the two theorizations, there were many more differences. As far as similarities, both of the theorizations put heavy stress on economic development.

Regardless of the time period of the theorizations, this aspect of their framing did not change. This was in line with higher-order institutional logics stressing such a theme. The differences between the two sets of theorizations were more significant, however. One primary difference was that the relations of the two sets of theorizations to changes in higher order institutional logics were very much unlike. In Sunan-area theorizations, the pattern followed was quite similar to the pattern of changes in higher order institutional logics, a similarity that was very systematic in its nature. When changes in higher-order institutional logics occurred, the Sunan theorizations tended to reflect these changes. This was not the case for Wenzhou theorizations, however. In fact, the Wenzhou theorizations stayed largely the same throughout the 1985-2005 period, with some change evident only in 2005. The changes in higher-order institutional logics had little influence on its theorizations.

A reason for this difference might be because, from the start, the theorizations of Wenzhou were ones focusing on market forms, private ownership, and self-reliant development. They were also largely devoid of ideology. Early on, Wenzhou was for the most part isolated and thus less impacted by higher order institutional logics, and as it became more exposed to the outside world, its orientation was already largely in accord with the higher-order institutional logic changes. For example, unlike Sunan, Wenzhou did not have to put greater focus on efforts at privatization, and the separation of its government from business. These were features its form of development had included from the start. Wenzhou had continuously stressed markets, business, and private activity. Perhaps because of this, over the time period considered, the Wenzhou theorizations directed almost all of their attention to elements associated with industry/business, alone. They put their overriding emphasis on the money-making efforts of Wenzhou businesspersons. Discussions of the role of government, or regarding how Wenzhou might open up to or interact with

the outside world were minimal. In the Wenzhou theorizations, there was also little discussion of quality of life issues. This is in sharp contrast to the theorizations of Sunan, which, while also emphasizing economic development, focused on the role of government, the positives of public ownership, development predicated and dependent on relations with outside areas (in particular Shanghai), and the need for an overall betterment of society. Unlike the Wenzhou theorizations, they put a heavy emphasis on ideology, stressing riches for all, and the role of the government in providing leadership and guidance. They also, in contrast to Wenzhou, stressed multifaceted development across all sectors: agriculture, business/industry and service, highlighting the need for cooperation with outside areas, as well as the need to rely on outside help, for example in the form of foreign direct investment. The Wenzhou portrayals, in contrast, stressed the independence of the Wenzhou people. They emphasized the ability of the Wenzhou people to overcome any difficulties before them.

As time went on, the degree of change in the Sunan theorization approaches was also significantly greater than that for Wenzhou. Again, the Sunan theorizations were generally in alignment with changes in higher-order institutional logics, and inherent within them was an increasing focus on the need for a greater acceptance of private business forms and the necessity of actions aimed at greater separation of business and government. They ongoingly discussed existing problems, and how to solve those problems. This was much less true of the Wenzhou theorizations, which to a large degree became increasingly boastful regarding Wenzhou successes and economic contributions. The Wenzhou theorizations also tended not to focus on new problems or their solutions, but instead generally discussed the same problems throughout. There was little sense that progress in systems or forms of action was being made. This was very unlike the situation of the Sunan theorizations where,

five years after bringing up a problem, touted successes relating to the problem, with a focus on new problems. The Sunan situation was far more dynamic than the Wenzhou one, with continual progress being made.

Again, a reason for this might be the differing statuses of the governments in the two places. In Sunan, theorizations put heavy emphasis on the role of government. From the start, government was the focus of action and involved in all activities. This was not the case in Wenzhou, where the greatest contribution of government was seen to be its ability to leave its people alone to engage in their business activities. Wenzhou theorizations focused on the efforts of the people, with little consideration of the role of government. And, again, in Sunan there was a sense that change in government was to be ongoing. The government moved from being involved in everything to an increasingly governance-focused role. It continued to manage and provide guidance, but its direct involvement in business activity decreased sharply. There was little need for such change in Wenzhou, however, for there the government's role had, from the start, been a minimal one. In fact, in 2005, criticisms began to emerge in Wenzhou that the inability of the government to provide oversight was beginning to negatively impact Wenzhou. Calls began to emerge that the government change its ways.

THE ROLE OF MEANING

Meaning is something frequently referred to, but seldom discussed in detail. A consensus exists that meaning is a social construction (Glassner 2000:590), and is structural in form (Mohr 1998), dependent on the linkages among differing elements. How something is linked to something else determines what its meaning is. As such, processes of classification, theorization, framing, and interpretation are critical to the determination of meaning. From 1978 on, China's higher-order institutional logics

were predicated on development. But, at the local level, where institutional logics differed, it is apparent that what development meant to one group was what it meant for another group. In Wenzhou, the structure of relations was an individually based one, necessitating the need to compete with others in a quest for survival. The government had little status and because of the geographic environment and lack of help from higher realms of government, there were few resources to go around. People depended on their own efforts to get by. The early developmental efforts in Wenzhou reflected this. The institutional logics in Sunan differed substantially. There, the local governments had played a significantly greater role in helping the people achieve sustenance. Early on, local Sunan governments had taken action to organize cooperative activities encouraging people to work together to achieve success. But, resulting success was not one dependent on Sunan's own efforts only. It also depended on help Sunan received from nearby urban communities, specifically Shanghai. As in the situation of Wenzhou, the early developmental efforts of Sunan reflected its existing local institutional logics. What is interesting, however, is that based on the theorization processes associated with development occurring, the meanings of development that existed in each of the two areas early on, persisted into the future. For Wenzhou, this has meant a continuing dependence on the individual. There was also nothing systematic about the Wenzhou efforts. Instead, they were tied to context and results. Whatever worked in a particular situation would be relied upon, and what didn't would be jettisoned. Decisions were made at the individual level. Hard work, risk-taking, and cooperation with friends and family while excluding others were the institutional fabric of action, and this mindset has maintained itself up to the present. The situation in Sunan was from the beginning different. There, government was in charge, and peoples' efforts were much more coordinated into a larger whole. People did as they were told, and although

deviations occurred, these deviations were ones tangential to more globally accepted realms of action. As these realms of action changed, so did the manner by which actors at the local level pursued development. Change was much more systematic in nature, with significant discussion taking place regarding the form that future actions would take. The government led these discussions. It did so in ways influenced by higher-order institutional logics. The more collectively defined nature of action present in Sunan resulted in a significantly greater focus on a unified economic and social development. In Sunan theorizations, writers placed significant focus on the social environment. Again, this is a pattern that has continued up to the present.

Traveling to Sunan and Wenzhou, one is immediately struck by the differing natures of existence in the two places. Wenzhou is characterized by a sense of disorder not evident in Sunan. The pace of life in Wenzhou is significantly faster, and there is a feeling of pressure that does not exist in Sunan, where life seems to move in more ordered ways. Sunan existence also is more multi-faceted. It is evident that greater consideration has been directed to quality of life issues. At an organizational level, firms in Sunan, on average, tend to be bigger, with more rationalized forms of management. The level of technical expertise is also higher than that of Wenzhou. In addition, the diversity of organizational life is substantially more diverse, with many more firms owned and managed by outsiders, particularly foreigners, than is the case in Wenzhou. The meaning of development has had an obvious impact on organizational results.

CONCLUSION

The stated goal of this paper was to investigate the manner by which meaning impacts organizational action. The means used to do this was to rely on an investigation of

local and higher-order institutional logics coupled with an examination of processes of model theorization. The results show that local institutional logics had a major impact upon processes of theorization. Higher order institutional logics also affected resulting outcomes. These effects were related to the designating of an allowed realm of action. But, within this realm of action, results differed greatly. This suggests that within any field of action, the institutional contexts at the local level are important. To truly understand the nature of organizational action, then, these contexts must be considered.

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CHAPTER 3

EXTENDING LINKAGE BETWEEN ORGANIZATIONAL ANALYSIS AND SOCIAL STRUCTURE: A CASE STUDY OF THE CELEBRITY CONSTRUCTION OF A CHINESE MARKETPLACE

This paper examines the emergence of firm celebrity, an intangible asset, and competitive-advantage facilitator. Institutional approaches have asserted that organizations in the same organizational field, located in comparable structural situations, become increasingly similar over time. But, in any organizational field, firm differences also exist. Apart from research on intra-organizational factors, however, many processes of firm-differentiation have not received adequate attention. This paper considers three social constructions: legitimacy, reputation, and status, investigating how they impact firm celebrity, a firm-differentiating factor. It adopts a historical, relationally framed approach to show how agency and structure act to influence the nature of celebrity emergence.

Recent calls by management scholars for a greater coherence between organizational analysis and social structure have yet to be fully heeded (Lounsbury and Ventresca 2003). There remains much work to be done to reap the benefits gained from an expanded understanding of the relationships between organizations and other relationally situated social-structures. Many have complained about a lack of effort in this area (Dobbin 2008; Emirbayer and Johnson 2008). An existing problem, however, has been a dichotomy in research positions, with those championing atomistic, individualistic accounts tending to separate themselves from individuals

promoting structural positions and vice versa (Heugens and Lander 2009:61). Gaps exist.

This study seeks to bridge these gaps. Through an incorporation of the notion of fields, realms consisting “of all relevant actors in a social space” (Dobbin 2008:56), it combines issues of agency with notions of social structure to show how a hierarchical framework of social standing emerges (Vandenberghe 1999:53). This involves a focus not only on agency, but also on how “structured structures...function as structuring structures” (Bourdieu, quoted in Vandenberghe 1999:48). The paper posits that the motivation for actors to undertake structurally influencing actions is not only actors’ own hopes of achieving an improved action-environment for themselves, but also their cognizance, via an ongoing monitoring of their environment, of the competitive environments they face (White 1981; Granovetter 1985). This influences the actions they choose and the norms they follow, and aligns with the conceptualizations of social-exchange theorists, who believe that the success of social norms depends on mechanisms inherent within ongoing social relationships (Nee and Ingram 1998:24).

In its formulation, the paper relies upon an inductively founded case-study, drawing its principal strength from an integration of theory and interview results, to investigate the manner by which a chosen organization, one situated in a non-U.S. based environment, garnered competitive advantage in the form of firm celebrity (Rindova, Pollock, and Hayward 2006:66). It heeds the suggestions of scholars advocating a heightened focus on the “natural history” of organizations, wherein an enhanced understanding of organizational change is achieved through a reliance on a temporally based perspective, stressing the manner by which organizational changes occur over time (Davis and Marquis 2005:333). It also adopts a relational view (Emirbayer 1997; Emirbayer and Johnson 2008; White 1992), investigating the

processes of narration, presentation, and action relied upon by relevant actors in the construction of the in-focus structural form. The paper's principal emphasis is to examine the manner by which the celebrity-attainment process took place.

A specific goal of the paper, one that is intended to help extend further the linkages between organizational analysis and social structure, is to improve understanding regarding the inter-relations of celebrity and three other socially constructed intangible assets: legitimacy, reputation, and status. Existing work on firm celebrity, apart from theorizing about the methods actors should rely upon to achieve celebrity for their organizations, has attempted to differentiate celebrity from these other constructs (Rindova et al. 2006). It has not tried to relationally link celebrity with them. In this paper, however, the emphasis is on how processes of celebrity attainment depend upon their inter-relations with legitimacy, reputation, and status, showing inter-linkages not just at a particular instant, but also over time. Barney previously noted the utility of such an approach (2001:51).

Another noteworthy aspect of the paper is that its empirical analysis deals with a non-U.S. situation. The preponderance of existing, intangible-asset research has directed overwhelming attention to developments within the U.S., only. The current study, due to its foreign focus, offers the potential to add to overall understanding by unearthing insights regarding places outside the U.S. For example, a key variable of U.S.-based research has been the market ties an actor has with other high-status actors (Benjamin and Podolny 1999; Han 1994). These ties are said not only to promote information flow and resource acquisition, factors of critical importance to success within a market environment, but also to influence how others perceive an actor in terms of the actor's quality and performance. But the frameworks relied upon in these studies are premised on the existence of a strong market context. In economies transitioning from planning to markets, however, a situation of "politicized

capitalism” frequently exists (Nee and Oppen 2007), with political connections especially critical to success. In these locales ties to the government should thus be of more significance than would be the case in market economies, where prices play a more determining role (Nee and Oppen 2007:107).

The paper includes five sections: the present introduction and four other parts. Following this introduction is a discussion of celebrity, defining celebrity, and considering how firm-celebrity attainment has been characterized in existing literature. Past depictions have emphasized the role of the media, directing little attention to other important factors. This paper, however, focuses on the role of additional celebrity-influencing constructs as well, detailing various assertions concerning the roles of such constructs in the celebrity-development process. The third section considers the empirical results of the case study. It introduces the study’s subject, the Yiwu Small Commodities Market (subsequently referred to as Yiwu or the Yiwu marketplace), and outlines how it went from a situation of near anonymity to become China’s most famous center of trade. Given that China now has more than 4,000 marketplaces having total sales of over 100 million RMB (around USD15 million) annually (Song, Wang, and Wang 2008:3), this has been no simple task. The fourth section focuses on the relevance of the Yiwu story to celebrity scholarship. The paper concludes with a summary of its main points.

FIRM CELEBRITY, EXISTING VIEWS OF ITS CONSTRUCTION, AND HOW LEGITIMACY, REPUTATION AND STATUS RELATE

WHAT IS FIRM CELEBRITY?

I define firm celebrity as the ability of a firm to garner significant attention from the public, while at the same time realizing “positive emotional responses from

stakeholder audiences” (Rindova et al. 2006:50). Celebrity is a social construction. It is both a strategic resource (Barney 1991), and an intangible asset (Hall 1992). Strategic resources are valuable, rare, non-imitable (uneasily copied), and non-substitutable forms of organizational property. Intangible assets are possessions that cannot be touched or seen, but that have value. Scholars have directed significantly more attention to intangible-assets like reputation, status and legitimacy than they have to celebrity (Rindova, Williamson, Petkova, and Sever 2005; Podolny 1993, 2005; Fombrun and Shanley 1990; Suchman 1995; Deephouse and Carter 2005; Suddaby and Greenwood 2005). Celebrity remains an under-researched topic.

EXISTING FRAMEWORKS RELATING TO THE CONSTRUCTION OF FIRM CELEBRITY

In fact, firm celebrity has received very little attention. The attention it has received relates more to theory than to empirical investigations. This is true of not only firm celebrity, but also of celebrity in general. The only paper to discuss succinctly the topic of firm celebrity was a 2006, largely theoretical work by Rindova et al. entitled, “Celebrity Firms: The Social Construction of Market Popularity.” Rindova et al. portray firm celebrity in relational terms, referring to it as “a property of [an] actor’s relationship with an audience, rather than a characteristic of the actor him/her/itself” (2006:51). They contend that celebrity is different from other intangible assets, like reputation, status, and legitimacy, in at least three ways: its theoretical underpinnings, socio-cognitive foundations, and processes of emergence (Rindova et al. 2006:54). The Rindova et al. paper focuses mainly on how firm celebrity is unique as compared to these constructs.

Two of the primary differences cited by Rindova et al. pertain to how celebrity is theorized, and to the manner by which firm celebrity comes into existence. Although

studies relating to the three other intangible assets “focus on how a firm’s behaviors and performance are evaluated, assuming that the firm is already noticed” (Rindova et al. 2006:55), Rindova et al. assert that the focus of celebrity research is different. One difference is a lack of emphasis on evaluation (2006:55). They also posit various propositions pertaining to the means by which the celebrity-attainment process should successfully unfold, stressing the role of the media, and asserting that in order to achieve celebrity-success actors must rely on publicizing dramatic narratives about the celebrity-seeking firm. They contend that these narratives must encompass a conflict situation (involving a disruption of the status-quo), in which the firm is portrayed in the role of a non-conforming, likeable protagonist, possessing a well-developed character (2006:57-65). According to Rindova et al., agents of the firm must also be involved in the celebrity-construction process, in the sense that they take an active role in projecting “desired images to audiences” (2006:62). This involves impression management, storytelling (Aldrich and Fiol 1994; Lounsbury and Glynn 2001; Zilber 2007), and the production of “information subsidies” (Rindova et al. 2006:62). Information subsidies are packaged accounts of firm actions that are directly issued to media representatives to enhance perceptions of the firm’s importance, thus heightening the firm’s celebrity.

Rindova et al. also discuss the process by which firm celebrity is sustained. The authors posit that “celebrity is not static over time” (2006:63), and that its continuance depends on the future ability of a firm to “overconform” to existing norms (2006:63). That is, once a firm has achieved celebrity, it must shed its non-conforming rebel image and present itself as a leader in the enhancement of accepted institutions (Rindova et al. 2006:63-65). This is one of the few portions of the paper that refers directly to the positive ties of firm celebrity to one of the other three constructs. This occurs when Rindova et al. state that, “By moving away from its

previous nonconforming behavior and adopting behaviors that conform to industry norms, a firm can increase its legitimacy and appeal to a broader market” (2006:64). In addition, although not a direct reference, the paper also implies the importance of reputation to the firm-celebrity attainment process when it states that celebrity “cannot be fully fabricated” (Rindova et al. 2006:66). A further illustration of reputation’s importance relates to the comment that “the attention and positive emotional responses from audiences that define celebrity depend on the sustained perception that celebrated firms—at least to some extent—possess the extraordinary qualities attributed to them” (Rindova et al. 2006:66). Still, the Rindova et al. paper’s linkages of firm celebrity with the other three constructs are minimal.

INTEGRATING LEGITIMACY, REPUTATION AND STATUS WITH THE FIRM-CELEBRITY DEVELOPMENT PROCESS

Here I attempt to expand upon the notion of firm celebrity by tying the three intangible-assets: legitimacy, reputation and status to celerity. Rather than, as Rindova et al. did in their paper, differentiating firm celebrity from the other constructs, the goal is to show how firm celebrity relates to them in dynamic ways. Relying on a historical perspective, I begin with a discussion of legitimacy. Legitimacy is a social construction, whose emergence depends on two elements. First, actors within a social field must begin to believe that a majority or a large percentage of actors within their field view a particular social structuring or manner of doing things as being acceptable and desirable (propriety) (Johnson, Dowd, and Ridgeway 2006:55). Second, these actors need to agree that this action/structure template is one that deserves application elsewhere (validity) (Johnson et al. 2006:55). Legitimacy is defined by Suchman as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially

constructed system of norms, values, beliefs, and definitions” (1995:574). It is frequently categorized into three types: normative (i.e., endorsements, affiliations, adherence to established practices), regulative (i.e., action in line with existing laws, certifications), and cognitive (i.e., taken-for-grantedness, attainment of valued credentials (e.g., education), seeming acceptance of established forms of action) (Ruef and Scott 1998). Legitimacy is critical to the structuring of relations given that it “is a necessary precondition to initiating social ties with stakeholders and obtaining and recombining resources” (Delmar and Shane 2004:386). It is structural in that it generally segments actors into two groups: those possessing legitimacy and those who don’t. While there is often also a grey area between the two sets, still, a prerequisite for relationship formation is generally that interacting actors must first attain a mutually defined level of legitimacy, which then allows their relationship to progress.

Though Rindova et al. emphasized the role of the media in the process of firm-celebrity attainment, legitimacy is also important to this process if for no other reason than because there are precursors to the media’s involvement. The media has a choice in terms of the actors it will highlight, and there are often many from whom it can select, that serve as “vivid examples of important changes in industries and society” (Rindova et al. 2006:52). Generally speaking, except when forced to do so, the media will not focus on an actor that it does not appreciate, condone, or believe acceptable. But the media also needs to take into account the opinions of those on whom it depends for the resources that sustain it (money being the primary one), which in the U.S. tend to be media advertisers (though in China they are oftentimes powerful, purse-holding government officials). Overall, legitimated actors will possess a higher probability of being chosen by the media for focus. Legitimacy does not need to be field wide, with every involved participant believing that a particular actor should be supported. But at least most media representatives and

their supporters must believe that an actor is worthy of their backing. There is thus a threshold of legitimacy required for a firm to successfully attain celebrity (Zimmerman and Zeitz 2002:428). This leads to the assertion that legitimacy is a necessary, but not sufficient, condition for firm-celebrity attainment.

