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Three Historical Periods of Organizational Design among Entrepreneurial Firms in China: A Perspective of Yin/Yang Balance

Abstract

Historically, there exist three periods of organizational design (OD) among entrepreneurial firms in China, i.e., low-level-government intervention (LGI) period, high-level-government intervention (HGI) one, and balanced-government intervention (BGI) one. In the BGI period since 1979, one has seen a rapid growth of entrepreneurial firms in China as well as many successful firms, such as Huawei, Tencent, and Alibaba. Studying this interesting development in a developing country such as China, we question a traditional view that government intervention in OD is always hindrance to the success of entrepreneurial ventures. Adopting a perspective of *yin/yang* balance, we propose a *yin/yang* perspective/model to add novel understanding of the success of entrepreneurial ventures in emerging economies.

Keywords: organizational design, government intervention, entrepreneurship in emerging economies, entrepreneurial ventures, *yin/yang* perspective

Introduction

Since 1979, Chinese private entrepreneurial firms have been growing rapidly. Accounting for 80% of urban employment in China today, these private Chinese entrepreneurial firms have become very important for the development of Chinese economy today. Among these firms, one observes some very successful firms that have become significant players in the world today, such as Huawei, Tencent, and Alibaba. Never in history have Chinese entrepreneurial firms grown so rapidly and successfully. For example, Tencent, the largest firm listed in Hong Kong Stock Exchange today, was set up by a few young people who newly graduated from a Chinese university in 1998. In less than two decades, this small entrepreneurial firm grew into the largest publicly listed firm in Asia with a market value of over \$300 billion (Pham, 2017).

How should we explain the rapid growth of the Chinese entrepreneurial firms in recent decades? Critics in recent decades have been arguing for the unattractiveness of China's business environment, stressing that this environment still has too much government intervention and is not a free-market economy. Therefore, this environment should prevent entrepreneurial firms from growth or even survival (e.g., Economist, 2009; Huang, 2008; Yang, 2016). Considering their criticisms, one would wonder why it is China, and not nearby Chinese communities such as Hong Kong and Singapore, that witnesses the rapid growth of entrepreneurial firms and the large number of entrepreneurial ventures. Indeed, other developing countries have not seen this type of successful growth of entrepreneurial ventures neither. Take Hong Kong as an example. The most successful entrepreneurial firms established by young people from Hong Kong in recent decades are SF Express, the largest express company in China today (e.g., Ding, 2014) and DJI Technology, a leading drone producer in the world (e.g., Chen, Laefer and MaLGIIna, 2016). However, these successful entrepreneurial firms are all established in Mainland China (China hereafter) and not in Hong Kong. In addition, they grow into major international players within China rather than in Hong Kong. It should be pointed out that Hong Kong has been given the highest ranking in the world in recent decades for its free market economy (e.g., Yau, 2017). This observation presents a theoretical puzzle that current theories on successes of entrepreneurial ventures cannot effectively answer. Likely, all these theories would predict that Hong Kong is a much better place for entrepreneurial ventures than China. However, empirical evidence in recent decades shows that few entrepreneurial ventures can really be successful in Hong Kong.

Based on these observations and interview results, we consider it helpful to re-consider the role of government intervention, especially that in OD of entrepreneurial ventures. Studying three historical periods in the development of OD among entrepreneurial firms in China, we are applying a *yin/yang* perspective to re-consider the effect of government intervention on OD. Using this approach, our current paper differs from prior research in terms of theoretical assumptions as well as focuses (to be discussed later). For instance, while many prior studies focused on the effects of certain dimensions of Chinese culture (e.g., Hofstede & Bond, 1988), we focus on the balance of a broader range of institutions and their balance stage. Specifically, as government intervention can be considered as a type of important regulatory institutions in a given society (Scott, 2001), we focus on the balance between this government intervention and local societal culture (which can have very significant effects on OD in a free-market economy). Indeed, several authors have already suggested that certain institutions can better explain the development of Chinese entrepreneurial firms than does the Chinese culture alone (e.g., Ahlstrom and Wang, 2010; Singh, 2007). Given that government intervention is pervasive in China and exerts strong influence on the development of China's economy, it can be one of these institutions.

In the rest of this paper, we first provide a historical review of OD among Chinese entrepreneurial firms, based on which we discuss explanations based on a *yin/yang* perspective and show some new elements of OD in China today that represent a *yin/yang* balance between government intervention and free-market force based on traditional culture.

Three periods of OD and the role of the government in china

In term of government intervention in OD among Chinese entrepreneurial firms, one can observe three different time periods, i.e., low-government intervention (LGI) period before 1949, high-level-government intervention (HGI) one between 1950-1978, and balanced-government intervention (BGI) one since 1979. In this section, we provide a brief review of these three periods.

