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Entrepreneurs' Networking Styles and Normative Underpinnings during Institutional transition

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ABSTRACT

Existing network research has mainly adopted functional and/or structural approaches to study the instrumental goals behind entrepreneurs' networking as well as the influence of personal position on access to resources and eventual performance. The variety of entrepreneurs' networking styles and their normative underpinnings have not been adequately explored. Contextualized in China, this study asks: How do entrepreneurs' understandings of social norms shape their networking styles? Through an inductive comparison of two entrepreneur generations in China, we identify three networking styles: *guanxi*-oriented networking, market-based networking, and mixed networking. We theorize that three types of norms shape these styles: market-inferred norms, dyadically formed norms, and identity-induced norms. This study provides new insights into the understanding of Chinese entrepreneurs' distinctive networking styles and their normative underpinnings. Further, it suggests implications both for the wider study of entrepreneurs' networking behaviors in transition economies, and for practitioners wishing to enhance their network building in China.

Keywords: Chinese entrepreneurs, networking, norms, *guanxi*, institutional transition

Running title: Networking Styles and Normative Underpinnings

INTRODUCTION

A key venturing strategy for entrepreneurs is to build business networks that help alleviate their liability in terms of newness, and provide access to resources and opportunities (Venkataraman and Van de Ven 1998). Functional and structural approaches have been prevalent in the understanding of entrepreneurs' social networks (Aldrich and Zimmer 1986; Burt 1982). While the former focuses on the instrumental goals of networking, the latter is most concerned with how the positioning of entrepreneurs in networks affects access to resources and venturing performance (Todeva 2006; Stam 2010). By comparison, how entrepreneurs actually form and develop networks is relatively less well-studied and understood (Hoang and Antoncic 2003; Slotte-Kock and Coviello 2010) and necessitates more attention (Prashantham et al. 2019).

Recent studies have started to investigate entrepreneurs' networking process and actions (Engel, Kaandorp, and Elfring 2017; Foley and O'Connor 2013). In particular, studies have examined entrepreneurs' networking styles – the behavioral patterns of reaching and developing networks. For example, Vissa and colleague studied how the styles of network deepening and network broadening affect entrepreneurs' selections of exchange partners (Vissa 2012) and the churn in their personal networks (Vissa and Bhagavatula 2012). While these studies of networking styles add to our knowledge of entrepreneurs' networking activities at the individual level, they are largely silent about how entrepreneurs who founded their ventures in different periods might network similarly and differently and what mechanisms are shaping different networking styles.

A number of researchers have suggested that how entrepreneurs understand their surrounding social norms could also shape their networking approach (Klyver and Foley

2012; Amoako and Matlay 2015). According to the Oxford English Dictionary, norms are defined as standards of behavior that are typical or accepted within a particular group or society. Norms exist “at a macrosocial level ... governing the behavior of individuals at a microsocial level” (Coleman 1994: 241). Norms are important in business networking because they define the forms of interaction and goal realization that are considered appropriate in terms of meeting societal and partner expectations (Scott 2008). When formal rules are weak or absent, social norms “provide a framework for collective action and furnish an alternative mechanism in enforcing the rules of the game and facilitating transactions between economic actors” (Nee 1998: 85). Thus, exploring entrepreneurs’ understanding of social norms could shed new light on the forces that shape entrepreneurs’ networking styles.

The market-oriented reform in transition economies provides an ideal setting in which to study whether and how social norms shape entrepreneurs’ networking styles. Such transitions have brought significant change to regulatory systems, market mechanisms, and cultural practices (Peng 2003). A lack of formal institutional safeguards in such economies leads to the emergence and diffusion of social norms that enable entrepreneurs to pursue venturing goals and commit to a private enterprise economy (Nee and Opper 2012: 9). In transition economies, such as those of China and Russia, norms, as the prescriptive forces for behaviors and exchanges, have been infused with new market and relational requirements, as well as a socialist market legacy and conventional relational order (Newman 2000; Chavance 2008; M. A. Hitt et al. 2004). The arguments and empirical evidence surrounding entrepreneurs’ networking activities in the course of these institutional transitions are inconsistent. One stream of research has identified network

adaptation, arguing that entrepreneurs adjust their networks, establishing weak and diverse tie-based networks, as a response to improved policy environments and increasing market competition (Peng 2003; Peng and Quan 2009; Peng and Zhou 2005). However, another stream of research has identified network *persistence*, arguing that entrepreneurs maintain their existing cohesive ties in response to imperfect market conditions and the nature of highly embedded relationships (Zhang, Tan, and Tan 2016; Puffer, McCarthy, and Boisot 2010; Ledeneva 2008).