Reputation, or “the beliefs and evaluations held by external members” about a particular actor (Fischer and Reuber 2007:55), also plays a role in firm-celebrity development. Like legitimacy, reputation is relational in nature. Reputations are generally based on comparisons among different entities, which in the case here are organizations from the same industry or field. Key decision-makers frequently rely on reputations (and status) when deciding whom to affiliate with (Jensen and Roy 2008), and, as Fobrum and Shanley contend: “Well-reputed firms have a competitive advantage within their industries” (1990:235). Such an impact is not limited to industry effects alone, but also influences field-wide outcomes. In considering reputation, various questions emerge. For example, to what extent are performance and reputation linked? Also, to what degree does reputation impact firm-celebrity outcomes? That is, will the firm with the best reputation necessarily become the most famous organization? Regarding the first question, research has shown that there is generally a relationship between reputation and performance, especially when reputation is associated with prominence, or “the extent to which an organization is widely recognized in its organizational field” (Rindova et al. 2005:1044).

Prominence relates to the degree to which institutional intermediaries (such as the media and other evaluating bodies), and high-status actors favor a particular entity. The relationship between reputation and performance is particularly evident with regard to financial performance (Deephouse and Carter 2005; Fobrum and Shanley 1990). Good financial performance tends to impact reputation favorably, and once a reputation is formed it very often persists (Roberts and Dowling 2002). This implies

that performance and reputation are mutually sustaining, building upon one another (Roberts and Dowling 2002). This meshes with the notion of the “Matthew Effect” referred to by Merton (1968), wherein an actor of high status tends to benefit disproportionately from actions it undertakes as compared to the results of similar actions engaged in by lower status actors.

In general, however, research focusing on the relation of reputation and performance has been conducted in market environments, where information diffusion is quite high and conditions relatively transparent. But, in situations of uncertainty, where performance outcomes are not always clear, reputation becomes even more important in that it can “help overcome imperfections in the markets for knowledge” (Lichtenthaler and Ernst 2007:38). Reputation thus plays a particularly helpful and critical role in transitioning environments, where infrastructures and institutional contexts are frequently underdeveloped, and the flow of accurate information is poor. In such environments actors, rely more heavily upon signaling processes and other externally apparent clues (as opposed to direct knowledge transfer) than they do in other contexts.

The question is how do reputation and firm celebrity relate? To answer this question it must again be noted that reputation is relational in nature. Reputation depends on comparisons to evolve. It is also a structured, categorical construct in the sense that comparisons are made among entities that are viewed as being of a similar type or of the same category. This comparison process is one that requires the categorization of actors into a group, and then, based on the standing of actors within this group, reputations arise. But, such a process is oftentimes problematic, particularly in a situation where a new organizational field is emerging. Under such a context, comparisons among group members are difficult simply because there are so few members of the group to compare, and also because the situations of existing

group members are poorly defined. Reputations are, in consequence, not easily determined. It is possible, however, that in a situation like this actors are compared not as members of the same industry (or based on some other apparent linkage), but instead on a more intangible characteristic, for example, on some aspect of their abilities, like innovative potential, iconoclastic abilities, etc. These comparisons are not only useful in determining reputations, but they also act to distinguish an actor from a group that it might otherwise be compared with, a set whose members are defined by a more common characteristic, such as industry, demographic type, or the like. Hence, a kind of “decoupling” (Nee 1998:88), or re-framing process can emerge in which ongoing events and occurrences take on different meanings, engendering new ontological foundations (Benford and Snow 2000:614). This relates to firm-celebrity creation in the sense that a possible-outcome of such reframing is for actors to attain standing as a non-conforming protagonist, heavily involved in the transformation of the status-quo. This is a footing that it might not otherwise be able to obtain. And, the attainment of this standing makes the actor a highly suitable candidate for media promotion, given that there now exists an interesting and worthwhile story to tell. But, such standing is not sufficient for a firm to maintain its existing celebrity. In fact, as the firm becomes better known it must show that its celebrity standing does not conflict sharply with in-place normative, regulative and cognitive standards. A positive reputation, therefore, is increasingly required. Minus such a reputation, firm celebrity will be short lived. This results in two additional conclusions: for new firms, located in emerging organizational fields, although legitimacy precedes reputation in importance, the reputation-seeking process is a critical step in the attainment of firm celebrity (because to achieve celebrity firms need to distinguish themselves from their competitors and this involves the establishment of reputation); but, for firm celebrity to develop further, there is a need

for another sort of reputation, one that is increasingly associated with over-conformance, as opposed to earlier forms of non-conformance.

The third of the intangible-asset structures (apart from firm celebrity) referred to in this paper is status. Status is a hierarchical, social construct that is based not so much on any particular quality of involved actors, but rather on the positions actors hold within a social framework. Like reputation, it is categorical, in the sense that it structures actors into differentiated, general groupings of superiority, equality, or inferiority (Chan and Goldthorpe 2007:1097). Status helps to determine who will interact with whom. In this sense, it relates to the “liability of newness” notion (Stinchcombe 1965:148), wherein new organizations face a much more difficult survival situation than do their more established counterparts, largely because resource-rich actors tend to be of high status, but have (often intentionally) few interactions with those of lower status. Start-up organizations, with little status, thus face difficulty. Not only do they tend to lack resources, but because of their lower-status standing they have little opportunity to interact with those possessing the resources they need. They thus have a hard time of becoming established. In fact, the same actor possessing different levels of status will be treated in different ways, and will find his/her situation affected by this, a situation referred to as the Matthew Effect (Merton 1968). Joel Podolny uses the example of professional golfer, Lee Trevino, to illustrate this, quoting Trevino as saying, “When I was a rookie, I told jokes and no one laughed. After I began winning tournaments, I told the same jokes, and all of a sudden, people thought they were funny” (2005:10).

What then is the relationship between status and firm-celebrity development? This depends on the life-course situation of the firm under consideration. For the new firm, lacking celebrity, low status allows it to take on a non-conforming role, which early on is generally helpful to celebrity. In fact, moderate status can actually

work against the celebrity-development process. This is because such status often limits the ability of an actor to take on a role as a non-conformer. Still, there are also cases where the high status of a new firm can promote celebrity, as in a situation where a brilliant, iconoclastic researcher leaves a well-known, established firm to start up a new firm, and due to the researcher's established legitimacy, reputation and status, the new organization quickly attains celebrity. Actually, high-status actors, like those of low status, possess freedoms that those of middle status do not (Phillips and Zuckerman 2001).

For those firms without status, however, once such a firm has become a celebrity, it needs to quickly acquire status to maintain its standing. The firm needs to shift from being a non-conformer to becoming an over-conformer (Rindova et al. 2006:63-65). An assertion I make here is that though for new firms status is not a necessary condition to achieve celebrity (and can actually limit celebrity's advancement), once celebrity is achieved, the firm needs status to attain the over-conforming standing required for celebrity's continuance and advancement.

One additional facet of the relationship between firm celebrity and status that requires attention relates to the types of status that a celebrity-firm will need if it is to be viewed as an over-conforming actor. This depends on the social structure of the situation under consideration. Different societies possess differing norms of social status, with these norms being related to the power-distributions found within the societies. In the empirical case studied here, characterized by the transition of an economy from planning to markets, a process commonly referred to as "market transition" (Nee 1992, 1996), politicized capitalism should be evident. Significant power continues to reside in the state. Attainment of status should thus depend heavily on the development of networks between the organization and high-ranking political leaders. This leads to the assertion that in a situation characterized by politicized

capitalism, the status required by a celebrity-firm to transform itself into an over-conforming actor should depend on the development of ties between the organization and relevant, high-ranking political leaders.

Something else regarding the development of firm celebrity that requires mention involves a focus on resources. Unlike certain resource-based firm studies, which examine “the resources and capabilities of firms that enable them to generate above-normal rates of return and a sustainable competitive advantage” (Oliver 1997:697), here the focus is on the basic resources required by a firm to assure its survival (Pfeffer and Salancik 1978:2). If a firm is to attain celebrity it must have available to it the resources needed to do so. This resource package will differ by firm, but the importance of the resource development process to firm-celebrity attainment will be true for all firms. This is a point that needs to be emphasized, and leads to a final assertion: in order to successfully attain celebrity standing, firms must possess the abilities needed to develop and acquire the resources they need to achieve the desired celebrity outcome. The next section offers an empirical summary of the firm-celebrity development process of the Yiwu marketplace, a now famous organization in China. Yiwu is both a real-life instance of celebrity attainment, and also a useful case to see whether the assertions outlined above are confirmed by actual results.

**HOW DID AN INITIALLY UNKNOWN MARKETPLACE GO ON TO
BECOME CHINA’S MOST FAMOUS CENTER OF TRADE? THE YIWU
STORY**

AN INTRODUCTION TO THE YIWU MARKETPLACE

Yiwu is located at about the geographical midpoint of Zhejiang Province (in China’s

east-central region), approximately a two-hour train ride to the southwest of Shanghai. In 1978, the year in which China's market-transition process began, Yiwu was a relatively unknown locale, with few outstanding features. It was small in size, having an area of only 2 square kilometers (as compared to the 800 square kilometers now) (12/08/08),⁶ and a relatively small population. In the words of one interviewee, a former Zhejiang Province newspaper reporter, "When I first went [to Yiwu] in 1983 there was only one, small road in the place. It was like a farm town, with few people and a limited land area. It really had nothing. There was not much there to write about except perhaps for the small market. None of us thought Yiwu would ever develop" (11/29/08 Hangzhou interview). At the time, Yiwu's China-wide celebrity was close to zero.

The contrast with the Yiwu of today is substantial. Yiwu is now a city of about 700,000 registered residents (holding Yiwu residence permits (*hukou*)), and over a million other persons living there on a long-term and ongoing basis. Not only has Yiwu's population increased, but so too has its level of celebrity. In fact, for a city of its size, Yiwu is currently among the most famous places in China. The thing that has made Yiwu special has been the nature of its post-reform development. The following breakdown gives some perspective as to how impressive Yiwu's performance has been:

Between 1978 and 2007, the Yiwu district's total value of production increased...[by] 319 times...an average yearly increase of 22%; financial income for the city went...[up] 293.4 times the original amount, representing an average yearly increase of 21.6%; the holdings

⁶ This refers to the day of the interview during which I obtained the information. Unless otherwise indicated, all interviews occurred in Yiwu.

of banks and other financial institutions in the city increased...2851 times the original amount, for an average yearly increase of 31.6%...In 2006, of the 100 top county level cities in China, Yiwu was ranked 12th (after being previously unranked in 1978), and in terms of its overall competitiveness within Zhejiang Province, Yiwu was ranked first when compared with other similarly sized cities.⁷

Of late, Yiwu's achievements have become widely noted, and its celebrity is without question. The city has increasingly been lauded as a symbol of China's post reform success. It has recently been featured in several documentaries appearing on China's national TV station, CCTV, and has also been the subject of various well-known studies by government-related institutes. Even prior to these events, in May 2006, the Zhejiang Provincial government cited Yiwu as a model of development and suggested that all government bodies throughout the province learn from its experiences.

Obviously, Yiwu's performance has impacted its recent celebrity. Because of its success, Yiwu has become known throughout China as a paradigm of achievement. Given that China now has thousands of markets like Yiwu, the marketplace does not lack for competition. Yet, Yiwu has for more than 20 years been ranked by China's Ministry of Commerce as the number one market in the nation. This is the case even though there are other markets that surpass Yiwu in total overall sales. But, there is no market in China that can match Yiwu's standing in terms of celebrity. The efforts to build this standing have been unending, and they have met with great success. The comment of an official associated with Yiwu's marketplace illustrates this: "We've been very successful in the ongoing and diligent efforts we've made at publicizing

⁷ See: (<http://gd.people.com.cn/GB?123946/8143881.html>)

Yiwu. Yiwu is now extremely well known throughout China and is seen as a dynamic, innovative place that people, particularly entrepreneurs, want to come to in search of riches. Attracting such people has been critical to our success” (6/13/08).

Wherever one goes in China, the mention of Yiwu elicits immediate reaction, with people quickly making reference to the city’s markets. Proof of this came through 59 author-conducted interviews carried out in three different markets in China, markets located in Wuhan (Hubei Province) (19 interviews), Beijing (20 interviews), and Jinan (Shandong Province) (20 interviews). The markets selected for the interviews were all associated with a product category in which Yiwu is not competitive: clothing items. This choice was deliberate. My hope was to see how Yiwu’s standing would compare with other markets, which are more associated with the clothing trade than Yiwu, markets like Changshu (Jiangsu), Guangzhou (Guangdong), and Shijiazhuang (Hebei). One might assume that those selling clothing would know these markets better than they knew Yiwu. This was not the case, however, as can be seen from the following table.

TABLE 3.1: RESULTS OF THREE CLOTHING MARKETPLACE INTERVIEWS

Interviews one through 19 were conducted at Wuhan’s Hanzhengjie Market, those from 20-39 in Beijing’s Bairong Market, and the 39-59 interviews in Jinan’s Luokou Market.

Column One: Interview Number

Column Two: Home area of interviewee

Column Three: Question One-“Have you ever been to Yiwu?”

Column Four: Question Two-“Have you heard of Yiwu?”

Table 3.1 (Continued)

Column Five: Question Three-“What characteristics most represent the Yiwu market?”

Column Six: Question Four-“Can any other market in China can compare with Yiwu?”

Column Seven: Question Five-“Can you think of any negatives regarding the Yiwu market?”

Int. #	Home	Q. 1	Q. 2	Q. 3	Q. 4	Q. 5
1	Wuhan	yes	yes	markets, disordered, many goods, women's jewelry	perhaps Changshu	no
2	Wuhan	no	yes	markets, wealth, clothing producer manufacturing center, market, wealthy, cheap prices, many goods small commodities,	no	no
3	Hubei	no	yes	market, wealth, many goods, production center	no	not sure
4	Wuhan	yes	yes	market, wealth, many goods, production center	no	no
5	Wuhan	yes	yes	market	not sure	not sure
6	Wuhan	no	yes	market, many goods, wealth, production center	no	not sure

Table 3.1 (Continued)

7	Hubei	no	yes	small commodities, market, business ability, wealth, civilized market, good	Shaoxing	not sure
8	Hubei	no	yes	business environ., wealth, product selection, bus. skills	Changshu	not sure
9	Fujian	no	yes	small commodities, production center, market, bus. Ability production center,	no	no
10	Wuhan	no	yes	tourism, market, business ability	not sure	no
11	Hubei	no	yes	small commodities, market production center,	not sure	no
12	Hubei	no	yes	market, wealth, government support developed, market,	no	no
13	Fujian	yes	yes	total dependence on market, wealth, well ordered	not sure	no

Table 3.1 (Continued)

14	Wuhan	no	yes	small commodities, poor quality of goods (early), cheap prices, market	no	inconsist. Quality
15	Wenzhou	no	yes	small commodities, exports, wealth, future potential	no	not sure
16	Hubei	no	yes	large market, well- ordered, good selection, exports, wealth	no	no
17	Wenzhou	yes	yes	market, good development, well ordered, wealth, many products ability to do	yes	culture, hygiene
18	Wuhan	no	yes	business, market, openness	not sure	no
19	Fujian	yes	yes	market, well developed, comprehensive selection, wealth	no	order

Table 3.1 (Continued)

				small commodities,		
20	Hebei	no	yes	market, product selection, wealth market, small commodities,	yes, Baigou	No
21	Hebei	no	yes	production center dirty, disordered,	no	not sure
22	Hebei	yes	yes	wealth, smart in bus.,market	yes, Shenyang	dirty, disordered
23	Hebei	no	yes	small commodities, production center, market, wealth, good economy	no	no
24	Jilin	no	yes	small commodities, production center, wealth, market, well developed	no	no
25	Hunan	no	yes	clothing	not sure	no
26	Wenzhou	yes	yes	small commodities, hand made goods, export center, market	Guangzhou	no
27	Anhui	no	yes	market, small commodities	no	no

Table 3.1 (Continued)

28	Liaoning	no	yes	small commodities, market	not sure	No
29	Hunan	no	no	not sure where Yiwu		
30	Hubei	no	yes	is, many foreigners, market, distribution center	no	poor creditabilty
31	Wenzhou	yes	yes	market, openness, wealth, convenience	no	clothing just so- so
32	Hebei	no	yes	small appliances, market, wealth, production area market area,	not sure	suspect quality
33	Hebei	no	yes	production center, clothing	Baigou	suspect quality
34	Jiangsu	no	yes	small commodities, production center, clothing	Guangzhou	not sure
35	Zhejiang	no	yes	small commodities, clothing, markets, wealth, business acumen	no	no

Table 3.1 (Continued)

36	Hubei	yes	yes	small commodities, market, production center, high real estate prices	Guangzhou	No
37	Shandong	no	no			
38	Fujian	no	yes	small commodities, clothing, production, distribution center, market	Guangzhou, Shenzhen	not sure
39	Sichuan	no	yes	not sure	Guangzhou, Wuhan	no
40	Wenzhou	no	yes	small commodities, wealth	no	no
41	Jinan	no	yes	small commodities, wealth, market	Guangzhou, Shijiazhuang	no
42	Jilin	no	yes	market, clothing	not sure	no
43	Jinan	no	yes	clothing market	not sure	no
44	Jinan	no	yes	market, small commodities	Changshu, Guangzhou	no
45	Hubei	no	yes	small commodities	Wuhan	no
46	Zhejiang	yes	yes	small commodities, market	no	no

Table 3.1 (Continued)

47	Zhejiang	no	yes	small commodities	Changshu	No
48	Jinan	no	yes	distribution center, market	no	no
49	Wenzhou	no	yes	small commodities, production center, wealth	no	no
50	Jinan	no	yes	small commodities, market	Guangzhou	no
51	Jinan	no	yes	small commodities, market, wealth	Guangzhou	not sure
52	Zibo	no	yes	wealth, small commodities	Hangzhou, Changshu	no
53	Zhejiang	no	yes	big market	no	not sure
54	Jinan	no	yes	not sure	not sure	not sure
55	Hubei	no	yes	small commodities, market, wealth	Wuhan	no
56	Jinan	no	yes	small commodities, clothing, market	not sure	no
57	Liaoning	no	yes	small commodities, market, clothing	no	no
58	Jinan	yes	yes	market, small commodities, wealth, developed	Guangzhou, Changshu	no

Table 3.1 (Continued)

59	Jinan	no	yes	small commodities, market, business acumen	Wuhan, Guangzhou	No
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Analysis of the results shows that about 63% of the interviewees, when asked “Do you think any other market in China can compare with Yiwu?” responded with a “no,” or “not sure.” Again, this was surprising given the interviewees’ product ties. There were only about 3% of respondents who had never heard of Yiwu, even though there are 2,862 cities in China, which, like Yiwu, are classified to be county-level forms (*xian ji chengshi*). Of the characteristics cited as being most representative of Yiwu, 83% of respondents cited markets, about 58% made reference to small commodities, 44% indicated that they viewed Yiwu as a center of wealth, and, 14% mentioned the strong commercial abilities of Yiwu market participants. One surprising response was that approximately 18% of the respondents believed Yiwu to be a major clothing market, even though this is not actually true. The combined responses were quite interesting given that only 20% of the interviewees had ever been to the city. The responses, combined with Yiwu’s history of performance and its top-market billing, lend credence to the city’s celebrity standing.

YIWU’S LEGITIMACY, REPUTATION, AND STATUS DURING THE EARLY-REFORM PERIOD

The early development of the Yiwu marketplace was a self-catalyzed one, a bottom-up process, depending on the efforts and entrepreneurial abilities of the Yiwu people to

carry out. What is of interest in this paper, however, is the process by which Yiwu became a celebrity-firm, and how this standing has helped Yiwu achieve competitive advantage. The focus is on how local actors strategically managed legitimacy, reputation and status to influence the perceptions of outside stakeholders. The paper will discuss the early situations of the three constructs, individually.

LEGITMACY In a general sense, at the start, and for the first few years of China's reforms, Yiwu possessed little legitimacy. The unique forms of activity (predicated on market exchange) emerging in Yiwu were not fully compatible with the expectations of society, largely because these expectations were themselves undefined and in a state of flux. Normatively, there existed in China much conflict regarding what exactly the government and people should condone and what they should oppose. Many people, particularly officials, were unwilling to commit themselves to any new forms of action. Significant uncertainty existed. From a regulative standpoint, there was little legal clarity, with many existing laws (particularly economic laws) having lost their meaning, and with new laws not yet formalized. Cognitively, among many there was a significant questioning of what to believe in. There were also few markets in existence similar to Yiwu, which actors could point to as justification for Yiwu's structural and action templates. In fact, throughout China, and especially in Yiwu, numerous social contradictions were evident. While there were supporters of Yiwu, there were also many who opposed it. Nobody, however, seemed to be sure as to whether markets would succeed or not, and they were not even openly discussed. According to one interviewee, even among Yiwu's provincial and central government supporters "there existed a mindset wherein [the officials] pretended the Yiwu market did not exist. They knew it was here, but they didn't see it" (10/12/08). Up until the late 1980s, Yiwu continued to be a kind of non-entity,

and in the words of one Yiwu propaganda official, “Early on there were three upper-hierarchy political policies regarding Yiwu: 1) no press coverage; 2) no direct expression of opinion regarding Yiwu’s situation; and, 3) no overnight stays in Yiwu.” (9/27/08). The former head of Yiwu’s Department of Propaganda conceded that, “increasing Yiwu’s fame through the promotion of Yiwu in outside areas was not our major priority, at least not until the late 1980s” (12/08/08). Under conditions of high uncertainty, nobody was sure if Yiwu would be legitimated or not.