1) Low-government intervention (LGI) period

Before 1949, entrepreneurial firms had developed in China for hundreds of years. In this period, the Chinese governments were normally not directly involved in the OD of Chinese private firms, especially small- and medium-sized entrepreneurial firms (SMEs). This can be partially attributed to the traditional Chinese culture that disparages merchants or entrepreneurs as the lowest in the ranking of social status (e.g., Ahlstrom and Wang, 2010). In traditional Chinese societies, the highest social class was scholars, from which the governments selected their officials or managers; the class of peasants was the second highest, from which the governments obtained their most important resource to maintain the stability of the society. As merchants or entrepreneurs were regarded as the lowest class, the traditional governments normally did not bother involving in their OD (Li, 2017). In the absence of direct government intervention, the OD of these firms was influenced mainly by traditional Chinese cultural values, which led to the following OD elements.

A) Stressing intra-family relationship

A key assumption of OD in this period among Chinese entrepreneurial firms was that a business firm was a living organism comprised of family members (Li, 2017). Hence, managing intra-family relationship was a vital task in OD. According to Confucian cultural value, the goal of managing family relationship is to maintain harmony among family members (Redding, 1980). In line with this value, the OD of a Chinese entrepreneurial firm in this period could be developed or re-developed for the purpose of maintaining harmony among family members. For instance, new divisions or subsidiaries in a given family firm could be added, and new positions could be created just to balance interests of family members.

B) Personalized control system

Consistent with this basic assumption of OD, as discussed above, OD among the Chinese entrepreneurial firms also showed a strong preference for personalized control mechanism, which often might result in nepotism, obligation networks, and non-objective performance assessment (Li, 2017), and this was especially true for small Chinese entrepreneurial firms.

A large Chinese family firm may still maintain tight control even after the firm has become a multinational enterprise (MNE) (e.g., Ahlstrom and Wang, 2010). One can observe such large family-controlled MNEs in Hong Kong and other Chinese communities even today. The reason seems to be that nepotism can provide large firms with advantages in terms of power and control. For instance, it enables executives to share overlapping personal and company goals. This overlap usually results in strong work motivation as well as cohesive company policies.

Consistently, when formulating and implementing major strategic or other more specific decisions, such as those related to important finance and budgetary issues, this OD element can also be more efficient and effective.

C) Authoritarian decision-making structure

Consistent with the Confucian cultural values such as hierarchical ‘five cardinal relationships’ (wulun), these traditional family firms often had an OD which was characterized with authoritarian decision-making. This element of OD was believed to be critical in maintaining internal harmony or stability.

With this type of OD, the chairman of a given Chinese firm is often the CEO of the firm at the same time. In addition, other executives from the controlling family often occupy multiple positions concurrently: Vertically an individual can hold two or more positions of different ranks. Horizontally an individual can hold two or more positions of at the same rank. The practice of concurrent appointments strengthens the control of family in a given firm. This system also allows the top leader to develop a system to check and balance the power across internal functions and ranks. Trusted employees can be rewarded by making them heads of subunits quickly, without formal assessment and promotion procedures.

D) Low level of formalization and specialization

In this LGI period, the structure of the Chinese firms was characterised by a low level of formalization and specialization (e.g., Ahlstrom and Wang, 2010). For instance, an organisation was usually not divided into specialised departments; instead, an employee could be responsible for multiple activities across functions. There existed only a minimum standardisation of administrative procedures; and there was a relative lack of auxiliary departments, such as research and development, public relations, labour relations and marketing.

Such an informal organisational structure could encourage all employees to be involved in all products or services of a Chinese entrepreneurial firm. Specialisation was often purposely avoided to allow top management to freely allocate resources and work whenever it considered necessary. Furthermore, responsibilities were not necessarily matched with employees' training and experience. Rather, there was a tendency to assign tasks according to the boss's evaluation of a subordinate's trustworthiness, as well as a tendency to prevent the subordinate from acquiring an independent power base. Even if a family firm might sometimes have an organisation chart, it was usually not followed. Top management might give assignments regardless of formally-announced functional or hierarchical positions. Here trustworthiness and reliability could frequently override functional or technical requirements and skills.

In addition, this informal element of OD could also be intentionally implemented to facilitate deal-making. Indeed, deals could not be programmed and scheduled, usually requiring immediate decision, action and funding. Therefore, there was a need for an organisational framework designed to efficiently and effectively handle both deal-sustaining and deal-making functions.

Summary of this section

Before 1949, the Chinese governments paid little attention to the OD of private entrepreneurial firms in China (Redding, 1990). As a result, the OD of these firms was mainly influenced by free-market forces shaped by traditional Chinese culture. With a type of OD without government intervention, however, the traditional Chinese entrepreneurial firms had several characteristics that could dampen their potential of sustainable development and successes. These characteristics included a very high level of family ownership, informal design of organizational

structure, and authoritarian decision-making system excluding non-family talents. All these OD elements, as discussed in this section, might prevent the firms from obtaining best managerial talents, venture capital and other important resources from the society. As a result, in this period, the Chinese entrepreneurial firms could hardly survive for three generations, not to mention to be superbly competitive in global markets, especially in those that request commitment of huge resources to conduct modern manufacturing and R&D (research and development) activities.

2) *High-government intervention (HGI) period*

In this period (1949-1978), OD of Chinese entrepreneurial firms was heavily influenced by the government according to its communist ideology. The free-market forces based on traditional family values were criticised or even banned by government policies or regulations (Li, 2017). As a result, OD of Chinese entrepreneurial firms became very similar to that of state-owned enterprises (SOEs). Briefly speaking, the OD of entrepreneurial firms in this period had the following new characteristics.