The inconsistent arguments and evidence regarding whether entrepreneurs adapt or maintain their networks call for refined research to explore under which conditions entrepreneurs are more likely to take up network adaptation or network persistence. In addition, while previous research examines entrepreneurs' networking mainly at the individual level (Vissa 2012; Vissa and Bhagavatula 2012), there is a lack of understanding of how entrepreneurs who founded ventures in different institutional periods face varied influences from normative forces. Different generations of entrepreneurs may form collective memories of historical events that mold their perceptions and interpretation of social norms, and thus they may perform entrepreneurial activities and respond to environmental conditional similarly (Lippmann and Aldrich 2016).

Nevertheless, existing research has failed to explore what norms undergird entrepreneurs and how the norms motivate networking styles across generations. This is especially important in the context of institutional transition, as comprehensive societal changes introduce new rules and norms (Peng 2003) and can cause confusion and uncertainty. Thus, a generation-based investigation of entrepreneurs' networking styles can help us move beyond inconsistent findings of entrepreneurs' individual networking

behaviors by advancing how societal and normative changes affect entrepreneurs' cognition and behavior and enrich our understanding of boundary conditions of entrepreneurs' networking patterns (Lippmann and Aldrich 2016; Egri and Ralston 2004; Estrin and Mickiewicz 2011). Therefore, in our study, we ask: *How do entrepreneurs' understandings of social norms shape their networking styles?*

To achieve this, we situate our study in the context of China's market-oriented transition. We focus on and compare the business networking styles and the understandings of social norms in two groups of Chinese entrepreneurs: incumbent and new entrepreneurs (hereafter, IEs and NEs). In our study, we define business networking style in terms of the patterns of activities used to form and develop business relationships. Through qualitative analysis, we identify three distinct networking styles: *guanxi*-based networking, market-based networking, and mixed networking. Furthermore, we elucidate how entrepreneurs' understanding of three types of norms – market-inferred norms, relationally embedded norms, and identity-induced norms – shapes the variation in their networking styles.

Our research makes three major contributions to the literature. First, previous social network literature focuses on understanding of the function and position of entrepreneurs' network at the individual level, our study adds to this literature by examining entrepreneurs' networking styles at the generational level. Through the identification of three distinct networking styles, our research creates a richer and more realistic picture of Chinese entrepreneurs' networking behaviors during institutional transition. Second, our study unpacks the normative underpinnings of entrepreneur generation's networking styles. Shedding light on the normative forces help us move beyond explaining entrepreneurs' individual networking differences by explaining the group and population level of

networking differences. Last but not least, our exploratory study provides constructs in relation to networking styles and norms upon which future research into transition economies and entrepreneurship can build and expand.

THEORETICAL BACKGROUND

Networking and Social Norms

Extant literature at the intersection of entrepreneurship and networks has been dominated by studies adopting functional and structural approaches (Todeva 2006: 22; Hoang and Antoncic 2003; Bliemel, McCarthy, and Maine 2014). The functional approach focuses on understanding how individual entrepreneurs pursue instrumental goals of acquiring venturing resources and opportunities by configuring their networks (Todeva 2006: 22). The structural approach focuses on how the roles and positions of focal firm and entrepreneur affect their access to resources and their performance (Stam 2010). Both approaches have contributed to our understanding of the motivations for, and performance implications of, entrepreneurial networking at the individual level. However, the variety of networking actions in use among different groups of entrepreneurs have gone largely uninvestigated.

Nevertheless, various scholars have suggested that, in the face of the abundant research on the function and structure of entrepreneurial networks, the action- and process-related study of these networks could yield new insights (Hoang and Antoncic 2003; Slotte-Kock and Coviello 2010). Vissa (2012) took the initiative here by studying individual entrepreneurs' networking styles and their selection of exchange partners. He found that some entrepreneurs adopted a network-deepening style to preserve and enhance existing ties, whereas others adopted a network-broadening style and added many new ties. He and

a colleague (Vissa and Bhagavatula 2012) also studied how the two different styles identified affected churn in the entrepreneurs' personal networks. However, these studies have not examined the underlying mechanisms to consider what determines entrepreneurs' use of these different networking styles.