Regardless, during the 1980s, one of the focuses of Yiwu government leaders was to legitimate the marketplace (11/01/08). A major reason for this was because, apart from the marketplace, there was not much else in Yiwu that possessed any strong hope for development, and the local leadership was aware of this. It also knew that its own success, as was the case for local officials throughout China, depended on the developmental situation of the community it oversaw. But to develop the market, Yiwu’s leaders needed to garner active support from outsiders (particularly at the Zhejiang Provincial level). But, Yiwu was short of resources and had little standing. Its legitimating efforts were especially difficult because many marketplace participants actually just wanted to be left alone. They were not interested in forming linkages with the outside, apart from the ties they already had (mostly with other Yiwu’ers located in other parts of China). This is because, at the time, Yiwu and its markets were simply a point of distribution. Little production occurred there, and Yiwu traders took on the roles of exchange conduits, bringing goods produced in other areas (mostly Guangdong, Dongbei (Liaoning, Jilin and Heilongjiang) and other Zhejiang locations) to Yiwu and reselling them to other Yiwu natives, who would then take them to other markets, reselling them there for substantial profits. Yiwu traders were service providers, and the service they provided was one based on knowledge and information. They were successful in their activities because there was huge demand

for products and a lack of outside knowledge concerning how to access these products. Yiwu residents, because of their previous involvement in trade (even prior to reforms, Yiwu residents had been involved, often illegally, in trading activity), knew how to find and utilize sources of product. They were also skilled at getting the goods to Yiwu for further distribution elsewhere (services undertaken by other Yiwu natives), and Yiwu logistics services were superior to those of other places. A kind of monopoly in distribution arose. Yiwu traders believed, however, that their success was possible only “because nobody knew about Yiwu. Most people didn’t know you could come to Yiwu to do business, and those from Yiwu would purposely not tell outsiders about the Yiwu situation, or tell them where they were from. Early on, the Yiwu market was an Yiwu market only” (10/13/08a). The Yiwu traders did not want Yiwu to become well known because they feared that if it were that they would lose their advantage. They did not even write down their Yiwu addresses on the products they were selling, because they did not want others to know where they were from (12/16/08). They also did not welcome the arrival of outsiders who they felt might end up taking away from them money-making opportunities. This situation extended into the early 1990s, after which time adjustments began to occur.

Even so, throughout the period senior local-leaders and those among the Zhejiang provincial hierarchy who supported market reforms (and as a result, Yiwu), continued to try and legitimize the marketplace and its operations. These efforts were strategic in nature, and included the application of educational and propaganda mechanisms to establish local (county and provincial levels) validation for the Yiwu model, and to link Yiwu with previously legitimated forms. At the local level, “lower-level bureaucrats were a problem. There were many among them who were not advocates of markets. Opposition arose due to some of the consequences of market development. Through market participation, farmers, who the officials

viewed as being of comparatively low status, were beginning to make more money than the officials and the officials resented this. The officials in turn made efforts to constrain market development. Higher-ranking local officials thus focused the party's propaganda efforts on educating the Yiwu people (particularly the bureaucrats) as to the benefits of markets. "We wanted the markets to succeed" (12/08/08b interview). Another reason for focusing legitimacy efforts at the local level was that there also existed opposition to Yiwu "from local state-businesses. They were bothered by the market's improved competitiveness. Yiwu was having a big impact on the prices at which goods were being sold, and the state monopoly was being eroded, with monopoly gains no longer possible" (10/6/08). Yiwu's administrators tried to deal with this opposition, by attempting to garner the acceptance of local state firms leaders. Otherwise, the leaders could make trouble.

Various market-supporting Province officials, individuals like Shen Zulun (who later became Zhejiang's governor), Li Dexin, and Dong Chaochai, also helped Yiwu legitimize itself. For example, in 1985 Shen Zulun took the risk of including a report, entitled "Encourage Business to Develop Our Counties, Develop Yiwu Vigorously," which discussed the positives of markets, as a key part of a widely publicized Provincial meeting, the Zhejiang Provincial Agricultural Township Working Symposium. The meeting gave Yiwu its first major opportunity to achieve positive, Province-wide exposure (11/01/08). The aim of this exposure was directed towards legitimating the Yiwu form of development, and improving Yiwu's overall reputation (11/01/08). Shen also helped Yiwu gain Provincial permission and some financial support for its early market expansions. Without such assistance these expansions would probably not have occurred, or at a minimum would have been extremely difficult to carry out. This assistance was critical to Yiwu's early success.

One other early legitimation effort was to try and intentionally link Yiwu with

already legitimated, planned forms of action to heighten Yiwu's "acceptability" among decision-makers. Although Yiwu's situation differed substantially from China's traditional *jishi*, or periodic markets, during Yiwu's early development, Yiwu leaders consistently referred to Yiwu as such an economic form. They also ongoingly talked about Yiwu's development as one predicated on a variety of already acceptable elements: planned and small-scale (*geti*) efforts; the sale of small commodities; and the involvement of poor farmers, who otherwise had few other opportunities for support (Jinhua Department of Industry and Commerce 1982:1). At the same time, institutional processes of legitimization were occurring as well. Macro-level ideologies and laws were undergoing change, and this helped to make Yiwu more acceptable. That is, the central state was playing a role in market legitimation (Nee, 2000). Yiwu administrators were aware of these changes and attempted to portray Yiwu as aligned with them, for example framing Yiwu as a form of Deng Xiaoping thinking (12/08/08). Also, from a population-ecology perspective (Hannan and Freeman 1977, 1988), as the number of marketplaces increased, Yiwu's acceptability also increased. All of these macro-level changes played a role in Yiwu's overall legitimation process, leading to enhanced legitimacy for the market. Overall, then, at least with respect to issues of legitimacy, this early-reform period was a time when the foundations for later celebrity emergence were being formed.

REPUTATION According to one interviewee, "Prior to 1990 the efforts of Yiwu administrators were primarily focused on legitimating Yiwu" (11/01/08). Early on, these efforts were overwhelmingly local in nature (11/03/08). Even so, by around 1988 Yiwu was becoming increasingly well known (11/29/08 Hangzhou interview). But, Yiwu's developing reputation was mixed. On the one hand it was becoming a paragon of market success. But, it was also becoming known as a center of fake

products and of goods that were of poor quality. Regarding this latter standing, state-owned firms, particularly in Shanghai, whose products were being copied and sold in the Yiwu markets as the real thing (but at lower prices) were targeting Yiwu as an improper economic-actor. Consumers did not know that the products being sold in Yiwu were imitations. When used, however, the items were of poor quality and had short lives, impacting the standing of those firms whose labels were being copied. The outside firms began to send representatives to Yiwu and Hangzhou (the capital of Zhejiang) to file complaints, and to enlist newspapers from their own areas, particularly in Shanghai, to write reports critical of Yiwu. These efforts, however, did not have significant impact. Yiwu was still a largely local market and “even the [Zhejiang] Provincial government didn’t pay much attention to the situation preferring to do its best to ignore Yiwu” (2/16/09). There was one sense, however, in which Yiwu’s reputation was impacting its development and potential celebrity, and this was with respect to Yiwu’s reputation among other Zhejiang entrepreneurs. By 1988, individuals from Wenzhou and Taizhou, two entrepreneurially focused Zhejiang communities, had begun to come to Yiwu. They were attracted to Yiwu by the reputation of Yiwu’s government for openness and support of business activity. This reputation included the fact that taxes in Yiwu were comparatively low (as a result of a policy instituted by an early, Yiwu Party Secretary, Xie Gaohua), as were stall rents. The market itself also had a reputation as being a good location for doing business, and characterized by comparatively inexpensive logistics fees and significant opportunities. The entry of these outside actors began to stimulate the formation of new, useful business networks and increased the overall diversity of Yiwu (differentiating it from emerging competitors adding further to positive reputation effects (Fombrun 1996:393)). The outcomes brought Yiwu rewards. They also resulted in increases in the size of the marketplace, which further enhanced Yiwu’s

reputation (Fombrun and Shanley 1990:250), and its celebrity. Early on, then, reputation formation did play a role with respect to Yiwu's firm-celebrity development process, but this role was not a large one.

STATUS As a new entity, involved in questionable activities, ones that constrained the ties it was able to form with powerful established actors, Yiwu early on possessed little status. The vast majority of high-status political actors, in particular, were unwilling to form close ties with it. Still, Yiwu's low status was, as theorized by previous research, useful in its ability to take on non-conforming status (Phillips and Zuckerman 2001). Also, given that during the early post-reform period Yiwu had few competitors (though this number was continually increasing), there still did not exist hierarchies of status that Yiwu had to be concerned with, restraining it in its actions. In this sense, Yiwu was relatively unrestricted in what it could do and the relationships it could form. While this presented difficulties in the sense that as a path-breaking organization Yiwu had no pre-established template to follow, and no other organization to emulate, particularly early on when it even lacked the opportunity to rely on benchmarking mechanisms to guide it (Still and Strang 2009). But, in another sense, the situation was ideal, because Yiwu could establish itself on its own terms, without the need to justify its actions. Thus, early on, it appears that status was not a primary factor impacting Yiwu's celebrity potential.

In summary, Yiwu's priority, in the aftermath of the formal establishment of its market, was centered initially on self-legitimation. Legitimation efforts took various forms, but were directed towards achieving a base of support for Yiwu's mode of development. The first priority of Yiwu administrators was the solidifying and standardizing of local support, attempting to bring conformity of focus to all Yiwu organizational-actors. The means used to accomplish this were mechanisms of

education and propaganda, stressing the appropriateness of Yiwu and the society-wide benefits of its operations. Yiwu's also focused its legitimacy efforts on identifying and developing support at the Provincial-government level and using this support to its own benefit. To further these efforts, Yiwu attempted to frame its developments in one of two ways. They positioned Yiwu as in line with previous traditions, but also represented Yiwu as a unique innovator. Additionally, Yiwu attempted to line itself up with institutional changes taking place at the macro level. It ongoingly portrayed itself as an embodiment of Dengist (Deng Xiaoping, the then leader of China) philosophies.

Issues of reputation and status took a backseat to legitimation efforts. This is logical given that legitimacy is "a critical ingredient for new venture success" (Starr and MacMillan 1990:83). In the absence of legitimacy new firms generally face a hard time of finding the resources they need (Zimmerman and Zeitz 2002:414), making survival problematic. Yiwu simply did not have the standing or resources to allow it to focus on issues of reputation and status. Still, gradually, based simply on its own performance, Yiwu became increasingly well known. Such reputational changes, however, were two-sided. While viewed as successful economically, Yiwu was also becoming known as a low-status opportunist, relying upon questionable practices of imitation, the sale of poor-quality products, and misrepresentation to benefit itself. Positive change regarding this standing, however, would have to wait for various developments, including improved economic conditions, the impact of outside forces (brought on by an increased openness), and a better resource position before taking place.

A SECOND PHASE OF THE CELEBRITY DEVELOPMENT PROCESS: THE IMPACT OF ECONOMIC JOLTS, INCREASED OPENNESS AND RESOURCE

ABUNDANCE ON YIWU

Researchers theorize that a major source of organizational change is one associated with environmental jolts, or points of unexpected and discontinuous transformation (Meyer 1982; Romanelli and Tushman 1994). Various events, things like financial disasters, the unanticipated death of a top leader, a sudden loss of legitimacy, etc., often act to destabilize existing conditions (often through sharp changes in resource availability (Park and Mezias 2005:987; Wan and Yiu 2009:792)), giving rise to a situation where the probability for other changes increases sharply. Such “jolts” result in periods of instability, and are often times of crisis. But as with the Chinese character for crisis, *weiji* (composed of a character for danger and one for opportunity), such periods inherently possess both the possibility of ruin and the potential for organizational gain.

In the late 1980s, Yiwu experienced such a severe jolt. It was an event that set in motion a series of changes that had significant impacts on Yiwu, and upon its legitimacy, reputation and status. It was also a happening that, surprisingly, began the process by which Yiwu’s celebrity expanded greatly. The event was the Tiananmen Crisis of 1989, when the Chinese government violently put an end to Beijing student democracy protests. In turn, there arose a deep questioning of the appropriateness of China’s markets and market reforms, generally, and of Yiwu, in particular. In the words of one interviewee, this situation was “a great shock for Yiwu” (2/24/09). Not only did many conservative officials begin to harshly criticize and attack Yiwu, but many local residents also began to question Yiwu’s future. The future of the marketplace was in doubt. A large segment of the Yiwu population was “very upset. They felt like Yiwu’s future was over” (1/16/09 Beijing interview). In reaction, many Yiwu officials sought to tone down Yiwu’s standing. But, other officials took aggressive efforts to promote the positives of Yiwu’s activities.

Working in conjunction with private businesspersons, the Yiwu government spent RMB 20,000 on a documentary that appeared on the national television network, CCTV, which featured Yiwu's marketplace and told stories of the new riches being made. The documentary featured a famous CCTV reporter, Zhao Zhongxiang, and although it lasted less than 15 minutes, it was enough to assure people of Yiwu's standing, as well as the acceptability of markets. This is because the common people (*lao bai xing*) reasoned correctly that the central government would only allow subjects possessing governmental support to be featured on CCTV. The documentary was the first time that Yiwu had received such national exposure. It made people aware of Yiwu's existence, and it provided Yiwu with a needed shot of legitimacy.

But, something else it did was to focus attention on Yiwu, and this had multiple consequences. For one thing, it attracted even more outsiders to the market. Yiwu became known as a place where one could make money, and many moved to Yiwu in search of riches. These outsiders, although generally not well educated, brought with them many skills and forms of experience that had previously been missing. A positive of Yiwu was its ability to fit these traders into its market. Many interviewees attributed this ability to the local government's fair treatment of the outsiders (2/27/09). In the words of a Fujian businessperson, who first arrived in Yiwu in 1992, "Yiwu was quite successful in integrating people from Fujian, Guangdong, and other places in Zhejiang into its market. Without these persons Yiwu would not have developed as it has. Each of the places has its own unique capabilities, and the merging of these strengths resulted in significant competitive advantage for the market...In fact, the more open Yiwu became, the more its situation improved" (2/26/09).

The increasing attention being focused on Yiwu also resulted in more notice

taken of it by others, however, particularly members of the political realm. As one interviewee commented, “It was not until the opening of the market to the outside that there was strong pressure on us to become more and more rationalized. There came to be significant pressure on us from higher-level government officials to make changes...At the same time, we also faced pressure to go to the outside to monitor other markets: Shenyang, Chengdu, Chongqing, Xinjiang, Taizhou, and Wenzhou. Other market actors also increasingly came to see us. These developments gave rise to forces for change” (2/11/09a). One force for change arose due to a realization that Yiwu faced strong competition from other markets: “We found that the other markets were getting close to the level of Yiwu, and we felt the pressure to improve” (2/11/09b). The increasing awareness of others regarding Yiwu’s situation was coupled with Yiwu’s increasing awareness of them. A true market field began to arise characterized by ongoing mutual monitoring by involved actors. Market hierarchies and standards emerged, structuring action and rationalizing competition. This resulted in a heightening of overall legitimacy, the formation of reputations (via a comparison of performance outcomes), and the engendering of field-based status differences (based on such elements as differences in price and quality, customer share, types of product, etc.). While facing strong competition, Yiwu was comparatively well positioned with regard to the three constructs, and had begun to distinguish itself via its strong performance. The foundations of Yiwu’s celebrity standing were becoming set. Still, Yiwu needed to improve itself more. The entry into the marketplace of additional market participants had begun to strain Yiwu’s infrastructure and changes were required (10/11/08). While a factor attracting actors to Yiwu was the market’s low cost structure, particularly in terms of the small amount of taxes being charged, market-operating revenues were consequently too low. This, coupled with the fact that money for development from the Provincial government

was minimal, meant that Yiwu needed to develop other resource sources. This required interacting with key members of its social environment (Pfeffer and Salancik 1978:19). The individuals of importance were power holders within the political realm.

Yiwu needed the support of these power holders to improve its situation. Yiwu had actually already come up with a new means to develop additional sources of revenue, but needed the OK of authorities to pursue this strategy. Yiwu hoped to become the first city of its size to try and implement an approach that had previously only been allowed in Guangdong Province's Shenzhen and Zhuhai cities, places of a much larger size. Implementation of the strategy required the approval of the Zhejiang Provincial Government's Commission for Economic Restructuring (*tigaiwei*), at the time led by Dong Chaocai, both a market and Yiwu supporter. Dong allowed Yiwu special permission to implement its chosen strategy. This strategy was critical to Yiwu's growth and subsequent celebrity. It involved making Yiwu into an experimental zone, wherein the Provincial government gave Yiwu the ability to auction off, in measured amounts, the rights to local land, providing the people with the property they needed to build office space, factories, residential units, and other real-estate assets. In return, the city gained a substantial source of revenue. The results of the policy were quick and considerable: "After the policy was implemented the city took off. The whole situation completely changed...The people and the government both became rich...The people's focus on market activities also increased substantially" (12/8/08a).

Yiwu administrators used their new resources to improve the market. They initiated various infrastructure-enhancing projects, which involved the construction of new, improved markets, and also began to focus on market-behavior improvement. One market participant noted that, prior to taking this action, "Yiwu was already

beginning to become known as a center of fake products” (2/24/09). According to a Bureau of Industry and Commerce official working in Yiwu at the time: “Product copying was quite extensive, but...[e]ducational efforts relating to such copying really took off once Yiwu began opening up in the early 1990s...The reason for initiating these actions was twofold: 1) pressure from upper level authorities, and 2) the recognition that counterfeit goods and copying was not in the interest of our markets. The outside media and representatives from foreign countries had already begun to focus on Yiwu and action was needed” (12/16/08). Even so, Yiwu still was far from its goal of achieving celebrity. At a minimum, it lacked legitimacy, and this deficiency restricted the advancement of its reputation, status and celebrity. Although more media attention had begun to be focused on the marketplace, the extent of this attention was still not enough to achieve the celebrity standing Yiwu sought. More help was needed.

***BECOMING A MEDIA STAR: HOW YIWU USED ITS RESOURCES TO
GARNER CELEBRITY***

In China, legitimacy is politically determined. Power resides in the party and government. The party controls the media, the courts, and also has control over the appointment of administrators. The government carries out the application of laws and policies. These are generally written quite severely, but are frequently implemented in ways that are weaker than their words would otherwise imply. Those who implement laws, especially tax regulations, adherence to standards, and land policies, have much discretion as to how the laws will be implemented. This gives them the power, backed up by the police and military, to determine the success or failure of any economic entity. The notion of politicized capitalism is a real life phenomenon in China.

Yiwu administrators were constantly aware of this situation, and they knew that if they were to succeed they would need the power of the polity behind them. But, how could a small place like Yiwu, with strong potential, but lacking legitimacy, reputation and status, improve its situation? It needed some opportunity to form connections with the political elite, and it found such an opportunity in the form of the annual China Mayor's Conference. The first such conference was held in 1991, taking place in Hainan. Even though a small city, Yiwu sent a contingent to the event. While there, this group lobbied hard to try and garner the right to host the 2nd conference, to be held in 1992. It used some of Yiwu's growing wealth to market Yiwu to conference attendees, and was successful in its efforts. The China's Mayor Association chose Yiwu to host the May 1992 event. In the words of one Yiwu promoter: "At the time Yiwu had already started to gain some recognition within the market community, but outside of this realm it was still little known... We succeeded even though Yiwu had little standing. It was totally against the odds. When the committee selected us to hold the meeting, we didn't even have a three star hotel. Our success was predicated on good insight, hard work and a lot of fortuitous luck" (10/20/08 Hangzhou interview).