A) Decreasing and disappearing family ownership and related OD characteristics

The goal of the Chinese government in this period was to turn China into a socialist economy. Accordingly, the government asserted the legitimacy of public/collective ownership over all other business organizations in the country. Even for those private entrepreneurial firms that could not become state-owned enterprises for economic, political and legal reasons, the government would still make them joint-ownership entities, which had a type of unique Chinese organizational structure with private-public joint ownership at that time. By 1956, all significant private entrepreneurial firms had been transformed into this type of structure for eliminating *capitalism*.

However, private entrepreneurial activities that generated personal income were not completely eliminated (e.g., Liao and Sohmen, 2001; Tsai, 2007). Although all large private enterprises changed their ownership structures, there still existed a large number of individual household entrepreneurs in this period, such as those who were running their small family shops and restaurants. This situation remained unchanged until the time of Cultural Revolution (1966–1976) when all private or family owners of entrepreneurial firms became *the capitalist tails*. As a result, all were persecuted or at least criticized.

B) Very small firm size

Consistently, all private entrepreneurial firms in this period had to be very small in terms of firm size. Normally, these firms were allowed to employ only their family members. The government policies and regulations at that time made it very difficult for these firms to obtain human resource, financial resource or any other resources, which were critical for the survival or growth of the entrepreneurial firms.

C) Simple and informal organizational structure

With heavy government intervention, the organizational structure of these firms was also simple and informal. Indeed, with a very small size and limited resources as discussed above, these entrepreneurial firms did not need a formal organizational structure anyway. In addition, this structure was not stable and could change any time. The owners of these entrepreneurial firms did not have any long-term plans and OD for their firms because there was always uncertainty that the Chinese government may change its policies or regulations in the near future (Li, 2017).

Summary of this section

From 1949 to 1978, the OD of entrepreneurial firms was under a high-level of government intervention in China. With the heavy control of government policies and regulations at the time, the free-market forces based on traditional cultural values could have little effects on OD among entrepreneurial firms at that time. In fact, even the establishment of these firms or their survival was under government control. Without the approval of the government, these firms could not even operate, not to mention to develop OD of entrepreneurial ventures. As a result, the size of these firms was limited and they could not grow into significantly large firms.

Because of their small size, these firms normally have simple and informal organization structure. Very often, the only purpose of these entrepreneurial ventures was to make some quick money before the change of government policy. There were no formal decision-making or long-term planning for their OD. As a result, there was not a single case of successful OD in this period.

3) Balanced-government intervention (BGI) period

A new type of OD of entrepreneurial ventures was unleashed in China from this period. This type of OD differs from any prior OD in Chinese history in terms of multi-ownership and several other dimensions (to be discussed in detail in next section). The evolution of this new OD can be further studied in three stages: a) the stage of ideological transformation, b) the stage of institutionalization and privatization, and c) the stage of fast growth and innovation. Below we provide a historical review of the evolution of OD in these three stages.

A) The stage of ideological transformation (1979 -1989)

The Third Plenary Central Committee Session of the Chinese Communist Party (CCP) in 1978 marked the inception of China's "reform and opening up policy". The first step of the reform was to ideologically legitimate private ownership. In rural areas, the so-called non-state-owned enterprises, initially referred as the commune and brigade enterprises, were officially encouraged in order to increase incomes of peasants and develop rural economy. The government also legitimized the household-contract-responsibility system, which actually granted Chinese peasants the rights to utilize the land in their own way. All these led to a rapid development of the entrepreneurial firms in the rural areas. The new policies and regulations also allowed peasants to leave their farmland to engage in manufacturing, transportation and other entrepreneurial ventures. All these facilitated a dramatic increase in entrepreneurial ventures among China's rural areas, and enabled many peasants to become successful entrepreneurs. Also, with an increasing demand for logistic services such as transportation, some peasants established their businesses in ship building and other related businesses (Li, 2017). On the other hand, in South China areas near Hong Kong, there was an explosive growth of export-oriented light industries (Wong, 1988).

As a result of all these government interventions, starting from the June of 1988, privately owned enterprises (POEs) became eligible to register either as individual business units with a maximum of eight employees, or alternatively, as collective business units without limitation of employee size. The cut-off of eight was said to comply with the labor theory of Marxism that, an enterprise of greater than that size could lead to the exploitation of other labor and wealth (Whiting, 2001). Although collective units were practically POEs by nature, however, being registered and licensed as collective units was like wearing a red hat, a trusted identity-mark to receive some privileged advantages, such as less administrative and discriminative harassment, stronger credibility and market recognition (Gregory, Tenev, and Wagle, 2000). Due to the threshold of registration, the overall increase of private units outpaced the increase of collective units (Zhang and Liu, 1995). It was estimated that, by the end of 1980s, the output of TVEs

alone accounted for 20 percent of China's gross output (Liao and Sohman, 2001).