Similarly, although norms have been identified as providing “a convenient device for explaining individual behavior” (Coleman 1994: 241), the sources of social norms and their role in shaping networking behaviors have received limited attention. Social norms regulate economic actions by both prescribing and proscribing behaviors (Coleman 1988). However, in the functional and structural approaches of the social network literature, entrepreneurs are assumed to act on the basis of their motivation and position, rather than according to their personal choice, which will be affected by values and norms (Madhavan et al. 2008). In these approaches, the norm of pursuing instrumental goals has been taken for granted and the notion of a norm has been “reduced to the concept of status norm – the normative rules that derive from the social status of actors” (Todeva 2006: 22), with norms “interpreted only as behavioral frameworks stripped of their content as internalized cultural values and attitudes” (Todeva 2006: 22–23). Thus, existing research has failed to explore different sources of social norms and how entrepreneur generations founded their ventures in different institutional periods interpret these norms and inform their networking.

Accounting for entrepreneurs' understanding of social norms across different generations can also help us to better explain prescriptive drivers of networking. Entrepreneurial business networking involves economic and social interactions between entrepreneurs and their business partners (Slotte-Kock & Coviello 2010). Networking connects actors who share common network perceptions and who comply with a set of

norms for such interactions. According to Coleman, norms “specify what actions are regarded by a set of persons as proper or correct, or improper or incorrect” (1994: 242). Norms impose constraints but also enable social actions because they introduce “prescriptive, evaluative, and obligatory dimensions into social life” (Scott 2008: 54). Norms are externally imposed by social structure, but they need to be understood and internalized by individuals if they are to guide their actions (Coleman 1994: 292–294).

Understanding of and compliance with social norms and expectations can confer relational legitimacy and help channel venturing resources and opportunities (Das and Teng 2002). Insufficient understanding of social norms and expectations and/or breach of these can lead to disconnection and sanction (Biggart and Delbridge 2004; Coleman 1988). Different generations of entrepreneurs may form collective memories of historical events that mold their perceptions and interpretation of social norms, and thus they may form similar responses to their venturing environment and perform similar entrepreneurial activity (Lippmann and Aldrich 2016). Despite these insights, existing research has failed to explore what kinds of norms entrepreneur generations actively understand and acquire from their venturing process and changing environment, and how this shapes their networking behaviors, especially in the context of institutional transition in which comprehensive change is introduced to existing rules and norms (Peng 2003) and can cause divergent understandings and behaviors.

Institutional Transition and Social Norms

As a property of a social system, norms stem from multiple sources and are subject to interpretation (Coleman 1994: 241). Norms stems from both macro-level forces such as market and culture (Swidler 1986), and micro-level forces such as socialization and

interaction (Granovetter 1985). During institutional transition, fundamental and comprehensive changes are introduced to both the formal and informal “rules of the game”, which affect organizations and entrepreneurs as players (Peng 2003). The normative framework is also heavily involved in the intersection of the old and the new, when it comes to respecting and maintaining traditions and embracing new ways. Facing a mixed array of normative pressures, it is unclear how entrepreneurs’ understanding of their venturing process and normative environment develop into “relational schemas” (Porter and Woo 2015) that shape their business networking.

To guide their networking, actors need to understand their surrounding social norms. Economic and social exchanges form a normative order for successful interactions between entrepreneurs and their business partners (Larson 1992). Hite (2005) found that entrepreneurs needed to comply with norms of goodwill and reciprocity to build ties that were beneficial to economic exchange and the emergence of new ventures. Research on entrepreneurs in transition economies emphasizes the importance of blending expressive interactions with instrumental ones. For example, face (*mianzi*), personal affection, and obligation are all important to Chinese entrepreneurs in establishing networks and gaining referrals (Guo and Miller 2010). Similarly, in Vietnam and Russia, following the norms of reciprocity is important for entrepreneurs wishing to build trust and networks (Nguyen and Rose 2009; Michailova and Worm 2003).