But, even having been chosen to host the meeting it was not clear what mayors would attend. The opportunity to host the conference would only be valuable if top-ranking mayors agreed to participate. Yiwu put its focus on obtaining the commitment of the then mayor of Beijing, Chen Xitong. If Chen were to attend and found the event to his liking, this would be of great benefit to Yiwu in its quest for legitimacy. But Yiwu was largely unknown, and its status position was low. The likelihood of Chen's participation thus seemed almost nil. Chen, however, decided to attend. Why did he agree to come? There were at least two reasons. First, because of its newly obtained wealth (see above), Yiwu had enough resources to pull a

successful meeting off. It possessed the fundamentals that Chen required. With regard to the second reason, this is evident in the remarks of the person who directed the event:

Our timing was right. The primary reason Chen decided to come was Deng Xiaoping's strong support of markets. In January-February 1992 Deng had made his "southern tour," but it still had not been publicly disclosed. Sometime around this period, knowing of Deng's trip, Chen had given a market-supporting speech. The speech was published in *The Peoples' Daily*, meaning it had found favor among key power holders. Holding the meeting in Yiwu, a center of market activity, worked in with Chen's plans, and the meeting went great...Chen was enthralled...He ordered Beijing's stores to start purchasing Yiwu's products. Prior to Chen's arrival, Yiwu's markets were relatively closed. After the trip, everything changed...Many dignitaries began to visit, and Yiwu's standing improved almost instantaneously (10/20/08 Hangzhou interview).

After Chen's visit, Zhejiang and central-level media coverage of Yiwu expanded significantly, as did the number of high-level visitors from other places. Suddenly possessing legitimacy, Yiwu became the poster child of those supporting market reforms, many of whom were China's senior leaders. These officials had suddenly taken notice of the market. They used their power to promote Yiwu, especially in influencing the reporting of the media. While authors have discussed in fearful tones the increasingly centralized character of the media in the US (Bagdikian 2000), citing that now only six major firms control most of what is propagated, such warnings are

actually not of much relevance in China, where the communist party oversees all media workings. In China, one body, the polity, controls what will be reported and to what degree.

This situation was of great benefit to Yiwu. Having achieved legitimation, Yiwu became a favorite media topic. But, not only was the increased scope of Yiwu's coverage of benefit, but so too was its tone, which was overwhelmingly positive. According to an interviewed reporter, this is not unusual given that "In China reporting takes place using the following logic: *zhengmian wei zhu*, which means focus on the positive. There are less than five percent of articles each week that focus on real social problems. Out of 60 pages per week, maybe two will examine problems. This is the tradition in China for party newspapers. We are a propaganda mechanism" (10/16/08).

Possessing the attention and acceptance of the media, and with resources at its disposal, Yiwu administrators took the initiative to promote themselves further. Such efforts have taken various forms. First, Yiwu has put great effort into forming and maintaining networks with political leaders. The Yiwu government annually spends a substantial amount of money to invite outside officials to Yiwu for all expense paid junkets. About 40% of all officials coming to Yiwu each year receive such treatment. Given that in 2007 Yiwu "had 500 groups visiting that included officials of a vice minister and/or deputy provincial governor status or above" (6/13/08), this can add up to a big expense. For example, Yiwu "invited leaders from Tibet to the city for a 3 day stay, spending RMB 100,000 to do so" (6/13/08). As to why these officials receive such treatment, one former official notes that: "Officials not only control media access, but they also control policy, and if Yiwu is able to garner policy benefits these will be of great advantage to it in its competitive standing with other places" (11/3/08). Second, Yiwu allocates significant amounts of

resources on the promotion of itself. When asked if “other markets advertise themselves like Yiwu,” a former vice director of Yiwu’s propaganda department replied, “Not to the extent Yiwu does. Our expenditures in this area are significantly greater than those of other cities of similar and even greater size. Yiwu faces little competition with regard to propaganda efforts from other market areas. One reason for this is because Yiwu has more money than they do, and this is directly the result of our special land use policies” (11/3/08). According to this same official, the Yiwu City government allocates its propaganda office four to five times the amount of funds that the propaganda offices of other comparably sized cities receive. The propaganda department’s budget is RMB 20 to 25 million annually and in addition to these amounts there are various private propaganda initiatives undertaken as well (strongly encouraged by the local government) (11/3/08). The amount that Yiwu spends on propaganda is more than 100% of the combined total spent by all of the other cities in the Jinhua district in which Yiwu is located (12/11/08). Yiwu’s district includes at least five other cities of similar size as Yiwu. Each year, more than ten million RMB are spent on CCTV advertisements alone. In addition, the city has an office of promotion in Frankfurt, Germany as well as offices in Hangzhou and Shanghai. The city also advertises in Shanghai and Hong Kong, placing advertisements on Dragon Satellite TV and Phoenix TV (12/11/08). The city likewise sends Yiwu government and market-related officials on trips to other areas of China, with at least 100 such trips taking place each year: “These trips are made to attract new or higher quality businesses to our markets and they are also effective in promoting Yiwu’s overall reputation as well. They tend to be well covered by the local medias in the places we visit” (6/13/08). Third, Yiwu puts heavy emphasis on making it easy and comfortable for the media to cover to it. For example, it offers the media various forms of encouragement to undertake such efforts. This assistance started as early as

the late 1980s, and includes periodic invitations to favored reporters to come to Yiwu for a good time. It also encompasses the writing of stories for reporters by the propaganda department, as well as the production and dissemination of “interesting” stories. In the words of one reporter, “Yiwu has been very systematic in its promotion strategies. Yiwu’s leaders have also given us great support” (11/01/08). Such support has included direct payoffs. For example, one former People’s Daily reporter, a Yiwu native, noted that in 1998 the city began a policy wherein it provides bonuses to any reporter who publishes a story or picture (with caption) in a newspaper or magazine of a provincial status or above: “I was making RMB80,000-90,000 per year just from writing about Yiwu...In other places, no such rewards are offered or the amounts are significantly less” (12/04/08). Fourth, Yiwu has also intentionally and ongoingly attempted to characterize itself as distinctive. With every passing year, Yiwu has seemed to initiate some new policy or form of action that in some way sets Yiwu apart from other markets. A former media representative commented on this saying “Yiwu’s greatest advantage now is that it is distinctive, it is newsworthy. We played on this advantage and tried to build on it. We needed to because without provincial and central government support in China it’s difficult to succeed here” (11/01/08). Another reporter observed that, “There is much to write about here. Other places are helpful in providing information, too, but Yiwu has more newsworthy information. The government purposely positions its activities in such a way to make them attractive to news purveyors. They also have the resources to promote themselves, and spend a great deal on such endeavors” (11/22/08). A fifth way Yiwu promotes itself is by seeking outside accreditation and certification. Researchers have cited such factors as being key to legitimacy, reputation and status attainment (Martens et al., 2007; Rao, 1994; Rindova et al., 2005). Some of Yiwu’s recent achievements in this area have been its being named by one of China’s top magazines,

“China’s Most Newsworthy City of 2008-2009,” as well as achieving designation as a “2008 Zhejiang Province Safe City,” “The County Level City in China Having the Most Foreign Residents,” and “The County Level City in China Having the Highest Rate of Money Turnover.” Yiwu is also the only county level city in China that can process foreign visas, and the only one able to adjudicate the legal cases of foreigners. It has been designated China’s largest interior port, and the only city that allows foreigners to participate in its People’s Congress. The central government has certified Yiwu “An Hygienic City,” “An Environmental City,” “A Forest City,” “A Park City,” and many more.⁸ A sixth way that Yiwu attempts to enhance its celebrity standing is through the formation of networks with other high status (not just political) actors. Actually, these networks are both instrumental and legitimizing. For example, one Yiwu administrator commented on Yiwu’s establishment of ties with intellectuals: “We try to attract the attention of scholars and experts, people who normally would not be interested in a community as small as Yiwu. In turn, we can learn from them and improve. This helps us greatly, especially since our educational backgrounds are not that great. But we are willing to learn, and we want to learn from those who know more than we do” (12/4/08b). There is also the realization that these networks are legitimating as well. And, Yiwu plays on this, commissioning famous intellectuals to write books and articles about it. Even though most of the writings are largely propaganda, they still carry with them the aura of scholarship, and this acts to improve Yiwu’s legitimacy, reputation, and status. The books all stress several things. First, they all discuss Yiwu’s distinctiveness, indicating how it is different from others. They all also refer to Yiwu’s early standing as a non-conformer, as a protagonist in a dramatized story of conflict and change (Rindova et al. 2006:56). But, in addition, the books also indicate the fact that Yiwu has transformed itself into a

⁸ See: (<http://yiwu.gov.cn/glb/>)

special kind of conforming status. They portray Yiwu as becoming the exemplar of a now established field, distinguished in the sense that it stands out from its competitors, but now an over-conformer rather than a non-conformer as before. One of the books includes a quote from China's former Minister of Commerce (and now party secretary of the city Chongqing) stating that, "If a person wants to research China's socialist market economy, then that person must go to Yiwu" (Huang and Zhang 2007:3). Yiwu has become the new paragon of China's emerging form of economic development. Finally, Yiwu also attempts to develop ties with others it considers to be of high status. One group targeted has been foreign businesspersons. Yiwu ongoingly puts out stories discussing the numbers of foreigners living in its city, now well over 10,000. It also highlights the establishment by high-level foreign buyers of buying offices within the market. Yiwu administrators clearly recognize the legitimacy and reputational value of ties to high status actors.

DISCUSSION

Having detailed the process by which Yiwu achieved firm celebrity, the paper shifts to a focus on the previously outlined assertions. Each will be dealt with separately. The first assertion stated that, "Legitimacy is a necessary, but not sufficient, condition for firm-celebrity attainment." At the start of its existence, Yiwu had low levels of legitimacy, reputation, and status. Its legitimacy was under-developed for several reasons. To understand these, it is necessary to consider organizational legitimacy. Organizational legitimacy is the degree to which a firm is recognized and accepted (Hannan and Carroll 1992). Early in its development Yiwu was an unknown entity. This, in many ways, was an intentional situation. Relevant Yiwu supporters, including Zhejiang Provincial leaders, wanted Yiwu to remain unknown. China's markets were still not fully accepted, and Yiwu was clearly a market-related entity.

It was better to keep Yiwu under wraps to see what happened. But, if Yiwu were to achieve firm celebrity, it needed to become known (Rindova et al 2006:50). To do so, however, required legitimacy, a factor dependent on macro-level trends. Yet, even having attained a certain level of legitimacy (following the 1989 CCTV broadcast), firm celebrity for Yiwu was still not immediately forthcoming. Yiwu was simply one of many markets. It was distinctive, but because of macro-level based concerns, it continued to lack status. Powerful actors, particularly in the political realm, were not willing to form known ties with it. Also, Yiwu's reputation was mixed. On the one hand, it was a successful organization, in that it was surviving (not always easy for a new firm), and its members were doing well. But, it had many deficiencies and lacked the resources (most importantly money) required to improve upon its weaknesses. Yiwu's deficiencies (inadequate infrastructures and questionable behaviors by its participants) adversely impacted its reputation, and also restrained the marketplace from promoting itself too much. Thus, even possessing legitimacy, firm celebrity was not forthcoming. While legitimacy was needed for firm celebrity to arise, it alone was not enough. This suggests support for the first assertion.

The second assertion relates to reputation. It posits that, "For new firms, located in emerging organizational fields, although legitimacy precedes reputation in importance, the reputation-seeking process is a critical step in the attainment of firm celebrity. This is because, if they are to achieve celebrity, firms need to distinguish themselves from their competitors. This involves the establishment of reputation." Reputation is dependent on processes of comparison. It embodies a ranked structure, with firms being graded in a top-down sequence. For new firms in emerging organizational fields, such rankings are not possible. In fact, early on, Yiwu was not even that aware of its competition, instead focusing on its own activities. Very little

mutual monitoring among competitors took place. Hence, standard forms of reputation frameworks could not form. Instead, early on, Yiwu's reputation was founded more upon its standing as a new form of development. It was being compared with other new forms of development, rather than with other marketplaces, and its reputation was emerging on the basis of this comparison. Yiwu framed itself as a pioneer. Its development was predicated on markets first, and production second. This differed from all other places, where production came first, followed by markets. In turn, Yiwu garnered a reputation as an entity able to find new ways to provide its stakeholders with value, becoming a developmental innovator, a place embodying processes that were unique as compared to the situations of others. The reputation-forming process did not depend on a comparison between marketplaces, but rather on a comparison of developmental forms. This helped Yiwu to achieve celebrity. Reputation formation was thus an important factor in Yiwu's ability to become famous. There exists qualified support for the assertion.

The focus of Yiwu's positioning, however, changed over time, a process associated with the third assertion. This third assertion states that, "For firm celebrity to develop further, there is a need for the establishment of a positively perceived firm reputation, one that is increasingly associated with over-conformance, as opposed to non-conformance." The framing of Yiwu was one that initially positioned it as an innovative mechanism of development rather than as a marketplace. Yiwu framed itself as providing opportunity to those without other significant life chances, people like farmers and poor laborers. No special talents or relationships were necessary in Yiwu. Anyone willing to work hard and possessing a bit of luck could succeed. In this sense, Yiwu was different from other places. It was an open place and full of opportunity. This made it special. Yiwu's early reputation was predicated on its standing as an anomaly. All things said, however, Yiwu was still a marketplace.

But, a reputation-formation process based on a comparison between marketplaces had to wait until a field of marketplaces came into being. A certain level of recognition and acceptance of marketplaces needed to form before such a reputational basis could emerge. Once an emerging organizational field achieves a certain level of legitimacy, however, if a firm's celebrity development is to continue, the firm must begin to distinguish itself from other members of the field, those with whom it is naturally compared. This is generally not an innate process, wherein one firm is a clear and recognized paradigm of "the important changes [occurring] in industries and society in general" (Rindova et al. 2006:52). There are potentially, depending on how the situation is framed, many such firms, and not all firms can take on the "paradigm" role. One firm must separate itself from its competition. This suggests the rise of a ranking structure. This ranking structure, however, is not one based on status, in the sense that a network of relations determines it. In Yiwu's case, such relations had not yet had time to form. This structure is rather one dependent on the signals being emitted by organizational-field members. This, however, is analogous to reputation. That is, the development of firm celebrity depends on reputation. A key foundation of Yiwu's reputation and hence its celebrity was Yiwu's relative success, particularly in financial terms, as compared to its competitors. It developed a reputation as an organization that successfully overcame the odds to become a high performer and ongoing innovator, doing so while providing its stakeholders with value. Yiwu became an entity famous for its field-leadership abilities: an over-conformer. This differed from its previous standing as a non-conforming anomaly. There is support for the assertion.

The next assertion deals with status. It posits: "For a new, un-established firm, status is not a necessary condition for the development of firm celebrity. Once celebrity is achieved, however, status is required to attain the over-conforming

standing needed for celebrity's continuance and further development." According to Rindova et al., "status derives not so much from a firm's past actions and investments but, rather, from observation of its affiliations with prominent network partners and its centrality within market exchange networks" (2006:55). Early on, Yiwu had little status, and it also had little legitimacy, reputation, or fame. Yiwu administrators put their priority on achieving legitimacy. To do so, however, meant relying on the influence of powerful individuals, particularly actors within the polity. And though these actors were not particularly willing to form openly perceived ties with Yiwu, there were behind-the-scenes ties and these were important to Yiwu's legitimation efforts. Even so, prior to Yiwu's success in forming open relationships with well-known, high-status individuals, like the mayor of Beijing, the market had only a modicum of legitimacy. This constrained its ability to become a celebrity. It appears in fact, that based on the Yiwu situation, status formation is a prerequisite to celebrity. A change in the wording of the proposition above is required. Open ties to powerful actors are not necessary for the development of celebrity, but some form of relationship with these actor types is required. It is only through such relationships that full legitimacy, a precursor to celebrity, can be achieved. The proposition needs rewriting. Still, with regard to the second part of the assertion: the perceived need for celebrity firms to possess ties with high status others so as to become known as over-conformers, the evidence suggests that this is true, at least with respect to Yiwu. Yiwu has used its resources to curry and maintain such ties, and in doing so has successfully perpetuated its celebrity. The motivations behind these actions relate to the realizations that the networks that an actor forms with those of high status are not only able to influence the perceptions of others in the field, but also aid in the garnering of resources, doing so not only by influencing decision-making, but also by providing greater access to information and knowledge. Actors become

better informed, helping them in their development.

The fifth assertion states, “In a situation characterized by politicized capitalism, the status required by a celebrity-firm to transform itself into an over-conforming actor should depend on the development of ties between the organization and relevant, high-ranking political leaders.” Evidence for this can be drawn from the discussion above and the comments of the interviewee referred to earlier in the paper, who referred to two reasons regarding the importance of political markets: access to media coverage, and advantages relating to policy formulation. In China, a nation characterized by politicized capitalism, the polity controls media access. Good relations with the polity, therefore, result in media advantages. Rindova et al. stressed the importance of the media in celebrity attainment. This explains the importance of polity relations. A similar situation exists with respect to policy formation. For a firm hoping to be seen as an over-conformer, such contacts are very important. Under a context characterized by political capitalism, achieving leadership in any field is a political process. Members of the polity decide who will and will not succeed. Evidence in support of the assertion exists. The final assertion was the following: “In order to successfully attain celebrity standing, firms must possess the abilities needed to develop and acquire the resources they need to achieve the desired celebrity outcome.” The Yiwu case showed this proposition to be especially true. Prior to it attaining needed resources (in particular, money), the marketplace did not achieve its potential. It was only after new wealth became available that the marketplace began to takeoff, at least from a celebrity standpoint. Still, it must be noted that it was not simply the availability of resources that was important. It was also the way in which Yiwu used these resources, applying them to improve infrastructures, develop useful networks of relations, and create a grand overall plan for the future that assured the market’s success.

CONCLUSION

The focus of this paper has been to show the inter-relations between celebrity and three social structures: legitimacy, reputation, and status, and to understand how these relations shape organizational hierarchies. The paper examined the manner by which the constructions influenced the development of organization-differentiating firm celebrity. The paper found that the three constructs are actively related to organizational developmental outcomes. Another finding of the paper was that resources matter, as do the manner in which they are applied. In the case of Yiwu, local administrators were successful in their attempts to garner the resources they wanted, using these resources to facilitate the emergence of legitimacy, reputation, and status for their organization. Well-thought out application of resources, in conjunction with the development of legitimacy, reputation, and status were the means by which Yiwu attained a celebrity that helped to differentiate it from its competitors.

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CHAPTER 4

THE ROLES OF INSTITUTIONAL ENTREPRENEURSHIP AND LEADERSHIP IN STIMULATING NORMATIVE CHANGE: A CASE OF PUBLIC ORGANIZATIONAL INNOVATION IN CHINA

Innovation, defined as the initiation or introduction of a new process or method, involves change. Organizational theorists have traditionally characterized change as exogenous, resulting from isomorphic institutional adjustments or discontinuous events (jolts). Until recently, they have given less attention to endogenous, or self-generated, change. This paper focuses on both forms of change. It relies upon a case study to examine the relation between organizational innovation and agency, investigating recent innovations in a Chinese public organization, the All-China Federation of Trade Unions (ACFTU). Relying on interviews and extant literature, it considers the linkages between institutional entrepreneurship and innovation within a subunit of the ACFTU, focusing on the means by which innovation has been achieved. The paper also examines other factors that have impacted innovation and organizational change processes. It raises four primary questions: What organizational innovations took place; what actors and factors facilitated their occurrence; how were the innovations legitimized; and how are they being theorized and disseminated? Answers to these questions help to clarify one type of innovation in Chinese public organizations, a type in which leadership and institutional entrepreneurship, complemented by both media involvement and political action, play leading roles.

This paper is about organizational innovation. It examines the nuances of non-technical innovation-generation in a selected public organization. Inherent in this examination is an analysis of the means by which innovators disseminate their developments to wider organizational society. Public organizations are important in this regard given that they frequently motivate “the institutionalization of business firms and nonprofit organizations” (Frumkin and Galaskiewicz 2004:283). Although researchers often define innovation in a strictly Schumpeterian sense wherein “only patented inventions that are actually brought to the market are true innovations” (Nee, Kang, and Opper 2009:18), in this paper, I define the term more generally as “a process through which new ideas, objects, and practices are created, developed or reinvented, and which are new for the unit of adoption” (Walker 2007:592). I also assume that innovation encompasses the processes by which potential adopters come to accept such ideas, objects and practices.

In the past, research on organizational innovation has directed itself primarily to one of two areas, either the generation or the adoption of organizational innovation (Damanpour and Schneider 2008:496). Most of this research has examined the “environmental and organizational conditions that facilitate or inhibit innovation adoption” (Damanpour and Schneider 2008:495). Many emerging approaches have utilized a rationalistic tone in their discussions, asserting that those engaged in innovation intentionally and actively strategize to achieve results. Here, however, the focus is not on adoption, but on processes of innovation generation, theorization, and dissemination. Likewise, this paper does not assume the existence of early-on strategic action by those involved in innovative activity (though it might be present). Rather, its interest is to highlight the manner by which innovation arises, gains legitimacy, and is presented to potential adopters on the outside. The paper posits

that innovation resulting from unsystematic and unintentional beginnings is possible.