It should be stressed that, from this stage, a main element of OD, i.e., its ownership structure, began to change. Indeed, at this stage, the majority of the successful entrepreneurial ventures were not conducted by a single individual or her/his family, at least not in name. On the other hand, these entrepreneurial ventures were not conducted by a public or state-owned entity neither. Instead, these entrepreneurial ventures were normally conducted by entrepreneurial firms with a type of unique ownership arrangement at that time. With this arrangement, the ownership of the firm was controlled by a certain collective entity, such as a village of peasants, but the firm's management was actually controlled by a single individual, such as a former official representing the local government (e.g., Gregory, Tenev, and Wagle, 2000).

“Insert Table 1 about here ”

Table 1 shows the development of entrepreneurial ventures in this stage. One can observe that, from 1988 to 1989, the number of private entrepreneurial ventures almost doubled. However, the development of entrepreneurial ventures was unstable. For example, as Table 1 shows, the growth of entrepreneurial firms was only 4.9% in the period from 1985 to 1986. This was especially true during the period of political turmoil of 1989. As the table shows, from 1988 to 1989, there was a 15.8% drop of the growth of entrepreneurial ventures in China. This can be partially attributed to the political movements at that time, such as the campaign against spiritual pollution (1983–1984) and the ‘anti-bourgeois liberalization campaign’ of 1987. All these created a perception that private ownership was not securely guaranteed in China. In other words, confronting an unstable institutional environment, Chinese entrepreneurial firms at that time were often worried about change of government policy in the future so that they reacted by trying to make quick money before the possible change of government policy. As a result, there was no stable and consistent OD among entrepreneurial firms at this stage. Indeed, few entrepreneurial firms would consider any long-term OD issues, fearing the uncertainty that their entrepreneurial ventures might be banned or named illegal soon. Realizing this problem, the Central government began to adopt new policies and regulations, which marked the beginning of the second-stage development of entrepreneurial firms in China (see below).

B) The stage of institutionalization and privatization (1990-1998)

At this stage, the Chinese government began to adopt new policies and regulations aiming to ideologically and legally change the long-existing distortion and discrimination against private ownership. Yet, at the same time, the government encouraged a new form of OD with multi-ownership rather than the traditional private/family ownership, which actually helped to create *yin/yang* balanced OD in terms of ownership, which in turn affected other elements of OD among Chinese entrepreneurial firms. Below is a detailed review of chronological development at this stage.

At the beginning of this stage, the Chinese government began to strategically reduce the financial substitutes/support to SOEs, close down a large number of money-losing small SOEs and allow individuals or private entrepreneurs to become actual owners of these SOEs. This government intervention not only succeeded in forcing the reform of these SOEs, but also created and legitimized a new form of OD, which can still be commonly observed among entrepreneurial firms in China today. In other words, while the government intervention at this stage resulted in a large number of laid-off employees from SOEs (Steinfeld, 1998; Young, 1995), it also forced many former officials, managers or even employees from these terminated

SOEs to start their own entrepreneurial ventures from this stage. For instance, many successful and famous entrepreneurs in China today, such as those in the industry of real estate development, began their entrepreneurial ventures at this time. At this stage, many of these entrepreneurial firms were established as survival-oriented entities, which, in a sense, can be seen as government-forced entrepreneurial firms in China. Nevertheless, they helped legitimate some of the important elements of OD among entrepreneurial firms in China today.

“Insert Table 2 about here ”

Table 2 shows the development of entrepreneurial ventures at this stage. It can be seen that, in the period from 1990 to 1999, the growth of entrepreneurial ventures was much more consistent and steadier than that at the first stage. This steady growth can partially reflect the positive effect of government policies and regulations at that time. At this stage, a new OD form became slowly institutionalized (to be discussed in next section). It was arguable that this new OD helped explain successes of a large number of entrepreneurial firms after 1999.

C) The stage of fast growth and innovation (1999 - now)

In this stage, the evolution of OD among entrepreneurial firms in China was in line with a new round of economic transformation from the ‘Made in China’ to the ‘Created in China’. With the efforts made by the Chinese government to re-organize industrial structures through integrating resources and strategizing information-age entrepreneurship, new opportunities had been created for entrepreneurial ventures (Zhao, 2012). This was especially true for science, technology and innovation oriented entrepreneurial ventures. Many new products from private entrepreneurial firms became a winner at this stage with the policy support from the government. For example, WeChat, a new product for internet communication from Tencent, was originally not favoured by some government officials. It was with the help of the supporting policy from a top government agency in this period that this product could enter the market and succeeded (Li, 2017).

Those entrepreneurial ventures in China’s special economic zones have received even greater policy and regulation supports from local governments. For instance, in Shenzhen, the largest special economic zone in China today, the local government has further simplified and liberated bureaucratic formalities of the exclusively operated state-owned banking and stock market regulations, and the specially tailored tax holiday policy, just to name a few. All these have stimulated the reform of OD among entrepreneurial firms in these zones and improved the potential for successes of entrepreneurial ventures. Indeed, it was in the business environment such as that in Shenzhen that one observed most of the successful entrepreneurial ventures in China today.