Although research into the influence of relational norms takes considerable effort to study at the microsocial level, few empirical efforts have, to date, been made to investigate other levels of normative force. As transition economies have moved away from socialist systems toward more market-based ones, new beliefs and expectations have started to

emerge, based on market mechanisms. In his conceptual papers, Peng (2003) proposed that there is an increasing normative pressure, centered on market competence, that requires organizations and entrepreneurs to prove themselves as legitimate players through high-quality products and services, thereby reducing strong-tie-based networks and increasing weak-tie-based networks when it comes to exploring new opportunities and resources (Peng and Zhou 2005). In a relatively recent study, Nee and Opper (2012) found that Chinese private entrepreneurs have increasingly emphasized the importance of economic value in the form of technology and innovation when it comes to collaboration. However, other scholars have argued that the transition has not been complete, and these market mechanisms have not been very effective, with the result of such impartial reform being the ongoing prevalence of the norms inherent in conventional Chinese *guanxi* practice (Luo 2007; Guo and Miller 2010) and Russian *blat* relations (Ledeneva 2008) with respect to personal connections. Lippmann and Aldrich (2016: 658) suggested that entrepreneurs of the same generational unit drew on “shared accounts of the past” to “make meanings and take action”. Thus, different generations of entrepreneurs emerged in transition economies may network differently according to their perceived generational membership and “collective consciousness” (Lippmann and Aldrich, 2016: 670).

Overall, despite these insights, the variety of entrepreneurial networking styles and the normative aspects involved in shaping this variety have remained under-investigated in the existing network-oriented literature on entrepreneurship. Although Estrin and Mickiewicz (2011) suggested that in transition economies, there might be generational differences in entrepreneur activities, there has been a lack of empirical work seeking to investigate how and why there exists these differences. In their study, Zhang, Tan, and Tan

(2016) showed that the old cohort of Chinese entrepreneurs established more political ties and their market ties are strong-tie based, while the younger cohort of Chinese entrepreneurs developed fewer political ties, with the strength of their market ties being weaker. However, their study mainly focused on entrepreneurs' network types and network structure and did not examine networking actions. In addition, their study did not go examine normative mechanisms in shaping the networking differences among entrepreneur generations. Thus, an examination of the networking styles of entrepreneur generations and their underlying normative mechanisms in the context of transition economies would contribute significantly to the entrepreneurship and network literature. Thus, we ask: *How do entrepreneurs' understandings of social norms shape their networking styles?*

METHOD

Research Design

China's market-oriented institutional transition constitutes an "historical conjuncture laden with meaning" (Lippmann and Aldrich, 2014: 136) and provides a rich research locale in which to examine entrepreneur generations' networking styles and their normative underpinnings. China's initial opening up in 1978 featured ideological debates and market stagnation; what private entrepreneurship there was lacked policy direction or market factors (Nee 1992). Subsequently, the years of 1992 and 2001 have become seen by scholars as additional inflection points in this ongoing transition (Tan 2007; Yang and Li 2008): in 1992, Deng Xiaoping's southern China tour energized economic reform and accelerated private entrepreneurship (Ahlstrom, Bruton, and Yeh 2008) and by 2001, private entrepreneurs were first admitted to the Chinese Communist Party, signaling the

formal recognition of private enterprise and ownership by the state (Ahlstrom et al. 2003). In addition, China's accession to the World Trade Organization in 2001 provided fresh impetus for marketization, internationalization, and entrepreneurship (Ahlstrom et al., 2008). Thus, the years between 1992 and 2001 can be designated as the period of *early* market transition (P1), and the years after 2002 as the period of *deepening* market transition (P2) (Tan 2007; Yang and Li 2008).

Our fieldwork was conducted between May and October 2009. Because this study sought to explore the variety of networking styles among entrepreneur generations, we adopted a comparative research design. Researchers have suggested that comparative study based on collecting data from populations of generations can maximize the potential for exploring behavioral variation during societal and institutional change (Alwin and McCammon 2003). We selected entrepreneur generations according to the timing of their venturing and market entries. Scholars' demarcation of China's market-oriented transition into periods of early (P1) and deepening (P2) market transition provided a useful framework for our study and sampling. Thus, we sampled a generation of incumbent entrepreneurs (IEs) from those who started ventures in P1 (1992–2001), and a generation of new entrepreneurs (NEs) from those who started ventures in P2 (2002–2009), and compared their business networking styles and the normative mechanisms underpinning them. Shanghai was selected as the research site because it is regarded as an exemplar of China's market-oriented reforms (Huang, 2008).

Given that the experience of entrepreneurs and the growth stage of their ventures could affect their networking styles (Peng, 2003: 275), we sampled entrepreneurs, from a variety of industries, that had either entered or undergone a stage of significant growth.