There is one element that is in strict accord with other studies of innovation, however. This is that innovation involves change. With regard to organizational theory, innovation “is a means of changing an organization, whether as a response to changes in its internal or external environment or as a preemptive action taken to influence an environment” (Damanpour 1991:556). In fact, many researchers consider innovation (again in relation to the organization) to be a subset of organizational change (Woodman, Sawyer, and Griffin 1993:293). However, how innovation-related organizational change occurs is still not completely clear. There does not even exist, for example, agreement regarding the sources of organizational change, with some theories asserting the primacy of exogenous change (DiMaggio and Powell 1983; Meyer 1982; Meyer, Brooks, and Goes 1990), and others putting the emphasis on endogenous transformations, or change coming from within (Greenwood, and Suddaby 2006; Leblebici, Salancik, Copay, and King 1991). Still others stress a mixture of the two (Seo and Creed 2002). This paper adopts the latter approach.

The paper specifically examines innovation and organizational change in a local, Chinese public organization, The Yiwu General Trade Union (YGTU), a branch of China’s All-China Federation of Trade Union (ACFTU). Although the YGTU is a small organization, it has had a significant impact in China, and this is the primary reason for its selection. The paper relies upon an institutional perspective to analyze the YGTU’s recent developments. It addresses three existing gaps in the literature. The first concerns the origins of innovation. A common refrain emerging in organizational analysis has been that “The genesis of an innovation must be explained” (Hirsch and Lounsbury 1997:416). By highlighting the empirical specifics associated with a specific example of innovation generation, the paper helps to answer the question of how innovation and institutional change occur. This is of

use because institutional theorists have found it difficult to navigate around the concept of organizational change. In fact, the understanding of micro-level change processes, and how the outcomes of these processes are transferred to more macro levels has been minimal (Garud, Jain, and Kumaraswamy 2002:196; Hoffman 1999:351; Tsoukas and Chia 2002:568), with many asserting that the means “by which firms obtain or develop, combine, and leverage resources to create and maintain [those] competitive advantages are not well understood” (Sirmon, Hitt, and Ireland 2007:274). Specific questions of importance are: How is change triggered; how do actors garner the necessary resources to implement change; how does embeddedness play a role in impacting change processes (Reay, Golden-Biddle, and Germann 2006); and, how do change-involved actors go about constructing and presenting themselves (and their changes) so as to achieve their goals (Hirsch and Lounsbury 1997:412)? To aid the analysis, strong (but not complete) emphasis is put on the role of agency, in the guise of institutional entrepreneurship, a form of endogenous change. This necessitates consideration of the “paradox of embedded agency” (Holm 1995; Seo and Creed 2002), or the question of how actors, supposedly embedded within a given context (and thus constrained by it), are able to go about enacting change.

Second, the paper deals with the issue of how organizations achieve legitimation. Legitimation is “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman 1995:574), and is essential to the success of institutional entrepreneurship. But because past assumptions have posited that legitimation attainment is overwhelmingly associated with ties to the practices of already institutionalized, powerful organizations (Meyer and Rowan 1977), researchers have directed minimal attention to the sources of organizational legitimacy (Aldrich, and Fiol 1994:646; Zimmerman, and Zeitz 2002:414). The reasoning has

been that mechanisms of imitation determine legitimacy outcomes. The sources of legitimation are thus already clear. To garner legitimacy an organization simply needs to imitate already legitimated, powerful others. Institutional theory, in turn, has had difficulty in coming to grips with how new practices, incompatible with existing understandings, initially attain legitimacy (Munir 2005:93; Reay et al. 2006:979). It also has had a particularly hard time in explaining, “how third parties impact firm-level accumulation of legitimacy” (Pollock, and Rindova 1993:632). The analysis here seeks to answer these and other “how” questions. For example, how was a non-powerful other, in the form of the YGTU, which (at least initially) possessed few apparent resources, able to attain legitimacy and use its legitimacy to strategically achieve competitive advantage?

The third concern dealt with by the paper entails an analysis of the YGTU’s methods of theorization and its dissemination (not including adoption) of its innovations to others. The approaches relied upon by the YGTU encompassed not only aspects of institutional entrepreneurship, but also involved the notion of “politicized capitalism” (Nee and Opper 2007). Politicized capitalism refers to the continuing activism and involvement of state actors during market reform, a development characterized by innovation. It melds together elements of both central planning and markets. In this integrated realm the state (particularly at the central and provincial levels) helps to determine the success or failure of actions occurring locally. As such, the paper differs from some recent approaches regarding China’s institutional development that have rigorously emphasized the singular importance of micro-level processes. These approaches have discounted the influence of the central state and other broader structural frameworks, ignoring insights gained from some Weberian-informed approaches of the past (Selznick 1984). Their assumption has been one asserting that the transformation of China’s economy has been

overwhelmingly dependent “on the decision-making powers available to local governments and businesses and on institutional innovation through coordination (i.e., incentives and governance) in the form of private exchange between these new political and economic actors” (Krug and Hendrischke 2008:81). The seeming contention of these approaches is that, following the decentralization of power to China’s localities, the central state became irrelevant, with action at the local level taking on overwhelming prominence (Lin 2001:6). The position of this paper, however, is that the central government in China has continued and continues to play a strong, but not always deciding, role in determining the course of both overall reform and organizational innovation and change. While local actors are indeed often the source of new innovations, action at the central or provincial levels frequently influences which among many organizational forms will garner legitimation. These favored forms have a greater potential of being widely adopted. It is therefore the intersection of the macro- and micro-orders that is of interest here.

THEORETICAL BACKGROUND

Still, the primary focus of this paper is how human agency helps to promote both innovation and organizational change. Such a focus is one possessing utility for studies of institutional change. As Paul DiMaggio once intoned, “without more explicit attention to interest and agency of the kind that institutional rhetoric has thus far obstructed, institutional theorists will be unable to develop predictive and persuasive accounts of the origins, reproduction, and erosion of the institutionalized practices” (1988:11). The work seeks to understand how through agency institutions arise and disseminate to the wider world.

INSTITUTIONAL ENTREPRENEURSHIP

To achieve such an understanding, the paper applies the concept of institutional entrepreneurship. Scholars define institutional entrepreneurship as a process whereby a socially skilled actor (an institutional entrepreneur) acts “to get disparate groups to cooperate precisely by putting themselves into the positions of others and creating meanings that appeal to a large number of actors” (Fligstein 2001:106). That is, the manner by which actors manage their outside relations with others impacts their future success. In fact, the idea that actors differ in their social skills, or their abilities to “motivate cooperation in other actors by providing those actors with common meanings and identities” (Fligstein 1997:398), helps to explain why individuals facing similar contextual environments and working to achieve comparable goals often end up achieving dissimilar results. It also helps to explain why only a few actors among all actors found within a particular situation end up becoming institutional change-makers.

Institutional entrepreneurship abilities are not simply defined by social skill, however. They also depend upon qualities of leadership. This is why researchers have asserted that “If scholars want to understand why organizations do the things they do and why they perform the way they do, then top managers must be a central part of any explanatory theory” (Finkelstein and Hambrick 1996:6). Many investigators in fact believe that organizational leaders are often the most obvious and impact-generating institutional entrepreneurs in an organization. The thinking is that it is only these leaders who possess the social capital and authority required to have a real impact on organizational outcomes. But, this view is not ubiquitous. The perspectives of organizational theorists “coming out of population ecology (e.g., Hannan and Freeman 1977) and new institutional theory (e.g., DiMaggio and Powell 1988) [have been] that executives have little effect [on a particular organization]

because organizations are exceedingly inertial, swept along by external forces, and constrained by a host of conventions and norms” (Hambrick 2007:335). This conflict in viewpoints can at least partially be resolved by research implying that the settings and conditions under which top leaders operate tend to strongly influence the degrees to which leaders impact their organizations (Crossland and Hambrick 2007; Mackey 2008). The primary factor that researchers believe determines this influence is leaders’ levels of discretion, “or latitudes of action” (Hambrick 2007:335). In addition, the motivations and personal characteristics of leaders, and the resources (including their own time) that leaders can direct to change-oriented activities also impact the outcomes that arise.

Another trait commonly associated with institutional entrepreneurs is their standing as outsiders. It has been suggested that institutional entrepreneurs tend to be “fringe players” (Leblebeci et al. 1991), meaning that they are on average less powerful entities vis-à-vis their competition (powerful actors would not need to rely on their social skills to garner the cooperation of others given that they generally possess the ability (power) to make others adhere to their wishes). Researchers also assume that institutional entrepreneurs are comparatively less embedded in existing networks of relations (Greenwood and Suddaby 2006:29). Embeddedness is “a middle ground between under- and oversocialized views” (Granovetter 1985:487), and refers to the degree to which social interactions and relationships influence the nature of action, particularly economic action (Uzzi 1996:674). Un-embedded actors are said to be free of the institutional constraints that would inhibit more embedded actors from taking innovative or change-related action, and thus they have more opportunity to change their organizations. But, here one needs to be careful. Although embeddedness has often been portrayed as an either/or relation, meaning that one is either embedded or un-embedded, differing forms of embeddedness often characterize

actors at the same time. For example, one can be embedded in a network of social relations, but not necessarily be embedded in a particular field-type structure. Fields are ordered and defined social realms that delineate the nature and form of encompassed social interaction, and in which involved actors possess unique (but common to the field), normative understandings and beliefs (Bourdieu 1990:66-68). In other words, field conceptualizations encompass facets relating both to an actor's social interactions, as well as to their forms of action and thought. The contention here is that actors can be embedded in a structure of social relations without being embedded in a field. Thus, embeddedness does not necessarily imply constraints on behavior and thought, because one can be socially embedded, but not field-embedded. This suggests that the research of Reay et al. (2006), stressing that (social-relation) embeddedness is often a catalyst for innovation and change, and the views of other theorists asserting that (field) embeddedness acts to constrain such outcomes, might simultaneously both be valid. This also potentially helps to resolve the quandary concerning the previously mentioned "paradox of embedded agency."

Although it is possibly implied in the above discussion regarding the relation of institutional entrepreneurs and social skill, another point that must again be strongly emphasized is that institutional entrepreneurs are political beings. Institutional entrepreneurs facilitate the melding of diverse and oftentimes mutually opposing views into a common perspective dedicated to the fruition of institutional change. They frequently, however, lack the resources to carry out their efforts, and thus must regularly rely on outside assistance for support. To garner such support, however, institutional entrepreneurs need to market themselves. They must become salespersons selling a concept, with that concept being some form of change. This involves the effective theorization of their positions (Strang and Meyer 1993), as well as the need to seek out legitimation for their efforts. Theorists jointly refer to these

processes as the theorization stage of institutional change (Greenwood, Suddaby, and Hinings 2002:60).

INSTITUTIONAL ENTREPRENEURSHIP AS A PROCESS

This leads into a discussion of some of the intricacies of institutional entrepreneurship. Institutional entrepreneurship is a process, involving multiple steps. It initially entails the determination (most often occurring at the individual actor level) of the need for change, and the commencement of some subsequent form of innovative action by that actor who has determined that a change is needed (motivation for change is required). Alone, however, these steps are not sufficient to achieve institutional change. They simply represent facets of the pre-institutionalization stage of change (Tolbert and Zucker 1996), which is followed by semi-institutionalization. Theorization is the first step of this stage. The semi-institutionalization stage involves the determination and statement of a generic organizational problem (Tolbert and Zucker 1996). It also encompasses a process of model construction, or the formulation of a framework meant to explain and justify the innovative changes that are taking place. With this model defined, change is then more easily facilitated. Initial legitimation efforts, at least with respect to cognitive and normative legitimacy, also occur during the theorization stage (Greenwood et al. 2002; Tolbert and Zucker 1996:183), a stage during which agency and structure become linked via model construction. Hargrave and Van de Ven hypothesize that model-making resolves five factors: 1) knowledge of what is being explained (definition of the problem); 2) the principal actors involved; 3) the factors giving rise to action; 4) the processes by which action takes place; and, 5) the outcome of action (2006:867). Models are an important part of the institutional change process because they help to clarify the new, idealized organizational world. This, in turn, makes this

world acceptable to its potential adopters (Strang and Meyer 1993:493). Models, as with templates, enhance “the effectiveness of knowledge transfer” (Jensen, and Szulanski 2007:1727), in that they augment understanding and acceptance among end users. This is true assuming that the process of model construction takes into consideration the needs and thoughts of potential adopters, revealing to them how application of the model would meet their requirements. If not, and too much cause-effect ambiguity exists, adoption and effective application of a model will be low (Strang and Still 2006).

The dissemination of an institutional change model is a component of the second part of the semi-institutionalization stage. Many researchers refer to this second part as diffusion (Greenwood et al. 2002:60-61; Strang and Meyer 1993), but diffusion assumes that “executives know what new developments are hot and which are not” (Strang and Soule 1998:266). It also takes for granted that the practices being transferred to others will be fully accepted, and that convergence will occur. But, research has shown that this is not always the case. Compliance and convergence are two different processes (Ashworth, Boyne, and Delbridge 2009). A reliance on the concept of dissemination, therefore, assumes that diffusion is not always an adequate mechanism when considering the manner by which actors become aware of and go on to adopt a particular innovation. This paper will not consider adoption; but, even with regard to awareness-construction processes, dissemination encompasses many mechanism not encompassed by diffusion. These mechanisms include sensemaking (Weick, Sutcliffe, and Obstfeld 2005), storytelling (Lounsbury, and Glynn 2001; Martens, Jennings, and Jennings 2007; Zilber 2007), media-publicity efforts (Pollock, and Rindova 2003), reputation building (Rindova, Williamson, Petkova, and Sever 2005), and legitimation.

METHOD

STUDY PARTICULARS

This is a qualitative, case study, dealing with generation of innovation at the YGTU. Case studies are particularly useful “when ‘how’ or ‘why’ questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon with some real-life context” (Yin, 2003:1). The YGTU is an appropriate subject of analysis for several reasons. First, I am interested in the nature of China’s changing industrial relations, which have been transformed in the aftermath of the 1978-initiated market reforms. One would assume that China’s trade unions have had a role in these changes, especially since analysts assert that China has the largest trade union membership in the world (Metcalf and Li 2006:1). China’s trade unions, however, are not independent entities, but are public organizations, under the control of China’s Communist Party. Because of this, researchers have raised questions as to how effective the unions actually are (Taylor and Li 2007). In fact, many have concluded that China’s unions simply serve a ceremonial function. The issue of how to maintain stability during the market development process, however, is one of China’s greatest concerns. Thus, whatever the past history of the unions, a key step in their futures must be their transition from largely ceremonial organizations serving only the interests of the party (Chen 2003:1007), to more activist and effective entities able to better assist society. This makes the organizational innovations occurring at the YGTU of particular interest. Second, Yiwu, itself, is a poster-child for China’s market development progress. Economically, Yiwu has progressed from a small, backward rural community to become one of China’s key business centers. During this process, it has avoided

much of the social instability common in other parts of China. It is thus a useful site to pursue research on market development and the function of China's unions. Third, the YGTU has played a significant role in helping to maintain social stability in Yiwu. But, to do so, it has had to re-invent itself through innovation. Not only has it changed itself, but its experiences have become a model of development for other local China trade-unions. Its history of innovation and the manner by which it has come to serve as a model for others thus makes it a very appropriate focus.

SAMPLE

I derived the gist of the paper's results from face-to-face interviews (conducted in Chinese), and from various published written and video resources. Initial author-conducted interviews took place during December 2008, and then continued during the months of May and June in 2009. I carried out the majority of the interviews in Yiwu, with one set of interviews occurring at the headquarters of the ACFTU in Beijing. An assistant also performed some additional telephone interviews from China (following the author's return to the U.S.) in July 2009. In addition, during July 2009, I also called some of the interviewees for follow-up questions. A total of around 30 hours of interviews took place. Those interviewed included officials of the YGTU, national and local Yiwu media representatives, professors engaged in YGTU research, officials from local trade-union related organizations, and migrant workers. Excluding the migrant workers, ten persons were formally interviewed: three officials from the YFTU, three media representatives; two local trade-union affiliated officials; and, two, China-based professors researching the YGTU phenomenon. The number of workers interviewed approached 100 individuals. But, apart from three-extended, one-on-one interviews with workers, the other interviews were conducted with groups of workers, with each of the groups numbering

between 30 and 40 persons each (three groups in total). The location of the worker-conducted interviews was Yiwu's Labor Market.

The opportunity to carry out the interviews arose through an introduction to the head of the YGTU, Chen Youde. Oftentimes, doing fieldwork in China, particularly in China's rural areas, is problematic. Trust issues arise that make such processes difficult. Also, without some reliance on personal relations, interview responses are not always truthful or accurate. But, because I was introduced to him through a friend (a form of *guanxi*), Chen was extremely cooperative during the interview process. He was the primary focus of the interviews, and I interviewed him, on five different occasions, for a total of more than 10 hours. In addition, an assistant conducted another telephone interview with him that extended for about an hour.

STRUCTURE OF THE QUESTIONING

The innovations engendered by the YGTU have come to be known as the Yiwu Trade Union Socialized Worker's Rights Model. Following my introduction to Chen in December 2008, I engaged in some preliminary interviews with him to obtain a general understanding of the model's background, concluding that there existed an interesting story. This was important to determine because, as Eisenhardt writes, "a good story is an essential first step" to any successful case study (1991:627). I then spent time considering how I wanted to tell this story and what questions I would need to ask. The original set of questions I drew up focused overwhelmingly on the processes behind the generation of the Yiwu Model. Prior to initiating the face-to-face interviews, I tested out the questions on others to make sure that they understood what I was attempting to ask. With this confidence assured, I then began my interviews of Chen. Chen, however, did not seem comfortable discussing the model or with a dialogue concerning the more theoretical aspects of its construction. I thus

modified my approach. Rather than asking very specific questions that related directly to the research topic, I instead memorized the questions that I wanted to ask, and then allowed Chen to talk openly about his experiences as well as his background. At times when he would refer to topics associated with one of my questions, I would prompt him for additional insights. Although time consuming, this approach worked far more suitably than had the original set of formal questioning. Chen, too, was much more satisfied with the results. I then used a similar approach with the other interviewees. For the telephone interviews, however, reliance on such a method was not possible. Here, specific questions were addressed to the interviewees. The results were not as optimal as the free flowing style of questioning, but the process generally sufficed to obtain the information required.

RESULTS

My goal here is to focus on the four questions posed at the beginning of this paper, and to answer “how” innovation occurred at the YGTU. These questions are: What actual organizational innovations took place; what actors and factors facilitated their occurrence; how were the innovations legitimized; and how are they being theorized and disseminated?

THE YGTU’S INNOVATIONS

To comprehend better the innovations at the YGTU, I first provide some background regarding the development of Yiwu, and the situation existing at the YGTU prior to the arrival of Chen Youde. Yiwu is a part of the Jinhua region, and is located in the nearly exact middle of Zhejiang province. In 1978, it was an underdeveloped, rural community. Although Yiwu’s county (it has since become a city) population in 1985

was already 593,002 persons, the overwhelming majority of this was dispersed amongst Yiwu's agricultural areas. In fact, in 1985, in the only semi-urban area of Yiwu, Choucheng Township, there were only 41,592 residents (Wu 1986:88). According to a newspaper reporter who visited Yiwu during the 1980s, "When I first went to Yiwu there was only one small road. There was really nothing. We didn't think much of the place or that it would ever develop" (11/29/08 interview). Yiwu's position in the administrative hierarchy was very low, and although it had a market it had very little else. Few were aware of its existence.