Summary of this section

In summary, since 1979, the OD of Chinese entrepreneurial firms has been transformed step by step by governmental policies permitting the entry of free-market forces based on traditional cultural value into OD of entrepreneurial firms. In other words, in this period, the government has been adopting policies that lead to a balanced stage of government intervention and traditional Chinese culture. At the same time, it did not change all SOEs into private firms overnight, unlike the government of former USSR (the Union of Soviet Socialist Republics), so that the institutionalized OD of SOEs still had an effect on the OD of newly-established entrepreneurial firms, many of which were actually established and led by former employees or

managers of SOEs. On the other hand, the government adopted a set of policies and regulations to encourage long-term evolution of OD among entrepreneurial firms in China, making Chinese private entrepreneurial firms legitimate but also different from their traditional counterparts before 1949. As a result of this balancing process, these new entrepreneurial firms had several new characteristics, which, according to a perspective of *yin/yang*, reflected a balance between the old and the new, between centralization and decentralization, between private/family owned and public owned, and between other opposite poles of forces. Below we discuss these balances, based on which we propose a model of OD based on the perspective of *yin/yang*.

OD and successes of entrepreneurial ventures in China: a model of *yin/yang*

As discussed above, since 1979, a type of balanced intervention by the Chinese government has resulted in a new type of entrepreneurial firms in China today. Several authors have documented this new type of entrepreneurial firms. For instance, Zhao and Zhang (2017) have named it *Chintrepreneurship*. This new type of entrepreneurial firms should have several unique characteristics, which we are discussing in this section. Before this discussion, it is necessary to briefly introduce the Chinese *yin/yang* perspective.

The reason to select this *yin/yang* perspective lies in its usefulness in addressing a theoretical puzzle that we pointed out at the beginning of this paper. Specifically, current theories explaining successes of entrepreneurial ventures are unlikely to predict that government intervention can have any positive effects on the development of entrepreneurial firms. Consistently, they will predict that a pure market economy without government intervention, such as that in Hong Kong, should be much better than the market economy in China for the development of entrepreneurial ventures. However, as mentioned above, empirical observations in recent decades do not support this prediction. For instance, young people from Hong Kong can do much better if they establish their entrepreneurial firms in China rather than in Hong Kong. How should we explain this phenomenon using traditional theories on entrepreneurial ventures?

As we will demonstrate later in this section, the *yin/yang* perspective can be more effective in addressing the theoretical puzzle. In addition, applying this new *yin/yang* perspective can we shed new lights on the issue of OD for successes of entrepreneurial ventures in other parts of the world. In terms of theoretical assumptions, this Chinese *yin/yang* perspective has some significant differences from Western theoretical perspectives. For instance, while the Western perspective normally identifies independent and dependent variables upon which a causal relationship develops, the *yin/yang* perspective is not considering such a causal relationship. Instead, the *yin/yang* perspective focuses on the interdependence and balance of two opposite forces, which are believed to influence individual or organizational performance.

In addition, while the Western theories normally assume that a single construct or force, such as the force of free market, can exist independently. The *yin/yang* perspective consistently maintains that every system or sub-system can be divided into two parts, the *yin* and the *yang*, which are interdependent: If there is no *yin*, there can be no *yang*. For instance, without the so-called *bad* things or *bad* elements, there could be no so-called *good* things or elements. Without cold, there could be no hot; without dark, there could be no brightness; without daytime, there could be no night time; without honesty, there could be no dishonesty, and so on. In fact, the *yin* and the *yang* always exist symbiotically and constantly interact. As a typical Taoist expression goes, “The interaction of *yin* and *yang* is called the Tao (the Supreme Path or Order), and the resulting constant generative process is called *change* (c.f., Gu, 1993). According to this perspective, if there were a place where one saw only the *yang*, the *yin* could certainly be found

in the same system. If one of the two opposite forces becomes too strong or powerful, the system should become unstable and will lead to negative consequences. Take the forces influencing OD for entrepreneurial ventures as an example. One of the main forces here can be a set of free market forces, and its opposite can be a set of non-free-market forces or government interventions, which are likely to co-exist in a developing country such as China. If one of these two forces becomes too strong or powerful, OD of entrepreneurial ventures may not develop well or healthily. In other words, according to this *yin/yang* perspective, a very low-level of government intervention and a very high level of government intervention in OD should have a similar negative effect on successes of entrepreneurial ventures. Take Hong Kong as an example. While Hong Kong has enjoyed the highest ranking in the world as a free market economy in recent years (e.g., Yau, 2017), the entrepreneurial spirit among its young people is declining, and the proportion of successful cases among all entrepreneurial ventures is also much lower than that in Shenzhen, a Chinese city on the border with Hong Kong. Here OD with low government intervention has not really helped the development of successful entrepreneurial ventures in recent decades. Hong Kong economy today depends heavily on some large corporations or MNEs in finance, banking and property developing industries (e.g., Cheung, Levina and Niu, 2017).

The balance of *yin/yang* in OD as a result of government intervention can be observed from several dimensions among Chinese entrepreneurial firms today. Below we discuss these dimensions, based on which we propose a *yin/yang* model on the OD for successes of entrepreneurial ventures.