This sampling strategy also provided “meaningful range” for comparison and theorizing (Mason 2018: 58). Collecting narrative data from interviews suits our study but, as Weick (Weick 1993: 635) suggested, “reality is an ongoing accomplishment that emerges from efforts to create order and make retrospective sense of what occurs.” Thus, to minimize retrospective rationalization, we interviewed entrepreneurs across several industries to cross-check our findings, which also accords with the recommendation of Eisenhardt and Graebner (Eisenhardt and Graebner 2007: 28) to use “numerous and highly knowledgeable informants who view the focal phenomena from diverse perspectives.” Our sampling strategy also aligns with the suggestion of Lippmann and Aldrich (2016) for exploring how entrepreneurs of different generational units across different industries form collective memory and understanding of the norms that shape their networking styles. We further limited retrospective bias by asking entrepreneurs to reflect upon their current networking behaviors, and their expectations of future market transitions and networking investments.

Using the foregoing criteria, potential interviewees were identified through personal contacts, organizational referrals and business conferences. Interview questions were developed and refined through four pilot interviews, the results of which were not included in this study. Finally, 16 IEs and 17 NEs from small and mid-sized private enterprises were identified and interviewed. Table 1 provides basic information about these entrepreneur respondents. The IEs comprised 15 males and 1 female; the NEs 14 males and 3 females. On average, the age at which the NEs started their businesses was 29; for the IEs it was one year later at the age of 30. The educational level of both IEs and NEs was high: all of the NEs and 14 of the IEs had a college degree or higher, the remaining two IEs having a senior high school degree.

--INSERT TABLE 1 ABOUT HERE--

Data Collection

To obtain rich information about entrepreneurs' networking styles and their understanding of social norms, our research adopted the following procedures. Semi-structured interviews were conducted to provide a primary data source. Although the initial time-based framework (i.e. P1 and P2) served as a basis for sampling entrepreneurs, the interviewer remained open during the interviews to the entrepreneurs' own understanding of China's market transition and anchored questions on their venturing and business networking activities accordingly. Entrepreneurship scholars also pointed out that it is by understanding how entrepreneurs "perceive and interpret the past can we understand how they make sense of their options for action in their present" (Wadhvani and Jones 2014: 209). Through retrospection, the "perceived past becomes an integral part of the agency" (Wadhvani and Jones 2014: 209) that shapes entrepreneurs' current networking activities. We were aware of the potential retrospective bias. To address this issue and yield more accurate information, we employed "courtroom questioning" and "event tracking" interview techniques (Eisenhardt 1989; Huber and Power 1985). The interviews began with mapping questions, designed to explore entrepreneurs' perceptions and understandings of the social, political, and market environments for their venturing. The interviews then followed questions to explore which challenges they confronted during the venturing process. All of the entrepreneurs cited networking as a crucial part of the entrepreneurial process. The interviewer then asked with whom and how the entrepreneurs established and

developed networks, and posed questions (when, how and why) to encourage entrepreneurs to narrate their lived experience.

Because norms and personal beliefs are influential drivers of social interaction, the semi-structured interviews involved questions about the following to identify how they had shaped entrepreneurs' current networking styles: their understanding of China's current and future market transition; their appreciation of the guiding principles and values of networking; their understanding of generational entrepreneurial behaviors. All of the interviews, which lasted between one and two hours each, were recorded and transcribed, yielding approximately 550 single-spaced pages of transcript.

Data Analysis

Our data analysis is consistent with grounded theory approach (Corbin and Strauss 1998), and we followed Gioia' method to interpret data, develop data structure and derive theoretical insights (Gioia, Corley, and Hamilton 2013). Our analysis comprised three main stages. In stage one, we analyzed our transcript data to identify the range of networking styles displayed by Chinese private entrepreneurs. The evident differences and similarities in relation to networking among IEs and NEs determined the subsequent analysis. Thus, in stages two and three, we sought to elucidate the normative underpinnings of the different styles identified.

Stage 1: Identifying networking styles. Following the logic of "constant comparative analysis" (Glaser and Strauss 1999), we conducted within-group and cross-group comparisons (George and Bennett 2005) to identify differences and similarities in entrepreneurs' networking actions. We coded the data and cross-checked it against the existing concepts in the literature of entrepreneurial networks in order to describe and

categorize the networking styles of our IEs and NEs. This process allowed us to apply open coding to the activities of the entrepreneurs in forming and developing networks. In this stage, we paid close attention to: 1) with whom entrepreneurs formed and developed business networks; 2) whether these “alters” (immediate contacts within the network) were the subject of existing ties or new ones; 3) through what activities entrepreneurs formed and developed these ties. Through analysis, we found that entrepreneurs expressed their preferences for certain networking styles. By means of constant comparison and axial coding (Glaser and Strauss 1999), the instances of these networking actions were then grouped into second-order themes. We used the two approaches to determine entrepreneurs dominant networking styles.