The contrast with today is great. In contemporary China, Yiwu's status has changed considerably. This is due to the success of Yiwu's market, which the city's residents now tout as being the largest small commodities market in the world. The population of Yiwu currently exceeds 1.7 million residents, of whom over one million are from other parts of China and the world. In 2008, registered (local) residents of the previously referred to Chou Cheng District were 116, 591, and when population figures include outsiders this figure is much higher.⁹ Chou Cheng is now only one of several districts making up urban Yiwu. In other ways, Yiwu has also improved immensely. One may gain a sense of Yiwu's success from the following quote:

Between 1978 and 2007, the Yiwu district's total value of production increased from 128 million RMB to 41 billion RMB, 319 times the original amount, an average yearly increase of 22%; financial income for the city went from 20 million RMB to 5.888 billion RMB, 293.4 times the original amount, representing an average yearly increase of 21.6%; the holdings of banks and other financial institutions in the city increased

⁹ See: <http://www.stat-yw.gov.cn/Article.asp?ArtID=664&BClassD=30> (accessed 7/14/09).

from 30 million RMB to 85.56 billion RMB, 2851 times the original amount, for an average yearly increase of 31.6%...In 2006, of the 100 top county level cities in China, Yiwu was ranked 12th (after being previously unranked in 1978), and in terms of its overall competitiveness within Zhejiang Province, Yiwu was ranked first when compared with other similarly sized cities.¹⁰

But, with success often come problems, particularly social ones, and Yiwu has faced its share. Many of the countless outsiders who have come to Yiwu have been migrant laborers, and early on, especially prior to the involvement of the YGTU, scores of these workers faced employment situations that were not always fair. Many employers took advantage of them, cheating them out of wages and/or asking them to make concessions that were not in accord with the law. The laborers responded in ways that one might expect. Conflicts were common, and prior to 1999 there had already taken place multiple killings of company heads by angry workers. Owners and managers hired thugs, similar to the mafia, to protect themselves, and to deal with their non-obedient employees and/or those they viewed as threats. Laborers frequently banded together, particularly on the basis of geographic background, to fight for their rights. A result of the situation was that during an approximately one-and-a-half year period between September 1998 and May 2000, a time encompassing the start of Chen's time at the YGTU, four major incidents of management/worker friction took place in Yiwu. During these incidents, the wives of two bosses, three children, and two laborers all lost their lives, and an additional, related suicide also took place (Ge 2008:34). The social situation of Yiwu was not good (May 17, 2009 interview).

¹⁰ See: <http://gd.people.com.cn/GB?123946/8143881.html>

Before Chen Youde's arrival in 1999, the YGTU played a minimal role in improving the situation. One YGTU administrator characterized the union at that time to be a kind of retirement home for the government (*zhengfu de yanglaoyuan*) (May 19, 2009 interview). Other trade unions in China were no different. Nobody expected union leaders to accomplish anything other than to not make trouble. Becoming the head of the trade union was akin to garnering an honor, but the position had little power. With respect to the contributions of Chen's predecessor, a YGTU administrator simply said that he "observed all the rules and regulations. He did what his higher ups asked him to do" (July 4, 2009 interview). There is little sense of leadership or activism inherent in these comments.

The trade unions also faced a variety of difficulties in improving their status. This was evident following the 1978 reforms, when the unions had difficulties in adjusting to the newly arising situations. Researchers have cited various reasons for this (Han, Luo, Lin, and Ge 2008:112-118). For one thing, the pre-reform function of the trade unions was very much tied to the workings of the state-operated enterprises (SOEs). The law on unions requires that employees of SOEs and collective enterprises be members of a union (Zhang 2009:195). This is not true for employees in private enterprises, however. In conjunction with China's market development, however, the number of SOEs has fallen while the number of private enterprises has increased. For evidence of this we can look to the period between 1996 and 2001 when the number of private enterprises went from 443,000 to more than 1.32 million, an average increase of 24.5% annually (Han et al. 2008:112). At the same time, the number of state enterprises in China declined. Given that the original purpose of the unions was linked with the SOEs, this change resulted in a reduction of union influence, and the unions have had trouble in adjusting to this situation. The unions' institutionalized mechanisms of operation and the needs of

society increasingly became misaligned as well. Although there was a growing need for the union to focus its efforts on the protection of worker rights and worker education, it continued to follow its old form. Regarding this form, apart from acting as a conduit for information flow between the government/party and the enterprises (a kind of transmission belt) (Ng and Warner 1998), the union served little function, and there existed few social forces motivating it to change its ways. The only push for adjustments emanated from the political sector, and this arose only at times when crises erupted. But, even had the unions wanted to adopt a more involved role in the protection of worker rights they were not set up to do so. They possessed few resources to facilitate change. They likewise had to deal with forces militating against positive transforms. These included individual-level factors, such as jealousy, distrust of motives, and other forms of resentment.

Although the maintenance of personal relations is important in any society, in China because of its incredibly competitive social environment, it is especially critical. Issues of “face” (Ho 1976; Hwang 1987), wherein the disclosure of direct meanings and intentions is avoided, make these relations extremely hard to judge and manage, and require special talents. Action-taking individuals face many constraints. Within the extremely competitive, Chinese social-environment, leaders do not want lower ranking administrators to outshine them, colleagues of similar or near similar status do not want their equals to do better than they do, and even lower level workers resent leaders who receive too many accolades. This makes it difficult for anyone to initiate and promote positive social change. This is because people don’t want to upset others; and change often engenders conflict. Outside the firm, too, there were forces acting to constrain the union’s actions. Businesses viewed the union as an impediment to their progress and took actions meant to counteract the expansion of union powers. But, in actuality, in this regard businesses didn’t need to expend great

effort. The union didn't possess many resources it could use to force actors to comply with its wishes. Still, in the face of these difficulties the YGTU succeeded in promoting change, and this is what makes it exceptional. The organization has become a recognized innovator in China, possessing a reputation as a difference maker.

The YGTU's primary innovation has been the establishment of a framework of worker-rights protection for Yiwu's workers. This framework was not simply the implementation of a plan formulated at some higher political level, but was independently developed by the YGTU as a means to improve Yiwu. It includes a number of different parts. A principal component of the framework was the establishment in October 2000 of the Yiwu Worker's Legal Rights Association (or Center as it is now known), the first of its kind in China. The Center's responsibilities include legal education for workers, the investigation of worker complaints, mediation assistance, and the provision of legal services, including expert testimony and assistance in the actual presentation of case arguments, to those found to be in need. The innovative result was the empowering of workers to make them aware of their rights and obligations, something which at the time was not a legitimated outcome. Another organizationally related innovation was the inauguration of a network of relations that links representatives from all of those governmental departments and units that interface with worker rights issues (including representatives from the legal system), along with members of the media, and other outside experts. The goal was to integrate the worker-rights actions of a variety of agencies so as to increase operating efficiency, improve communications, and enhance overall understanding. While seeming like a logical action to take, it was anything but easy to engender. Third, the YGTU was innovative in its use of the law to support its cause. This was perhaps more an innovation relating to implementation

than development, but even so it involved change and a new manner of action. China has a significant and well-thought-out set of laws governing society. In the past, however, local unions seldom relied upon these laws to manage the worker-rights situation. Instead, when problems arose they would either not get involved or simply apply arbitrary forms of solution to problem resolution. There were rarely any set forms of problem-resolution action. This resulted in much ambiguity and a lack of standards. Chen, however, changed this situation believing that existing law should be applied forcefully. And, where no appropriate law existed he determined that a precedent should be set that would then be followed. But, he first made sure that affected business-owners were made aware of the laws that would be applied. He spent much time developing routines of education and enforcement, essentially institutionalizing and standardizing the processes by which the YGTU would organize and manage worker rights (Han 2007:162-164; 224). A fourth innovation of the YGTU was its own acceptance of responsibility for the improvement of its resource situation. This differed from the stances of other trade unions, which simply accepted a limited resource base, preferring inactivity to the trouble associated with trying to enhance resource availability. Given that many view the key to organizational success as being “the ability to acquire and maintain resources” (Pfeffer and Salancik 1978:2), this is an important point. At the time of Chen’s arrival at the YGTU in 1999, the organization was extremely short on resources, particularly money. During the late 1990s many formerly public firms had gone through a process of privatization thus eliminating their need to maintain an enterprise union. With the drop in the numbers of enterprise unions, the YGTU’s funds declined.¹¹ The shortage of operating funds was such that the YGTU frequently had to delay

¹¹ A major source of funding is from those firms possessing unions. The firms by law are to submit 2% of their total payroll to their union. The union then funnels a portion of these funds to the local general union (like the YGTU in Yiwu).

payment of salaries to its own employees. Needless to say, there were few funds available to carry out other activities. Chen dealt with the situation in various ways. In one case, to support the existence of the new workers-rights center, the YGTU asked the government for permission to open its own school. This school's announced purpose was to hold classes for the representatives of the enterprise unions (the SOE unions and any private companies that had also established unions), but in reality, it had another even more important goal. Chen hoped that the tuition the school charged its students would be enough to provide the YGTU the funds it needed to support its change efforts. In November 2000, a month after the start of the workers rights center, the government approved the school's application. During the school's first month it earned more than RMB 38,000, a sum desperately needed for the center. But resentful of its success,¹² other government offices undertook efforts to do away with the opportunity, and were largely successful in its efforts: "this [action] frustrated all of the YGTU's employees, and made them aware of the difficulty of establishing the new center" (Han, et al. 2007:227). Apart from seeking additional help from the government (help which early-on was not significant), Chen also relied on various other socially developed sources of help as well.

THE PEOPLE AND FACTORS BEHIND THE YGTU INNOVATIONS

In the words of one interviewee, "In China, everything depends on the leader. If the leader is good, capable, and hardworking, the organization will be good" (June 14, 2009 interview). China is a hierarchical society and power is concentrated in its leaders. This is true not just at the state level, but is also the case within business and public organizations. Leaders are the key to understanding change in China, and this paper therefore focuses on an organizational leader, Chen Youde. Although it may

¹² This conclusion was drawn from the comments of YGTU employees and the Han et al. book.

appear to be one, the paper is not meant to be a testimonial, nor does it minimize the importance of the YGTU as an organization. In fact, although the paper largely focuses on Chen, it is an organizational study, but in an entrepreneurial sense, given that it “fits the five criteria for a simple organizational structure proposed by Mintzberg (1983:158)...Structures like this are most often found in entrepreneurial firms” (Mintzberg, quoted in Weick 1993:632-633). It sets out to show how a socially skilled, motivated, selfless leader, who is inspired to do good, can impact innovation within a public organizations in China, even when faced with what seems to be a resource-deficient situation. Based on numerous accounts, without Chen, the innovations of the YGTU would not have occurred. It was Chen serving as head of the YGTU that was of paramount importance. Why Chen and what made him special? The answer requires insight into his past.

Chen’s parents were farmers. He had no special privileges growing up, but he was a hard worker and had a strong sense of responsibility. After graduation from high school in 1974, one of his first major responsibilities was an unofficial position in the government managing a local commune. According to knowledgeable individuals, he did a great job. Some factors influencing his performance might have been the strong work ethic and the motivation to do good that he had garnered from his upbringing. Still, largely because of his lack of connections, he was passed over for promotion to official standing, essentially signaling the end of his governmental career. The local people (including local officials), however, supported him, and they petitioned higher-level organization departments (*zuzhi bu*), which are responsible for personnel decisions, asking them to investigate the situation. This was a very uncommon occurrence, and the departments sent officials to probe. The examining officials recommended that Chen be granted an appointment, and he became a government official. After this success, Chen’s mother beseeched him to

“never forget the common people because it was they who made your triumph possible” (Ge 2008:28). According to Chen, these words have been with him ever since (June 13, 2009 interview). In 1983, Chen became a county magistrate, and in 1985 the party appointed him to be a county party secretary. He served in that position for close to 14 years until his posting to the YGTU. As a party secretary he had a significant amount of power and standing, and also interacted on a daily basis with the common people (*lao bai xing*), dealing with their problems, and learning how to help them resolve their conflicts. He also had to manage a variety of complex issues, for example the collection of taxes. In many situations, simply ordering an action to take place was not possible: “One of the central misconceptions about China is that because it is an authoritarian system it can do anything it wishes. Actually, China lacks the institutions and credibility that allow modern bureaucracies to function effectively” (Johnson 2004:25). Chen, thus, needed to negotiate, compromise and sometimes even resort to confrontation to be successful. These experiences refined his abilities in tactfulness, strategy development, and conflict management. His social skills underwent continuous improvement, and he became socially skilled. This was critical to his later success.

When Chen moved to the YGTU, he was not happy. Although officially, the move was a promotion, he was not satisfied simply to receive a high salary and wait for retirement. At the time, Chen’s opinion of his new role was that it was a position “of little importance—a high position with little meaning” (May 16, 2009 interview). One interviewee, who has known Chen for many years, noted that during the period immediately following the YGTU appointment “Chen was very depressed. He did not fit in well with his new work environment” (June 2, 2009 interview). But, Chen did not allow his emotions to stop him from taking action. Instead, he decided to undertake, at the local level, a survey of the existing situation. While this may seem

to have been a simple decision on his part, in actuality it is one that many Chinese leaders avoid taking because it opens up the realm of the unknown. Political leadership in China is often such that if a leader just sits in his/her office and does nothing of substance (apart from getting along with their superiors), but also does not spawn attention-creating problems, that leader will generally achieve career success. If the leader actually takes action, yet ends up creating a problem, he/she can suffer greatly, particularly in the short term. By interacting face to face with the local population, Chen thus exposed himself to significant risk. Because of this, one YGTU employee related that “One of the most impressive things about Chen is his willingness to go down to the local level and interact with the common people and understand their problems and situation. Few other leaders do this” (May 19, 2009 interview). Based on my previous investigations of other Chinese leaders, it is apparent that it is those leaders willing to take such risks, and engage in action pertaining to the needs of the people, who in the long term end up achieving greatness. In fact, in the post-reform history of Yiwu, Chen follows other such local leaders, individuals like Xie Gaohua, Yang Shouchun, and Mao Guanglie, who also undertook local-level surveys to discover the real needs of the common people, and who then took action appropriate to the situation. Yiwu residents now consider these individuals to be among the best of Yiwu’s political-executives during the reform period.

Chen’s foray into investigating the YGTU’s situation completely changed his attitude towards his new position. After the survey process, an YGTU employee quotes him as saying, “The YGTU is ‘my new home.’ I’ve found new hope for tomorrow” (Ge 2008:31). What caused this change in attitude? The key factor was Chen’s discovery that “95% of the workers employed in Yiwu’s more than 10,000 private firms were, like Chen, just off the farm. He saw in them fellow brethren” (Ge

2008:31), and felt like he had the means to help them. He believed he could make a difference, and had the motivation to take action. Chen also “felt compassion for those from the outside, who were farmers like [him].” He related that, “I knew how difficult their situations were” (June 13, 2009 interview). Chen’s feelings were representative of most of those within the YGTU. Chen and his YGTU employees’ feelings of compassion, motivation and “spirit” have been keys to the organization’s success.

But, even possessing these traits, in the absence of any legal powers to force businesses to act in line with its guidelines, the YGTU appeared to have little potential to engender innovative change. Many questioned the YGTU’s ability to make a difference. Apart from a lack of legally sanctioned powers, the YGTU lacked other needed resources as well. It had little money, and its number of employees was limited. In such a situation, what could it do? Although the YGTU had little money and no real power to enforce its determinations, what it did have was Chen’s history of activity in Yiwu, which had left him with a good reputation (as someone who actually did things rather than just talking a good line), a strong work ethic, excellent social skills, and plenty of social capital. Chen used these attributes to aid the YGTU in its quest to transform the status quo and improve the situation facing Yiwu-situated workers.

Here, I again mention the idea of embeddedness, and stress the difference between an embeddedness associated with social relations and one relating to fields. Social-relation embeddedness involves linkages with other individuals through friendship or other relations, and is one form of embeddedness. This is not the same thing necessarily as field embeddedness, however. Field embeddedness implies linkages among involved actors in terms of normative forms of belief and action. In other words, field embeddedness implies a kind of pressure on actors to think and act

in a certain way. When he came into the YGTU, Chen possessed social embeddedness, but was not constrained by field embeddedness (at least from the standpoint of the YGTU context). Coming to the union from the outside, he was not limited by notions of how he should behave as a union head, and thus took actions that perhaps other union heads might not. Also, as someone others believed to be in an organization with little status, other government officials ignored him and allowed to do as he pleased. This left him with a high degree of discretion regarding his actions.

Even with Chen's relative freedom and willingness to innovate for good, however, trying to improve the situations of the workers employed in Yiwu was a difficult process, and during this process Chen "upset a number of locals, company bosses especially, and these bosses had strong connections within the community. This created some real problems. In order to continue, the YGTU needed to garner assistance to see it through this period" (May 27, 2009 interview). Chen, himself, recognized this need, saying "I knew that in order to accomplish something, I could not rely upon myself, only" (June 13, 2009 interview). Where did the YGTU find the help it needed? It found it in the media and in the support of higher levels of government. In China, the media, like the unions, is a party entity. It is formally under the control of the party's Bureau of Propaganda (*xuan chuan bu*). This said, however, to comprehend the relationship between the YGTU and the media, "it is necessary to understand that the Chinese press today is no longer totally under state control" (Chan 2007:87). While in its reports the media still focuses primarily on the positive (*zheng mian wei zhu*) (October 16, 2008 interview), and there continues to be bias in some of its "news" (particularly of a political nature), it is also true that "On their own initiative, [the Chinese media] cover[s] stories [it] considers newsworthy" (October 16, 2008 interview). And, even though some of their stories are ones for which reporters garner kickbacks (i.e., a reporter is asked to report favorably about a

particular event and by doing so receives under the table compensation), most reporters are still patriots who want to see China improve. When made aware of a situation in which a particular organization or individual is making attempts to better Chinese society, they will support that entity in its efforts. This is something Chen understood, and the YGTU “played to this” (July 4, 2009 interview).

Chen also knew that in order to succeed he would need the support of higher levels of government. Political workings at the local level are often embedded in difficult-to-change structures, which make the initiation of locally based, truly innovative action difficult. Although there were many in Yiwu who supported what the YGTU was attempting to do, there was also significant opposition. The inauguration of a worker’s-rights legal center would potentially empower workers, providing these workers with an understanding that might upset existing stability. The fear was that this could impact in-place benefit and resource structures. To minimize the effects of this opposition, Chen sought help from a higher level of government, taking his plans to the Jinhua government (which oversaw Yiwu) for approval and support. With the support of Jinhua, the worker’s-rights center would become a reality, regardless of opposition from Yiwu actors. Chen was successful in his efforts.

THE THEORIZATION PROCESS OF THE YGTU INNOVATIONS

According to Tolbert and Zucker, theorization involves the specification of a problem, and the justification of a means to solve it (1996:183). The YGTU’s theorization process was quite important for the organization given that the YGTU initially had few resources on which to rely to carry out its innovation activities. It needed outside support, and had to convince others to help it. This meant giving these others a reason for their support. During the late 1990s, although an increase had occurred

in Yiwu in the number of social conflicts occurring between firm managers and their workers, and this was known by many to be a problem, what had to be specified was the relation of the YGTU to this problem. What could the YGTU do to improve the situation. Chen accepted responsibility for making this linkage clear. He was able to oversee the merging of the YGTU with the problem-resolution process, fusing together the specification and justification steps.

In fostering this integration, one thing Chen did was to identify how the efforts of the YGTU were in the interests of others, particularly those who might potentially be in opposition to the YGTU: “Our function is two fold: On the one hand, to benefit society, and on the other to benefit business” (December 4, 2008 interview). Such a position helped to reassure both political and business leaders regarding the YGTU’s actions. Simply making this statement was not enough, however. Chen had to show that the statement was actually true. Obviously, this depended on tangible results, but it also depended on development of a model. Model development, facilitated through the contributions of enlisted academics from various top universities, helped because it imposed a coherent framework on the changes that the YGTU was implementing, enabling a kind of sensemaking process to occur (Weick et al. 2005). This improved understanding. Apart from specifying the nature of the YGTU’s involvement, the reasons for this involvement, and the processes the YGTU was implementing, the model-making effort also sought to clarify the positive outcomes of the actions that were taking place. In fact, according to one reporter, “Chen spent a significant amount of time investigating the benefits that the YGTU’s efforts had on others” (May 27, 2009 interview). To facilitate recognition of the YGTU’s efforts, Chen asked those profiting from the YGTU’s undertakings to provide public-forum testimonials attesting to their benefits (May 27, 2009 interview). Chen, utilizing his abundant social skills, then enlisted the media to

report these testimonials to the public, building up additional support for the YGTU's endeavors. Thus, not only did Chen oversee development of a model, but he also formulated a process of storytelling to go along with that model (Zilber 2007), a process that depended on the conveyance of a number of pertinent real-life stories to the public, which were meant to back up the YGTU's assertions regarding its good works. These examples specified causal linkage between past events, framed actors in particular roles, and tied emerging successes directly to the YGTU and Chen (Zilber 2007:1036). To make sure that the story got out to the public, the YGTU not only relied on the media, but it also output a significant amount of written narratives on its own. Since 1999, the employees of the YGTU have published over 420 articles, which have appeared in the People's Daily and other nationally prominent publications (May 19, 2009 interview).