Multi-ownership

Since 1979, there has been institutionalization of a new multi-ownership system among major entrepreneurial firms in China. Different from the traditional Chinese entrepreneurial firms before 1949 that are mainly owned by an individual and/or a family, these new entrepreneurial firms are normally owned by several institutional investors from home and abroad. On the other hand, the real founders of these new entrepreneurial firms may own only a small proportion of shares. In addition, the shares owned by the founders are not totally controlled by a single individual but by a group of co-founders and top management team (TMT) members.

This element of OD enables those new Chinese entrepreneurial firms to overcome their resource difficulties. For example, when Tencent and Alibaba were established about two decades ago, it was an investor from South Africa and one from Japan that provided the most significant portion of their funding respectively, which enabled the firms to keep high-quality human resource and maintain high growth in the market. In day-to-day management, some top managers from abroad, such as those from Taiwan, helped the firms to overcome their difficulty in terms of managerial expertise. The commitment and motivation of these top managers can also be partially attributed to this multi-ownership element. Since TMT members are holding a significant proportion of their firms' shares, they are more willing to work harder for successes of their entrepreneurial ventures.

We posit that the institutionalization of the multi-ownership in OD has much to do with a balanced-level government intervention in China. Specifically, with a low-level or no government intervention, individual or family ownerships are more likely to prevail due to traditional culture and uncertainties in a free market economy. Indeed, in an economy with little government intervention, such as the case of Hong Kong today, private entrepreneurial firms show little motivation to develop such a multi-ownership OD even today. On the other hand, with a very high level of government intervention, individual and/or family ownerships are

unlikely to survive. In other words, a system of high government intervention, such as that in former Soviet Union, would not allow much individual and/or family ownerships in the society. This was also the case of China in the period between 1949-1979. Therefore, from a *yin/yang* perspective, we consider a balanced government intervention as a type of *yin/yang* balanced one, which is likely to result in this multi-ownership element in OD among the Chinese entrepreneurial firms. Accordingly, we propose the following proposition.

Proposition 1: *A yin/yang balanced government intervention is more likely to result in multi-ownership in OD among private entrepreneurial firms, which should facilitate successes of entrepreneurial ventures.*

Stressing relationship with partners instead of family relationship

Consistently, different from those Chinese entrepreneurial firms before 1949, the OD of those new Chinese entrepreneurial firms stresses relationship with partners. These partners may come from home and abroad. In those successful Chinese entrepreneurial firms today, such as Tencent and Alibaba, the traditional family member relationships, such as those of fathers and sons, have become largely irrelevant because the founders would not have their family members, such as their spouses and children, get involved in the management of their firms.

In addition, these firms have also established new organizational culture and adopted a more decentralized decision-making system. Take Alibaba as an example. Its founder and Chairman, Jack Ma, has fashioned his employee relationship into a type of partnership resembling a fighting force rather than a family-member relationship. As a fan of the popular martial arts fantasy novels of Louis Cha Leung-yung, Jack Ma asks his mostly young recruits to adopt a name from the books as their workplace identity and even print it on their business cards. (Ma took his own company name, Feng Qingyang, from a kung fu guru in the books.) This practice reflects the fact that Jack Ma does not consider his employees as members of a traditional family firm. Instead, he treats these employees as partners that can behave and make their own decisions independently. This element of OD should help improve initiatives and creativity in his firm.

We argue that this element of OD should also have much to do with the balanced intervention of the government since 1979. Without any government intervention, the traditional family-style OD should remain unchanged in China because of the influence of Chinese culture. With heavy government intervention, on the other hand, the Soviet-style bureaucratic employee relationship will prevail. With a typical Soviet-style OD formation, employees would not be considered as partners by their boss.

Accordingly, we posit that the deinstitutionalization of the family relationship and culture in OD also has much to do with a balanced government intervention in China since 1979. Specifically, with a low-level or no government intervention, it should be critical to create the traditional family-style OD because of uncertainties in a free market economy. On the other hand, with a very high level of government intervention, the entrepreneurial firms are likely to develop a type of bureaucratic relationship that prevailed in the former Soviet Union as well as in China in the period between 1949 and 1979. Accordingly, from a *yin/yang* perspective, we posit that a balanced government intervention is more likely to result in this partnership element in OD among the Chinese entrepreneurial firms. Thus, we propose the following proposition.

Proposition 2: *A yin/yang balanced government intervention is more likely to result in partner relationship and culture in OD, which should facilitate successes of entrepreneurial*

ventures.

Hybrid organizational structure with elements from state-owned firms

As mentioned above, the traditional OD among family-style entrepreneurial firms has a strong preference for family organizational structure and personalised control, which often results in nepotism, obligation networks, and non-objective performance assessment (Li, 2017). The new OD among Chinese entrepreneurial firms today still shares certain elements or characteristics of OD in traditional family entrepreneurial firms. However, the organizational structure in those new entrepreneurial firms has also integrated some elements of OD from former state-owned firms, which stress personal and bureaucratic decision-making and control system. Indeed, many of those successful entrepreneurial firms in China today, such as Huawei and Evergrande (the largest property developer in China currently), have an organizational structure very similar to that of SOEs. In fact, some of these new entrepreneurial firms even have a committee of Chinese Communist Party (CCP) (Li, 2017). In this sense, the new ODs among Chinese entrepreneurial firms represent a type of *yin/yang* balance. On the one hand, these new ODs differ from the traditional family-style OD in China stemming from elements from former Soviet-style SOEs. On the other hand, these new ODs also differ from a typical Soviet-style organizational structure because they still maintain some elements of personal control in traditional Chinese entrepreneurial firms.