Through analysis, we discovered that more than half of the IEs preserved *guanxi* networking and used *guanxi* ties to draw in new ties, whereas more than half of the NEs explored market-based ties and used positive reputations to generate new ties. Interestingly, we also found some commonalities between IEs and NEs: they mixed market approach and *guanxi* approach during networking. The differences and commonalities that emerged from our analysis of entrepreneurs’ networking behaviors stimulated us to further explore the mechanisms underpinning them.

Stage 2. Categorizing social norms. Our follow-up analysis focused on identifying what types of social norms underpinned the entrepreneurs’ networking styles. During this process, we repeatedly asked one generative question to support conceptual categorization of the data: What types of social norms did entrepreneurs perceive as influential in their networking? Using open coding (Glaser and Strauss 1999), we derived a first-order categorization that identified social norms through analysis of entrepreneurs’ interpretation

and understanding of their external environment, venturing experience, market interactions, and generational features. Various norms began to emerge in relation to networking actions that were regarded as, for example, “appropriate” or “inappropriate”, “common” or “uncommon”, “necessary” or “unnecessary”, and “should/should not be practiced”. Using an axial coding method (Glaser and Strauss 1999), the first-order categories were thus grouped with others of similar type to form second-order themes (Gioia, Corley, and Hamilton 2013). In developing these themes, we focused on identifying the context and conditions within which a particular networking style was adopted.

Stage 3. Theorizing normative underpinnings of networking styles. To elucidate and theorize the relationship between networking styles and social norms, we distilled the categories and themes and identified the relationships around which the remaining themes cohered. In this stage, we abstracted the codes featured in the Chinese context to form aggregate themes that might be transferable to other research contexts. With this process, we identified and theorized three distinct networking styles: *guanxi*-oriented networking, market-based networking, and mixed networking. It is worthwhile to note that we identified entrepreneurs’ networking styles by analyzing respondents’ narratives of their networking activities and the illustrative examples they gave. We do not suggest that entrepreneurs who adopt *guanxi*-oriented networking style did not have any market ties at all, or vice versa. In some cases, *guanxi*-oriented networking or market-based networking is the dominant approach, whereas in other cases, entrepreneurs were ambivalent about their networking style and preferred a combination of both. As qualitative theorization involves trimming the excess of data and focusing on the central idea (Corbin and Strauss 1998: 159), we identify and present the dominant networking styles and unpack the underlying

normative mechanisms. We identified and theorized three types of norms – market-induced norms, dyadically formed norms, and identity-induced norms – and explicated how the different meanings among these three types were understood and internalized by the entrepreneurs to shape different networking styles. Our three-stage analysis involved an iterative process of moving back and forth between empirical evidence and theoretical constructs to maximize their fit (Shepherd and Suddaby 2017). Figure 1 presents the structure of the data that emerged from the analysis of entrepreneurs’ networking styles, while Figure 2 shows the same for the entrepreneurs’ understanding of the social norms that informed these styles.

--INSERT FIGURES 1 AND 2 ABOUT HERE--

RESULTS: ENTREPRENEURS’ NETWORKING STYLES AND THEIR NORMATIVE UNDERPINNINGS

Our theoretical model of how entrepreneurs’ understanding and interpretation of social norms shapes their networking styles is illustrated in Table 2. We structure our findings section by first describing the characteristics of a particular networking style and then elucidating its normative underpinnings.

--INSERT TABLE 2 ABOUT HERE--

Guanxi-oriented Networking

Our results show that incumbent entrepreneurs ($N = 10$) mainly engaged in the cultivation of existing *guanxi* ties, exploiting the benefits embedded in them. These ties involved a close circle, such as friends, relatives, and previous colleagues and business associates, who provided financial, labor and emotional support when they started their businesses. If

interactions confirmed the trustworthiness of these ties, business connections were maintained. For example, although IE16 realized that his *guanxi* with a friend could not secure optimal financial profits for his new venture, he still retained it. These IEs preferred to use existing *guanxi* ties rather than actively adding new ties, because they evaluated these older *guanxi* ties more warmly than “cold” new ties. For example, IE16 settled *guanxi* with several business partners after cultivating trust in the early venturing period. He was frustrated that investment in building new ties didn’t always pay off because the other parties were often very selective, only choosing to build connections that suited their own interests. Therefore, he preferred to invest in his existing *guanxi* ties.