***THE DISSEMINATION/LEGITIMATION PROCESSES OF THE YGTU
INNOVATIONS***

The dissemination and legitimation processes are closely linked. One without the other is not possible. But, with respect to the YGTU, these processes were dependent not only on efforts at institutional entrepreneurship, but also on political action. As one interviewee related, "The successful implementation of the Yiwu Model was directly related to political mechanisms" (May 27, 2009). These mechanisms were particularly associated with outside-of-Yiwu political workings. A reason for this was that many Yiwu leaders continued to resent the YGTU's work. The YGTU's actions made trouble for them:

There were many conflicts between the YGTU and the other city departments. These other departments felt like Chen was making

problems for them. They preferred to maintain the status quo. The shocks Chen was engendering were creating power-sharing and issues-of-responsibility difficulties and many government leaders were not particularly comfortable (June 14, 2009 interview).

As in the situation above, which related to Chen's efforts to inaugurate a school to help fund the workers' legal rights center, other situations arose wherein government administrators did what they could to disrupt the YGTU's progress.

The event that led to improvement in the YGTU's state of affairs (but which has still not enacted a completely effective worker-rights environment) was the inauguration by the central government of media task forces to investigate the workings of China's locally based unions. With respect to these investigations, "the timing of the YGTU was perfect" (June 13, 2009 interview). This was because just as the YGTU neared its current maturity, top Chinese leaders began to realize that China's social situation, particularly the relationship existing between production workers and management, required improvement. Top government officials initiated a search to learn what systems were already extant that might be further promoted. They sent a small group of *Xinhua* (the state news agency) reporters out to various provinces to investigate, asking these reporters to write up internal reports, which would be seen by China's top leaders only. After some time in the field, the reporters learned about the YGTU. Concurrently, they also read a story praising the YGTU that appeared in *The Zhejiang Workers' Daily*. Still, prior to visiting Yiwu their expectations were not high. They had already researched various other unions, which they had been told were strong innovators, but had found that these reputations differed from reality. Upon arriving in Yiwu, however, "the *Xinhua* reporters discovered that the YGTU's efforts were actually better than they had originally

thought. The two things that most impressed the reporters about the YGTU “were the ability of the YGTU to actually solve problems, and the YGTU’s success in attaining the good will of Yiwu workers” (June 14, 2009 interview). The report they wrote praised the YGTU. Hu Jintao, China’s top leader, reviewed the report and on November 27, 2004 publicly commented on the situation, saying that there “was a strong need” to implement Yiwu’s workers’ rights program throughout all of China (YGTU 2005:1). Overnight, the situation of the YGTU changed. The organization achieved instant legitimation.

The YGTU suddenly became a new stop for all Chinese union officials to visit, and “beginning in 2005, the number of visitors to the YGTU increased sharply” (June 13, 2009 interview). In the spring of 2005, a major contingent of national reporters visited the YGTU, filing a number of reports, which circulated throughout China. During August of the same year, the YGTU hosted the annual meeting of Zhejiang union delegates, and in November Yiwu was also the site of the three day, national union convention, an event that was attended by several top leaders, including the head of the ACFTU, Wang Zhaoguo. These events and happenings quickly disseminated the Yiwu Trade Union Model throughout China.

DISCUSSION

Although the YGTU represents a successful example of public organizational innovation in China, this success needs to be put into some perspective. The improvements being made are, while impressive, still limited. During the Chen period, the YGTU has assisted only four to five thousand workers with their problems, only a fraction of the total problem amount. But what must be realized is that this number significantly exceeds the results of other trade unions during the same period

(June 16, 2009 interview), and YGTU actions have certainly played a strong role in lowering the number of arising worker-management conflicts in Yiwu. As a result, among those workers in the know,¹³ the YGTU has earned a good reputation. As a Yiwu factory worker commented, “The YGTU is good. If even more workers knew about the YGTU, it could be of even greater benefit to society” (June 14, 2009b interview). But, not all workers know about the YGTU. On a visit to Yiwu’s labor market, I asked workers there (most of whom are only short-term laborers) if they had heard of the union; few of them had. They clamored to get the union’s contact information, citing problems they had experienced with late or missing pay (June 14, 2009c interview). The contention that the union could be of even greater help if more workers knew about it, however, requires comment, for as a Zhejiang University professor stated, “What if all the workers in Yiwu knew about the union? The union could never handle all of the work. They only have six or seven key administrators and a total of 38 persons on their staff. Their resources are far too limited to provide the help required” (June 15, 2009 interview).

A major problem for the YGTU continues to be one associated with turf battles and the distribution of resources. Although the organization has attempted to heighten cooperation among departments, such cooperation more often than not remains an ideal rather than a reality. For example, when asked about the YGTU, a Yiwu Labor Bureau official responded by saying that he didn’t know anything about it, and was completely unwilling to talk (June 14, 2009d interview). It was obvious that this official was not a big fan of the YGTU. A Zhejiang University professor familiar with the YGTU, said he understood. He referred to the situation as part of a

¹³ Here I distinguish between workers who are even aware of the YGTU’s existence. Yiwu has a relatively mobile migrant labor force, with workers coming to Yiwu for a year and then going elsewhere (i.e., Guangdong, other places in Zhejiang, etc.), and then perhaps returning again in the future. Such workers tend to have little knowledge of the YGTU’s benefits.

power struggle over resources. Other government departments continue to be unwilling to allow the YGTU to achieve too much success for fear of hurting themselves: “cooperation for the betterment of society is difficult” (June 15, 2009 interview). Resource distribution is a delicate balance. If one agency or department gets more, it often upsets the existing situation for all others. Engendering innovation in public organizations thus remains an uneasy task.

CONCLUSION

This paper set out to answer four main questions, specifying the how of innovative change in Chinese public organizations. It approached these questions through a multi-step process. It started out by detailing the innovative actions of the YGTU. It then delved into the how of the innovations, specifying the factors and actors involved in the processes that took place. Of particular importance was the institutional entrepreneur mechanism. We saw how the facilitation of institutional entrepreneurship, as theory had predicted, involved elements of social skill, leadership (including an ample amount of available discretion), political astuteness, as well as the resolve of actors to change a situation they believed needed changing. The notion of the institutional entrepreneur as an outsider requires clarification, however. Chen was an outsider in the sense that he was not embedded within the field of union practices and rationality, but socially he was not an outsider. He had an existing network of extensive contacts that he knew how to use. He used this to his advantage and to the advantage of the YGTU. He also was not unwilling to attempt change, even if it meant offending others. This situation points to the need for the clarification of how embeddedness is specified. One can be both embedded and unembedded at the same time, depending on the context of focus. Such an assertion

helps to resolve the “paradox of embedded agency,” given that some forms of embeddedness do not necessarily constrain institutional entrepreneurs from making change, and can even help to promote change. The paper also explained how the YGTU’s innovations became legitimized. With regard to the legitimation process, there were several actions involved, including actual and recognized achievement by the YGTU. The YGTU’s achievements helped not only workers but also businesses and the government. By engendering real achievement, even if limited in scope, this catalyzed the potential inherent in existing relationships with the media, which then led to the attention of power-holders at the central-state level. The acknowledgement of the YGTU’s efforts by China’s party leader, Hu Jintao, resulted in instant legitimation for the YGTU, an example of the “politicized capitalism” that distinguishes China’s development from the idealized market situation. In terms of theorization processes, these have been ongoing, and have also been essential to the success of the YGTU’s actions. Apart from its own efforts to publicize itself, the YGTU has relied heavily on outside assistance, both from the media and invited academics. The goal of the theorization activities, which have included model-construction processes, has been to clarify and make comprehensible the forms of action used, and the results achieved, by the YGTU. Dissemination, at least in the sense of making others aware of the YGTU and its successes, has been fostered by the efforts at and results of theorization and legitimation. Adoptions of YGTU innovations by others were not a subject of investigation. Another important element in the successful ability of the YGTU to engage in innovation was that conditions were right for such change. Involved actors, particularly at the central-state level, recognized the need for change, and the efforts of the YGTU blended in well with these needs.

Lastly, it is apparent that the most important factor in the success of the YGTU

has been the management and guidance of Chen Youde. It seems that attempts at similar institutional-change within other organizational environments in China would benefit from a leader-actor of a comparable type. Effective and well-intentioned leadership, encompassing high levels of discretion, is thus a key to China's public organization innovation. As a leader Chen possessed discretion, and he was motivated to help the people. He also was an effective leader in the sense that he was risk-accepting, and confident that what he was attempting to do was the right thing, making him unafraid should his attempts fail, and he also had the experience, reputation, social connections, persistence, and willingness required to achieve success. The achieved success, then, depended not only on "conscious choice and discipline" (Collins 2005:31), but also upon the skills and character Chen brought to the table. But, even for Chen the route to success has been difficult and much more remains to be done. Innovation within Chinese public organizations, it seems, is a complex process, and not one achieved easily.

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CHAPTER 5

THE EMERGENCE OF PRIVATELY DEFINED CORPORATE CODES OF PRACTICE IN CHINA: AN EMPIRICAL STUDY INTO THE PROCESSES OF WORKPLACE STANDARD INSTITUTIONALIZATION

The transition of a nation from a planned to a market form of economic coordination encompasses many institutional adjustments, and involves various mechanisms of change. This paper focuses on three change mechanisms: agency, economic structure, and authority, seeking to understand how, under transition, new institutions arise to guide people in their actions. It investigates the situations of workers in two Chinese communities, hypothesizing that a specific set of agents, large-scale foreign buyers, has been involved in the establishment of new workplace standards. Is this indeed the case? If not, what other mechanisms have acted to further the workplace standard-making process? The paper finds, based on its object of study, Wal-Mart, that foreign buyers have had less of an impact than one might expect, while newly emerging market structures have had the greatest impact. Authority mechanisms have also had an effect, though a comparatively smaller one.

The late 20th century witnessed several episodes of significant institutional change. One important set of transformations was the conversion of economic coordination mechanisms, from planned to market forms. Such changes occurred in a number of nations and have come to be known as “market transition.” Research on market transition has generally focused upon only a small group of issues, however,

particularly ones relating to the outcomes of market transition rather than the processes of it. Surprisingly, little attention has been paid to developments concerning the formation of new social standards. One area that has not received enough attention is the emergence of workplace standards.

This paper examines the possible role of large-scale foreign buyers, organizations like Wal-Mart, Target, Carrefour, Marks and Spencer, and Makro, in generating workplace standards in China. Three possible mechanisms of change are considered: agency, markets, and authority. Because of its standing in the retail field as well as its own self-pronounced assertions, one large buying firm, Wal-Mart, was selected for analysis. Via a qualitative investigation, the work examines the relation of the three differing change mechanisms to Wal-Mart sellers' adoption of workplace standards to determine the scope of mechanism's impacts.

THEORY AND EXISTING RESEARCH

AUTHORITY AND MARKET TRANSITION

A significant change relating to market transition is that involving the role of authority, especially as it relates to the polity. Planned economies rely upon the state to dictate the parameters of socio-economic action. The rise of market coordination, however, alters this situation. Many changes occur: value systems take on greater independence, and property rights become multi-faceted. In addition, control over many decision-making powers, particularly those relating to economic issues, is diffused out to individual actors within society.

The polity's decreasing level of direct involvement in economic activity would seem to represent an increase in the freedom of individual economic actors. Another set of changes taking place is that under a market system the abilities, fortunes,

motivations and dispositions towards risk of actors are allowed to differ. In turn, the economic performances of involved actors also tend to vary greatly. Social inequality increases, and power differentials, increasingly predicated on the relative economic success of actors within society, grow. No longer is the social order based on egalitarianism. Instead, the power of certain economic actors expands, giving them greater influence over society. In certain cases, unfair and unjust business practices arise. While such routines seemingly advance the interests of those initiating them, in actuality they pose a threat to the survival of newly arising markets. The potential for conflict increases. Thus, limits must be found to counter the effects of the inequitable conditions for the market system to survive.

***THE ROLE OF AGENCY: BIG FOREIGN BUYERS AND WORKPLACE
STANDARDS***

Because in today's China influence arises from wealth, entities possessing control over the opportunity to incur profit have substantial power to implement positive social change. There are many groups in China that fit into this category; primary among them are the big, foreign buyers, firms like: Wal-Mart, J.C. Penney, Disney, and Target of the US, England's Marks and Spencer, France's Carrefour, and Makro from Taiwan. Wal-Mart, itself, is said each year to import an estimated \$18 billion of products from China. It is estimated that this makes the company China's eighth largest trading partner, importing more from the nation than countries like England and Russia.¹⁴

Many believe that the large buying firms have done little to improve the social situations of the nations in which they operate. A widely held view is that, at present, Western corporations "are rarely the leading advocates for civil liberties and labor

¹⁴ http://Wal-Martwatch.com/home/homepages/annual_report_2005.

reform” (Guthrie 2003:52). Still, there exists potential incentive for the companies to take on such roles. As Martin Wolf writes, “the market economy rests on and encourages valuable moral qualities” (Wolf 2003:47). It does this by establishing a framework of incentives whereby certain traits, deemed by greater society to be important, are made synonymous with a firm’s own perceived legitimacy needs.

A particularly sensitive issue relates to how China-based producers treat their workers. Are large, Western buyers currently acting as agents of positive change, promoting (Western) legitimized codes of practice in the overseas firms with which they maintain business relations? With regard to this situation, it is posited that the conditions for an agency relationship exist. Such relationships arise “Whenever one [actor] depends on the action of another” (Pratt and Zeckhauser 1985:2). The agency relationship of relevance here is the possible dependence of China’s workers on the actions of the large, Western buying firms.

EXISTING RESEARCH ON FOREIGN INFLUENCES OF CHINESE WORKPLACE OPERATIONS

Limited studies have been carried out examining the general impact of foreign businesses on Chinese commercial routines, with one such study finding that business practices in China have improved as a result of these impacts (Pedersen 2006:33). Likewise, research on the impact of corporate codes of conduct among producers in two, Guangdong-based, buyer-driven commodity chains determined that in an underdeveloped institutional environment, characterized by “a virtual absence of legal protection and independent worker organization,” emerging corporate codes have had positive results. It was also noted, however, that in order for further workplace advancements to take place the role of government must expand significantly (Frenkel 2001:542).

While these studies have been positive regarding the impacts of foreign firms on Chinese business practices, other findings have presented a different picture. For example, interviews conducted in Guangdong revealed that in a quest for profits, workplace standards have suffered considerably.¹⁵ It seems that, at least in some areas of Guangdong, agents of change, in the form of the big foreign buyers, have not had as much of a positive influence on business ethics and/or commercial culture as had been alluded to previously. Instead foreign buyers appear to be taking advantage of locally destructive situations to enhance their own immediate profits.

This view of the south-China workplace environment meshes with those of other findings. One study found that social relations in Guangdong have been significantly impacted by market transition. Workers in local state enterprises are no longer enmeshed in the communal, intra-company relations that existed previously, but have become increasingly independent and self directed. Self reliant, but with little individual control, they are now easy targets of exploitation by the managers that employ them (Lee 1999). Given the fact that foreign investment in Guangdong has been significant (meaning that foreign influence should be high),¹⁶ there therefore exist significant questions regarding what the impacts of the foreign buyers in China have actually been.

Because, to date, there have been few studies that have focused specifically on the nature of Chinese work standards arising out of the interactions of the big foreign buyers and the business owners of their supplying firms, the goal of this paper is to undertake such an investigation. The work's specific objective is to answer the question of whether, as a result of large, foreign buying firm efforts, China has

¹⁵ Interview, conducted on March 29th in Guangzhou, Guangdong Province, with American-Taiwanese owner of Dongguan manufacturing enterprise.

¹⁶ According to official provincial statistics, the amount of foreign capital in the province as of 2004 was over USD 22 billion, a very significant amount (see, http://www.gdstats.gov.cn/tjn/table/16/16_e.htm).

witnessed an improved climate of workplace standards. If it is found that large foreign buyers have not had a significant impact on such standards, a second goal of the paper will be to determine if there exist any alternate processes that are currently acting to bring about such improved conditions.

METHODS

Because it is impossible to examine the impact of all foreign buyers on the business practices and ethics of managing business owners in China, this paper selects a representative business as its focus, Wal-Mart. The sole reason for this selection is Wal-Mart's standing in China: the company's buying power in the nation gives it potentially strong agent influence among Chinese businesspersons.

To determine the extent to which Wal-Mart's ethical standards have impacted the business frameworks of Chinese businesses, one-on-one interviews with the owners of Wal-Mart supplying firms were conducted to get their feedback on the situations of the businesses under their control. A specific focus of such contacts was the manner in which the owners are treating their employees, and how this treatment has been changed through interactions with Wal-Mart.

Two "rural" cities were selected as interview sites. These cities have each experienced rapid, export-oriented development, and are highly representative of two of the main models of business development in China.¹⁷ The cities were chosen not only for their representativeness, but also based on the author's established relations with members of the local polity. In each of the cities, the owners of four or more, current or past, Wal-Mart direct suppliers were interviewed. These suppliers were all companies that, based on their own responses, had gone through the process of

¹⁷ The two models are the Wenzhou and Sunan Business Models.

becoming certified Wal-Mart suppliers.

THE INTERVIEW LOCATIONS

Interviews were conducted with managing-owners of Wal-Mart supplying businesses, other businesspersons, and government officials in Yiwu, Zhejiang Province and Jiangyin, Jiangsu Province. Both of these cities are ones where economic growth has been impressive, even by Chinese standards (they are ranked in China among the top performing cities for their type of municipality (county cities)), and where market forces have had a large impact. Zhejiang Province's Yiwu City is located in China's southeast-central region. It is a small city by Chinese standards, with a registered local population at the end of 2004 of 688,327 (Yiwu City Department of Statistics 2005:89). The number of non-locals in Yiwu, individuals living in the city on a permanent or semi-permanent basis, surpasses this figure, however, itself numbering about one million persons. Included in this population is a set of approximately 8,000 foreign residents, primarily from places like Egypt, Pakistan, Afghanistan, India, Russia, Korea and various countries in Africa. Early on during the reform period, Yiwu's top leaders were encouraging market oriented change, and both locals and non-locals took advantage of this situation to develop the area into a center of local commerce. Today, Yiwu is not just a center for local trade, but an international commercial center as well. It is the largest small commodities market (items like costume jewelry, umbrellas, socks, office supplies, handicrafts, etc.) in not only China, but also the world. In addition, Yiwu has also emerged as a focus of production, with around 30% of the items sold in its markets produced locally.

Jiangyin City, located in Jiangsu Province, is an interior port city bordering the Yangtze River, about a two-hour drive northwest of Shanghai. It is also a comparatively small city with a population of about one million. Post reform

development in Jiangyin initially took place in line with the Sunan Business Model, which stressed socialist commercial forms, as embodied by in town and village enterprise (TVEs), a type of business run collectively by area towns and villages. A number of Jiangyin TVEs became famous nationally and were held up as examples for other businesses to emulate. TVE's have since undergone privatization and today Jiangyin is now better known in China for its extremely high density of stock exchange listed corporations, with 18 such listed companies. This number is quite impressive given that Jiangyin is only a county-level city and the number of Jiangyin listed companies is more than the total number of such companies found in many Chinese provinces. The concentration of capital in the Jiangyin area is, as a result of such listed firms, quite high, and the typical scale of businesses tends to be skewed towards larger firms. Today, Jiangyin serves as a center of small machine, fabric and textile production. A number of its companies act as suppliers to Wal-Mart, though few have been actually Wal-Mart certified.

RESULTS

WAL-MART'S SUPPLYING STRUCTURE IN CHINA

Based on interview results, it appears that even though many companies in the two locations serve as suppliers to Wal-Mart the great majority of these companies are not ones that have gone through the certification process. This is due to Wal-Mart's use of trading-company intermediaries for the purchase of a high percentage of its goods.¹⁸ The impression of those companies supplying goods to Wal-Mart is that Wal-Mart's purchasing operations are rather complex. While buying needs are determined at the

¹⁸ Interview with Jiangyin City Party official conducted in Jiangyin on April 6, 2006.

head office, their implementation occurs locally. Coordination seems to be a problem. Though coordination is perhaps a problem, Wal-Mart's understanding of the Chinese manufacturing price structure seems to be exceptional. Many interviewees expressed admiration for the company in its ability to determine the costs of China based manufacturing, with one interviewee stating that Wal-Mart's "ability to garner information in China is first class."¹⁹

AGENCY AS A MECHANISM FOR CHANGE: THE ROLE OF WAL-MART

Wal-Mart's U.S. website emphasizes the company's workplace standards program stating that a key goal of this program is to "make it an effective tool for improving conditions for workers in our suppliers' factories that make products sold in our stores."²⁰ It stresses the company's strong commitment to real progress in standard implementation. This importance is further stressed in its "2005 Report on Ethical Sourcing."²¹ This report claims that 100% of all Wal-Mart purchased merchandise is audited to make sure that merchandise producers comply with Wal-Mart's ethical standards.²² It does not indicate at what point such auditing occurs, however. The report also points out that Wal-Mart trained over 11,000 suppliers and members of factory management with regard to the ethical standards held in esteem by the company. These training sessions took place in half-day group conferences, during which information on appropriate business practices was disseminated to participants.²³ The report claims that due to the company's efforts, "working conditions in the factories we have audited have improved."²⁴ Throughout its

¹⁹ Interview (Supplier Interview 1) conducted with executive of Yiwu, Wal-Mart certified supplier on April 10, 2006.