Again, it is arguable that this hybrid organizational structure and control system can be partially attributed to a balanced-level government intervention in China since 1979. The government has influenced these hybrid structures or OD elements in several ways, such as allowing formal government employees to quit their jobs to establish their own firms, allowing former SOEs to be privatized or publicly listed, and permitting SOEs to purchase shares of private entrepreneurial firms already established. Because of all these government interventions, these new entrepreneurial firms have integrated many elements of organizational structure from SOEs. In other words, without these government interventions and consequent institutional processes, the organizational structure of the entrepreneurial firms in China today might still be imitate that in traditional Chinese family firms before 1949. Accordingly, we propose,

Proposition 3: *A balanced government intervention can help generate hybrid organizational structures with elements from both SOEs and traditional family firms, and some of these hybrid structures can be both innovative and helpful for successes of entrepreneurial ventures.*

Figure 1 presents a conceptual model of *yin/yang*. In this model, we show that the key elements of new ODs among entrepreneurial firms in China today are consequences of a balance between traditional family institutions and SOE ones as well as a balance between market forces reflecting traditional culture and Chinese government interventions since 1979.

“Insert Figure 1 about here ”

According to our discussions above, the model in Figure 1 contains two levels of *yin/yang* balancing processes. One level is at the societal level, and the other at the firm level. At the societal level, the balance between the free-market forces (including related institutions) and government intervention is functioning, which can be critical for the development of entrepreneurial firms and their OD in a developing country such as China. This balance can also

influence the *yin/yang* balances at the firm level or inside a given entrepreneurial firm. These firm-level balances include the balance of OD, which consists of balanced elements in ownership, employee relations and organizational structure. With all these balances, there can be more successes of entrepreneurial ventures in a given society.

Discussion and implication

Unlike most of the prior studies, which focused on the industrial and organizational levels, this paper considers the issue of OD of entrepreneurial ventures at the societal level. According to the evidence presented in this paper, we argue that OD can be different among entrepreneurial firms in societies sharing similar societal culture but different government intervention, which can help better understand successes of entrepreneurial ventures. Applying a perspective of Chinese *yin/yang*, we posit that a *yin/yang* balance of government intervention can lead to a balance of *yin/yang* in OD. This balance can be observed from several dimensions of the new ODs among entrepreneurial firms in China today. Theoretically and practically, the propositions of this paper, as discussed above, have several important implications.

Theoretically, the propositions from our current study highlight the usefulness of considering the issue of OD from an East Asian theoretical perspective, i.e., the *yin/yang* perspective. As we mentioned at the beginning of this paper, empirical observation of entrepreneurial ventures in recent decades presents a theoretical puzzle: How could entrepreneurial firms in China grow so rapidly with so many cases of successful entrepreneurial ventures in recent years? While numerous articles and research papers have been predicting that the Chinese economy should collapse and entrepreneurial ventures in China are likely to fail, a Chinese *yin/yang* perspective can be useful to explain the puzzle. This new perspective can at least provide an alternative perspective that helps further understand the issue of OD and successes of entrepreneurial ventures.

According to this new model, government intervention is not always hindrance to the development of OD for successful entrepreneurial ventures. This can be especially true for small entrepreneurial firms in developing countries. For small entrepreneurial firms in developing countries, government intervention, under the condition of *yin/yang* balance, can help them to overcome difficulties with resource constrain. Here a *yin/yang* balance between government intervention and traditional cultural values should be more constructive for OD as well as for the development of entrepreneurial firms.

Finally, it should be pointed out that this *yin/yang* balance can also be applied to explain successes of entrepreneurial ventures in many other countries. For instance, when the economies of Taiwan, Singapore and South Korea took off in 1950s -1960s, the governments in these economies adopted some similar intervention policies and regulations, which also influenced the ODs of entrepreneurial firms in those economies. All these are consistent with a *yin/yang* perspective of government intervention.

Despite the contributions of our current study, it remains unclear how we can identify a balanced-level of government intervention. This should be considered as a major limitation of this research paper. Future research should make great efforts to identify and develop a set of relevant measurement instruments for the *yin/yang* balances mentioned above, with which we can conduct better studies and further understand the issues of OD and successes of entrepreneurial ventures.

Conclusion

In conclusion, considering OD of entrepreneurial ventures at the societal level, we review the

development of OD with entrepreneurial firms in three periods in China by focusing on the effect of government intervention in China. We apply a perspective of *yin/yang* balance to address the issue of why entrepreneurial firms can develop so rapidly and successfully in China but not in nearby Chinese communities such as Hong Kong. Our propositions suggest that a *yin/yang* balance with government intervention in OD should have a positive effect on successes of entrepreneurial ventures, and this is especially true in a developing country such as China. In fact, in some other developing countries such as Vietnam, one can observe similar developments.