To exploit the benefits of existing *guanxi* ties, these entrepreneurs engaged in expressive interactions, such as joining social events, reciprocating, and sharing personal concerns, to cultivate trust. They also used accumulated *guanxi* ties to develop further ties. For example, IE14 said of one such referrer, “His intermediation is more reliable because I know his personal character. In this case, we [myself and the bridged tie] don’t need long to get right into our relationship.” The motivation for acting as a bridge to a new tie depends on the quality of the *guanxi* between the entrepreneurs and their immediate contacts in the network, known as “alters”. Only when the relationship bonding with an alter was ensured did *guanxi*-based bridging work. As another entrepreneur (IE15) reported, “Only after some years of accumulation, with good *guanxi*, can you then go around.”

Through further analysis, we unpacked how entrepreneurs’ understanding of social norms preserves this *guanxi*-oriented networking style. First, they perceived *guanxi* as an essential tool for mobilizing resources and securing business opportunities in the context of China’s inconsistent market development (theme A). Thus, although the government

had promised to separate politics from business and to reduce intervention, market resources were still being channeled through administrative apparatus that discriminated against private entrepreneurs. The entrepreneurs sensed that maintaining and exploiting those existing *guanxi* ties who had connections with government, state-owned enterprises and other well-resourced market players, as they had conventionally done, could provide informal shortcuts to resources and opportunities. They were skeptical of the notion that, in the foreseeable future, business transactions would become primarily market-based. The perceived discrepancies between government proclamations and their own day-to-day experiences over time led them to believe that the market was far from mature, fair, or transparent, consolidating their belief that the preservation of *guanxi* networking was necessary, normal, and beneficial. IE9 summarized this view:

It relies on *renmai* [*guanxi*] to solve many problems. I believe, in China, there are many companies ... under this situation. Personally, I hope we can follow the market, but it takes time ... I sense that in one or two decades or even longer, it [*guanxi*] is still very important ... I feel it is difficult for our generation to escape it. On the one hand, we have these *guanxi* resources: I don't want to give them up. On the other hand, I think *guanxi* will still be important if the way resources are distributed in the market remains the same.

The second element of entrepreneurial understanding of social norms in relation to a *guanxi*-oriented networking style derived largely from dyadic relations, that is: the IEs formed relational norms with their alters through previous interactions and the regularity of these dyadically formed norms locked the participants into particularized interactions (theme D). Furthermore, the perceptions of market failure described above led IEs to worry about whether potential partners would follow the norms of trustworthiness. IE16 commented, “People you don’t know may blow your money away,” and IE2 felt , “many businessmen wanted to get rich, which made it difficult to discern who was reliable for my

business.” Thus, these IEs regarded existing ties as more reliable than unfamiliar ones. As IE10 explained, “We had the mutual recognition,” including “The recognition of each other’s merits”, and “They felt that we wouldn’t screw it up.” Although IE16 understood that his *guanxi* with a friend could not secure optimal financial profits for his new venture, he preserved it because he considered their matched goodwill and operational styles met the normative requirement for cooperation in an uncertain environment.

Because new ties often needed to be bridged by alters, entrepreneurs came to understand the importance of adhering to dyadic norms during the bridging. The motivation of a referrer in acting as a bridge to a new tie, and the quality of ties thus bridged, depended on the quality of the *guanxi* between the entrepreneur and their referrer. To enable tie bridging, entrepreneurs needed to prove themselves to be trustworthy partners, and to conform to conventional norms such as reciprocity and obligation, to avoid the disapproval of their referrers. Only when good *guanxi* and trust with a referrer were established would *guanxi* bridging work. The same new entrepreneur as before (IE15) explained:

If the *guanxi* is not that good, they would not help me. Why would they use their *guanxi* to help me? I must have a very good *guanxi* with them. I also need to have good products. Otherwise, if I screw it up, they will lose face. Another important thing is that I can’t forget the roots. Sometimes you need to reciprocate them [referrers] or bring them to do business together.