²⁰ See: <http://walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=336&contId=5624>.

²¹ A pdf version of this report, the "2005 Report on Ethical Sourcing," can be downloaded at: <http://walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=336>.

²² "2005 Report on Ethical Sourcing," p. 8.

²³ "2005 Report on Ethical Sourcing," p. 12.

²⁴ "Report on Ethical Sourcing," P. 13.

publications, the company professes that as a direct result of its commitment to ethical standards, working conditions and the treatment of workers within the overseas factories producing Wal-Mart products have improved significantly. Wal-Mart also infers that, from the perspective of overseas' producers, selection as a Wal-Mart partner is a status that is greatly sought after, and, as a result, Wal-Mart has great influence on the manner in which business is conducted in foreign venues. The perspective obtained from the conducted interviews, however, is somewhat different. The following comments were quite typical among the various interviews conducted:

By obtaining a Wal-Mart contract, we can make sure that our production continues. We don't make that much from each individual piece, but we can make some on the size of the contract...If we satisfied all of the Wal-Mart demands we'd go out of business, and my sense is that Wal-Mart is not particularly concerned about China's social situation anyways. They're interested in low prices.²⁵

A particularly surprising finding from the interviews, however, was that the desire to be a supplier to Wal-Mart is not of the importance that one might assume. In fact, many companies are satisfied to carry out their commercial activities without any interaction with Wal-Mart. The reason for this is because Wal-Mart puts too much of a focus on prices.

Thus, even though Wal-Mart is a huge purchaser of goods from China, its influence as an agent for positive change in the nation is less than one might expect. While it and the other big buying firms have certainly had positive influence on the

²⁵ Interview (Supplier Interview 7) conducted with executive of Jiangyin certified Wal-Mart supplier on June 6, 2006.

way business is conducted in China, it appears that this impact has not been the sole, or perhaps even the primary, factor in determining the state of workplace standards in the country. Instead, other even more significant influences are present. To determine what these influences might be, the paper turns to an examination of one feature of the business standard configuration—the nature of employee-employer relations in China, at least as found in Yiwu.

THE NATURE OF EMPLOYEE-EMPLOYER RELATIONS IN CHINA

To gauge the state of employer-employee relations in China, interviews of 50 non-local factory and service workers were carried out in Yiwu. 40 of these interviews were conducted in various areas of the city but centered particularly in different Yiwu industrial zones. The author spent multiple evenings canvassing these areas attempting to interview workers after they had gotten off work. Each of these interviews was conducted in Chinese and used a standard set of questions. Of the people approached, the interview acceptance rate was about 80%.

In addition to the 40 interviews referred to above, ten additional interviews also took place at the Yiwu Labour Market, a place at which workers converge to look for work. Workers coming to the market are ones seeking short-term work, and are overwhelmingly hired by smaller firms. These interviews were conducted to get a better perspective of conditions at such smaller scale companies. Because the density of workers at the market is high, use of the interview questions referred to above was not possible, as it would have attracted too much attention. In turn, a condensed set of interview questions was used. As above, all interviews were conducted in Chinese.

An especially interesting finding coming out of the interviews was that, among those interviewees working in larger-scale production companies and in service firms

of all sizes, there was little sense of alienation present, and, for the most part, the workers believed themselves to be well treated. Feelings of exploitation were not generally evident. Many workers in such firms expressed positive feelings about their bosses, all of whom were Yiwu locals. A typical comment was: “our boss is nice to us.”²⁶ These remarks were noteworthy because almost none of the interviewed individuals indicated that they had formed friendships with Yiwu locals, and many, complained about the behavior and mannerisms of the locals. There seemed to be a point of discontinuity between the two perspectives.

The opinions of those employed by smaller production firms (<100 employees) differed, however. Individuals working in such firms often expressed higher levels of discontent towards their firms and firm bosses. As was the case above, these workers also indicated their general dislike of Yiwu residents. Many such interviewees complained about being paid late or receiving less in pay than was appropriate, several expressed strong feelings of unhappiness regarding their work and living conditions, and believed Yiwu to be a place too oriented towards business and materialism.

DO OTHER MECHANISMS PROMOTING WORKPLACE STANDARDS EXIST?

Based on the findings above, it appears that the impacts of the big foreign buyers on local business activities in China, at least in terms of their influence on the codes of corporate practices relied upon by local Chinese firm-owners, have been limited in their effects. What then has restricted business owners from seeking profits at all costs, and exploiting their workers to no end? How is China’s situation different from that found in the United States during its early industrialization phase of the late

²⁶ Interview (Interview #3) with 39 year old, female, Henan sock inspection worker conducted in Yiwu’s Chengxibei District on May 30, 2006

19th and early 20th centuries? Poor working conditions and the abuse of workers during this period were common, as depicted by Upton Sinclair in his book, *The Jungle*. What factors have been present in Yiwu to catalyze forms of workplace standards, and limit the conditions found previously in Chicago from unfolding in this city?

The first thing one has to realize in discussing the Chinese situation is that China is a big country, with much diversity. The situations found in Yiwu and Jiangyin are not necessarily the same as those found in other parts of the nation. For example, the developmental situation of China's Guangdong Province seems to be different. This can be derived from the quote relating to Dongguan above, and was also frequently expressed in other discussions. Another difference between the two situations is that many workers in Yiwu have aligned themselves into mutually supporting groups, based mainly on place of origin. If a certain company tries to exploit a group member, workers often take action. For example, an interviewed worker from Jiangxi related that:

If somebody tries to cheat us out of money we band together to make sure this doesn't happen. There are thousands of people here from our province and everyone has a cell phone. If we need to we can get together a thousand people within a couple of hours. A few of us will probably get detained in jail for a few days, but they can't throw us all in jail. There's power in numbers.²⁷

²⁷ June 20, 2006 Yiwu interview with Jiangxi production worker .

MARKETS AS A MECHANISM FOR CHANGE

One primary reason such scenarios are possible is that Yiwu's situation is unlike that found in the histories of many other places, where a shortage of jobs existed and severe worker exploitation occurred, such as historical Manchester, England and Chicago (Engels 1971; Engels 1972). In contemporary Yiwu, however, there is a shortage of good workers. Business expansion and growing opportunities throughout China mean that workers can be more selective in their employment choices. And, if nothing appealing emerges, the workers can always return to their land at home. While "good" jobs are potentially hard to find, employment paying a life-sustaining wage is plentiful, particularly for young, able-bodied workers. Networks of relations make workers knowledgeable about market conditions and the standards set by different companies, and expectations regarding workplace conditions among workers are increasing.

Business owners thus must improve conditions at their factories or risk the possibility of not finding and retaining needed workers. Several company heads pointed to this factor as the primary impetus for improved workplace standards. In one sense a kind of bargaining process is taking place, with both sides seeking strategic advantage. According to the head of one locally-based Yiwu firm:

We have to keep improving our conditions or else we can't attract workers. Workers are very knowledgeable about market conditions and use it to their advantage. They play off the plusses of other companies against us.²⁸

²⁸ Interview with Yiwu-based owner of greeting card manufacturing and distributing business, conducted in Futian Market on October 30, 2006.

AUTHORITY AS A MECHANISM OF CHANGE: IMAGE MAINTENANCE

Another reason for workplace standards improvement relates to considerations of status and related authority mechanisms. As mentioned, Yiwu was recently cited to be akin to a “model” community. The Zhejiang Provincial Government in early 2006 issued Document 34. This document, circulated to government offices throughout the province, encouraged officials of other Zhejiang communities to “study” the Yiwu experience. Yiwu’s reputation is not limited to Zhejiang, however, and leaders of other cities throughout China frequently visit the city to learn more about its conditions.²⁹ When visiting Yiwu these officials are taken to selected local firms to see first hand the successes of the Yiwu experience. Such firms are expected to set the tone for business conditions in the city, as well as to make efforts at presenting a favorable impression regarding Yiwu to visiting dignitaries. This impression includes aspects relating to how workers are treated, giving rise to isomorphic tendencies among area companies.

In addition, worker expectations meld with the demands of authority to determine acceptable workplace standards. There is a cognizance among Yiwu workers as to the limits of acceptable employer behavior and workplace demands. For the most part, Yiwu workers have a very high tolerance level and can accept conditions that workers in many other countries might not be able to tolerate. Many work seven days a week for 12-15 hours per day doing boring, repetitive tasks. In carrying out their assigned responsibilities, they possess a very accepting attitude and are tolerant of their life fates. A very representative approach is the following:

I’m resolved to my fate. I’m now 27 and after working here I’ll probably just go back to my home and be a farmer. Without any

²⁹ Officials from Yiwu also visit other cities, so comparisons are ongoing.

relations (*guanxi*), I can't expect anything else. Everything here depends on one's background.³⁰

On the surface, workers seem to be very docile and easily managed. But, though this appears to be the case superficially, in actuality there are definite limits to what workers will accept, with unambiguous expectations held dear regarding treatment by employers. If these expectations are breached severely, social unrest is the result. But because the promotions of government officials are based on their ability to maintain social harmony, such officials take great care to make sure that worker reactions remain within tolerable ranges. Their greatest fear is that unrest will erupt and come to the attention of higher officials, thus impacting their future career prospects. If workers react strongly to their mistreatment, the government, with a focus on the maintenance of social stability (and the promotion of official careers), will intercede.

Still, on an ongoing basis, instances arise in which government reactions lag and ranges of tolerance are breached. Workers, in response to situations they come to see as unbearable, resort to severe and violent actions. The attitudes of locals to such actions are surprisingly supportive, however. For example, in November 2006 an individual in Qingkou, a rural community of Yiwu, who was supposedly being ill-treated by local government officials "snapped" and took revenge, killing three officials and injuring many more. But the response to his action among Yiwu residents was very sympathetic. They also indicated their hopes that the offense will serve as a warning to officials to be more careful in their handling of future events. This it will most certainly do.

³⁰ October 29, 2006 interview with Yiwu hotel worker.

CONCLUSION

This essay has examined the manner by which new workplace standards arise in the context of market transition. A key question examined has been the degree to which large foreign buyers have impacted the emergence in China of corporate codes of practice. Given the powerful positions of foreign buyers with regard to their potential ability to influence the economic circumstances of the firms from which they purchase products, a hypothesis was made that the buyers are impacting workplace standard construction. It was found that the influence of the big buyer examined, Wal-Mart, has been less than it has the potential to be.

The paper then considered other alternatives. Though “it is rarely acknowledged that markets often display a considerable self-governance capacity” (Franco 2001:201), it is just such a capacity that this paper found to be of primary importance: the principal influence involved in corporate codes of practice construction in Yiwu was the market, itself. Another factor of relevance was found to be the influence of political authority. Under markets, the nature of this influence has changed. Rather than pegging the actions of company managers to some stated form of ideological standard, as was the case under planned systems, owners are instead expected to frame workplace standards according to an emerging corporate hierarchy, wherein the standards of Yiwu’s leading firms are expected to be at least as good as if not better than the corporate codes of practice of firms in other commercially prominent places in the country. In turn, the firms also become the standards by which other firms pattern themselves. In addition, the actions of Yiwu-

situated workers have also play a role in corporate codes of practice definition. While the demands of Yiwu bosses on their workers is high, as are the tolerance levels of the workers in meeting these expectations, the workers ongoingly refer to a set of internally defined norms as to what is considered proper treatment of them by their employers. If the demarcations assigned as limits to this treatment are exceeded, the workers take action, relying on strength in numbers to remedy the situation. The potential for social unrest emerges. A polity unwilling to come under negative scrutiny does all it can to resolve the situation, and often acts in support of the workers, simply for the sake of maintaining social stability.

In turn, in Yiwu, processes of workplace standard construction are ongoing. Various elements relating to agency, economic structure, individual action, and authority are all parts of the occurring transformations. Resulting changes are, in light of the often dire pronouncements made regarding China's future, ones that seem to be leading to actual betterment of worker conditions. Cooperation between workers and management is emerging, and the whip of the market has been avoided (Burawoy 1983:590). While difficulties and problems remain, there certainly exists hope for continued improvement.

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CONCLUSION

The essays in this volume reflect four things. First, they all show that market forms depend on the institutional foundations upon which they are built. Second, they depict the importance of identity as an institutional and social construct. Third, they clearly demonstrate that particular individuals, amongst all those contained in the masses, can have an inordinate influence on developmental outcomes. Fourth, and finally, they reveal the importance of the market as a determiner of how development will proceed. The various papers reveal these lessons from the context of the transition of China from a dependence on an allocation system based on planning to one predicated on markets (Nee 1996). The focus of the works here is not so much on the effects or outcomes of market transition as it is on the processes by which such a transition occurred.

THE IMPORTANCE OF INSTITUTIONS

In contrast to the approaches of many scholars, a standing assumption made in the essays here is that market emergence is not just a natural, positivistic process, predicated simply on forces of supply and demand. The works here also assert that the outcomes of market transition are also not the same for all societies; rather, each market has its own methods of transition and resulting effects. One cannot just simply flip a switch in any particular nation and suppose that a standard market framework will be the result, leading to a situation whereby the market characters of all nations are similar to those found everywhere else. Instead, the contention here is that the nature of a nation's market economy is largely determined by the institutional contexts, both past and present, of the nation in which market transition occurs and a

market system arises. Thus, in order to fully understand the economic processes found in a particular nation (regardless of what allocation system is involved), emphasis needs to be directed to that nation's historical and social situations. In the market case, this is because even though market systems are all social forms (Pólos, Hannan, and Carroll 2002), and encompass certain similarities that characterize the form in its entirety, each market system is still also unique, because each nation possesses its own historical and social backgrounds. To fully understand and describe a particular market, then, one must spend time and effort not only to understand the contemporary form of that market, but also to research and comprehend the market's past. As Douglass North has said, "History matters" (North 1990:vii), and the assertion here is that, with respect to markets and their emergence, it really does. One reason for this is because history helps to determine the nature of existing institutions, or the rules of the game for any society.

The importance of institutions was apparent throughout the essays within this volume, but was most particularly so in the first chapter, entitled "China's Markets: An Institutionally Founded Overview." Here, it was obvious that China's market situation is distinctive from that of other places, particularly the United States. It was also obvious that much of this distinctiveness can be tied to the institutional foundations upon which China's markets developed. These foundations developed over time, establishing the institutional patterns that link contemporary China with the China of the past (especially with respect to markets). Issues of path dependence were observable throughout the various essays, indicating the importance of history to developmental forms.

THE ROLE OF IDENTITY

History also matters because it is tied to the notion of identity, a specific kind of

institution. Like other institutions, identities are social constructions (Eisenstadt 1998), and develop over time. Sets of actors, grouped into networks of relations, develop shared understandings, which influence how a selected set of actors perceives itself and also how others perceive the actors. The sum of these perceptions determines the identities of the actor set, and these identities influence resulting behavior, actions, and outcomes of involved participants. Identity is a useful concept because we can apply it to show how certain entities, all a part of the same form, can among them still exhibit degrees of heterogeneity. For example, even though both China and the U.S. are market economies, their identities differ, and this influences the manner by which the two nation's markets operate, as well as the nature of the outcomes they produce. Even within China, itself, identities differ, and these differences give rise to disparate types of structure and action. Thus, identities, and the manner by which they are managed and/or manipulated, can influence resulting outcomes.

This was certainly evident in the essay making up Chapter Two, "Meaning and the Institutionalization of Transition: An Application of Discourse Analysis to Two Processes of Organizational Development in China." Here, a comparison was made of two different communities in China, both impacted by similar, but changing, macro-institutional logics. At the local level the identities of the two communities differed sharply, with one being of an individualistic nature (Wenzhou) and the other of a collectivistic form (Sunan). These differences shaped institutional logics at the local level, and gave rise, in the each of the two communities, to distinct modes of action and behavior.

The influence of identity was also clear in other volume chapters as well, especially in Chapter Three, "Extending Linkages Between Organizational Analysis and Social Structure: A Case Study of the Celebrity Construction of a Chinese

Marketplace.” This chapter showed how, through the manipulation of identity, entities possess the ability to distinguish themselves from their competitors, thus providing themselves with competitive advantage. Achieving such results, however, requires skill, hard work, and determination, all of which were on ample display in the actions of Yiwu’s promoters.

THE IMPORTANCE OF SELECTED INDIVIDUALS IN ENACTING CHANGE

The essays also highlighted the role that a small group of actors or even one actor may have in promoting change. Such roles generally occur in the guise of entrepreneurship, a process that “essentially consists in doing things that are not generally done in the ordinary course of business routine” (Schumpeter 1951:250). That is, entrepreneurship involves some aspect of creating newness. The literature has assumed that there are differing ways by which actors pursue entrepreneurship, and these are framed in terms of their involved actors. One type is a category composed of individuals simply referred to as entrepreneurs, or those distinguished by their involvement in the utilization of existing business opportunities through the founding of new firms (Baron 2008:328). A second is a type where the focus is on institutional entrepreneurs, or those who “have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones” (Maguire, Hardy, and Lawrence 2004:657).

But, it is not just entrepreneurs who are important in the enactment of change. Also of importance is the field of existing opportunities actors face, and how actors go about discovering and utilizing the opportunities that are around them (Shane and Venkataraman 2000:218). To a large degree, the context of action helps to define these opportunities, and a focus on context has been a key area of emphasis within sociological analysis on entrepreneurship (Ireland and Webb 2007:912). One focus

missing from sociological work on entrepreneurship, however, has been “examinations of the effects that entrepreneurial behaviors have on the overarching social context” (Ireland and Webb 2007:913), and thus this was intentionally in the work here.

Chapter Four, entitled, “The Role Institutional Entrepreneurship and Leadership in Stimulating Normative Change: A Case of Public Organizational Innovation in China,” examined the impact that a specific individual can have on an organization, in turn influencing a larger organizational field. That is, the social context of action may be changed through the actions of one person. But the chapter also implied that such outcomes are in no way given ones. Instead, they depend on the individuals involved, existing power frameworks, in-place institutions, and relevant needs. In other words, entrepreneurship, the potential for change, and the contexts involved are all important factors in determining what changes will occur.

THE POWER OF THE MARKET, ITSELF

The final lesson that may be drawn from the essays here is that the market, itself, influences the nature of action and the manner by which structures arise and function. Market incentives, predicated on profit, motivate actors to act in particular ways, and though these incentives and their consequences depend upon how actors perceive them, and thus are contingent on existing institutional frameworks, nevertheless they are important and must be considered. This perspective came through in the essay of the fifth chapter, “The Emergence of Privately Defined Corporate Codes of Practice in China: An Empirical Study into the Processes of Workplace Standard Institutionalization,” where it was found that the primary motivating force encouraging firm owners to improve the standards facing workers within the owners’ firms was not pressure coming from large international buyers, but rather the forces of

the market, which in a competitive environment, pressured owners to keep up with or better the standards existing within their industries so as to attract the labor talent they required.

SOME FINAL WORDS

In addition to the research presented in this volume, there is much, much more that remains to be done if I hope to present a full overview of the processes of market development in China. Actually, I have already undertaken efforts in this regard. One topic about which I have already collected data, but that remains to be completed, is the subject of how market forms have diffused throughout China. Places like Guangdong, Fujian, Zhejiang, Shanghai and Jiangsu were those that first benefited from the impacts of market reforms, yet gradually the lessons learned from these places are spreading to other parts of the nation. How this is occurring is another subject about which I plan to write.

Another that remains to be investigated is the internationalization of China's markets. How this process took place to the degree it has still remains underexplored and thus needs to be further understood. This is something I plan to do.

Lastly, regardless of how much we come to understand of the past this knowledge will never be enough. This is because change is ongoing, and the job of the researcher is never done. With regard to the study here, it has been my honor to try and help others to come to understand markets and China better. This is because these are topics to which I have become quite endeared, and thus, I look forward to continuing to pursue such work in the future.

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