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Table 1: The development of entrepreneurial ventures

Year	Entrepreneurial ventures		Employees	
	N(millions)	Growth(%)	N(millions)	Growth(%)
1978	0.3	n.a	0.33	n.a.
1979	0.56	86.7	0.68	106.1
1980	0.9	60.7	1.66	144.1
1981	1.83	103.3	2.27	36.7
1982	2.61	42.6	3.2	41.0
1983	5.9	126.1	7.46	133.1
1984	9.33	58.1	13.51	81.1
1985	11.71	25.5	18.32	35.6
1986	12.11	3.4	19.21	4.9
1987	13.73	13.4	21.48	11.8
1988	14.53	5.8	23.05	7.3
1989	12.56	-13.6	19.41	-15.8

Adapted from Zhang, H., L. Ming and Z. Liang, eds., *Siying qiye lanpi shu: Zhongguo siying qiye fazhan baogao* [Blue Book of Private Enterprise: A Report on the Development of China's Private Enterprises], various years, Beijing: Social Sciences Academic Press.

Table 2: The development of entrepreneurial ventures

Year	Entrepreneurial ventures		Employees	
	N(millions)	Growth(%)	N(millions)	Growth(%)
1990	13.38	6.5	22.63	16.6
1991	14.26	6.6	24.42	7.9
1992	15.48	8.6	27	10.6
1993	17.91	15.7	33.12	22.7
1994	22.3	24.5	44.24	33.6
1995	25.93	16.3	55.7	25.9
1996	27.86	7.4	61.88	11.1
1997	29.47	5.8	67.92	9.8
1998	32.4	9.9	78.24	15.2
1999	33.11	2.2	82.63	5.6

Adapted from Zhang, H., L. Ming and Z. Liang, eds., *Siying qiye lanpi shu: Zhongguo siying qiye fazhan baogao* [Blue Book of Private Enterprise: A Report on the Development of China's Private Enterprises], various years, Beijing: Social Sciences Academic Press.

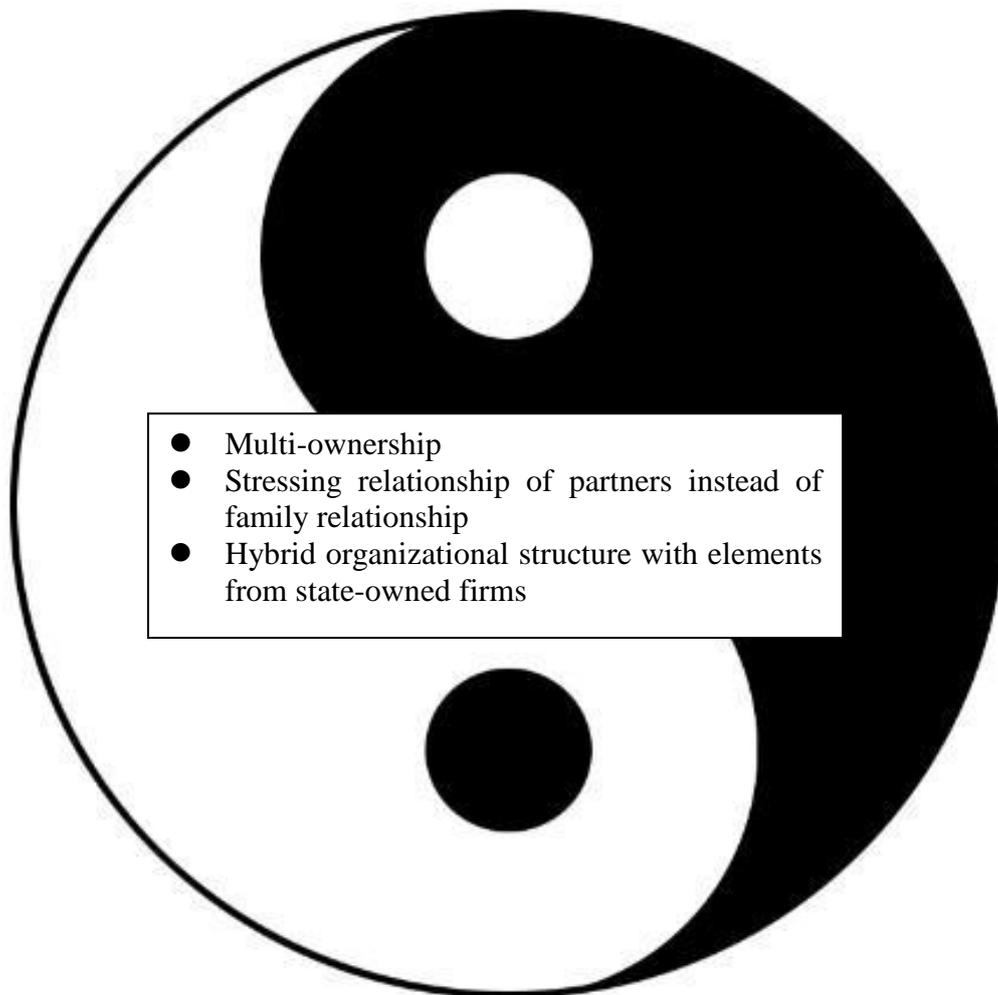


Figure1: Yin/yang in OD