The third element of social norm in preserving a *guanxi*-oriented networking style is that these IEs identified themselves as “edge-ball” (Chinese: 打擦边球的人) players, or rule-bending actors, an identity-induced norm that helped them in justifying their *guanxi*-oriented networking style (theme G). They were distressed by ill-developed policies and markets, and had little confidence that they could change this environment. However, they became accepting of this reality and, seeing themselves as “edge-ball players,” groped for

a way to circumvent challenges and increase their chances of survival. IE9, an early start-up in IT services, faced difficulties in obtaining overseas IT equipment because of quota limits. Contemplating the possibility of smuggling charges, he sensed that connecting with powerful market intermediaries who were engaged in overseas imports could help him obtain important materials. IE9 asserted, “They [the younger entrepreneur cohort] don’t have such an experience. This experience has made me understand how business is run in China and how *guanxi* is useful.”

Other entrepreneurs shared similar histories and venturing experiences. They did not experiment with alternative market approaches because they sensed that venturing survival and success were mainly achieved by deploying *guanxi* tactics and exploiting legal loopholes, as IE9 commented, “If you didn't work in this way, you couldn't survive. In our IT circle, everybody knew it!” Feeling handcuffed by institutional legacies and lacking confidence in market transformation, IEs could not foresee a clear path by which to realize their ambition to update networking practices.

In summary, *guanxi*-oriented networking is characterized by the preservation of existing *guanxi* ties and the use of these to bridge to new ties. This networking style emphasizes personal attachment and moral quality. Thus, when entrepreneurs perceive *guanxi* as essential for market survival and growth, feel pressure to fulfill relational requirements in particularized exchanges, and justify themselves as rule-bending actors, they perpetuate *guanxi*-oriented networking actions.

Market-based Networking

We found that more than half of the new entrepreneurs ($N = 9$) adopted a market-based networking style. These entrepreneurs reached out to unfamiliar individuals and organizations in the market to form new ties. They also added business connections to their existing ties only *after* they had confirmed the latter as capable business partners and identified a good business fit. They practiced this networking style by attending industry symposiums and conferences, alumni meetings, and business gatherings. They explored whether a potential partner had technological capabilities, managerial skills, and market power, and whether they could bring resources and networks into their new ventures. Because their ventures were not well recognized in the market, they used these various business events to showcase their capabilities as potential preferred business partners, and to build trust and gain recognition from prospective partners.

These entrepreneurs also initiated a new way of expanding ties. While *guanxi*-bridged ties were based on affective attachment and moral “quality”, the market-based networking style involved the leverage of positive personal and business reputations to create new ties. For example, resource and business opportunities were explored by leveraging business partners’ networks to bridge to new business ties. Thus, for his machinery manufacturing firm, NE2 developed two “high-end clients” who assessed and trusted his capabilities. These clients then endorsed his firm for membership an industrial association in the United States (US), which opened a new route through which to extend the firm’s business networks. NE2 described how he connected with these two clients, obtained their trust, and joined an influential association that was otherwise inaccessible:

We sent them a product catalog in which we highlighted our advantages such as professionalism, price, and quality. They found that our firm was good. So, we started to do business together. After one obtained their trust, they started

to recommend their clients to me, from the northern region to southern region, which paved the way for us. At the beginning, we only connected with small clients, but later we connected and did business with big clients. After two to three years, we have reached the scale of today.

These entrepreneurs pursued a strategy of forming partnerships with firms that had high technological capabilities, managerial skills, and market power. Once they had entered the partnership and had their capabilities validated, they used these positive reputational signals to attract unfamiliar market entities for business collaboration. NE1, an entrepreneur in the real estate sector, explained how she invited a company listed on China's A-share stock market to be a shareholder of her firm. This partnership sent a positive reputational signal to the market, which in turn facilitated the formation of new ties with investment banks:

So, we strategically selected a “rich dad” to be our shareholder. Banks are snobbish. However, once we were backed up by an A-share listed company, our company didn't have any problems obtaining bank loans. Our company became famous after a big project, which laid a foundation for our growth.

Intrigued by the clear difference in style to that of *guanxi*-oriented networking, we sought to uncover the normative underpinnings of market-based networking. First of all, from their observations of market developments, these entrepreneurs had inferred that market capability was the key to networking and new venture development (theme B). Although aware that policies and regulations were not perfect and sometimes fluctuated, they were much more attentive to market developments and competitive pressures. They regarded increasing competition as an integral part of marketization: “The development of technology not only accelerates business communication but also intensifies competition” (NE6). They also found that information and resources were dynamically channeled and

market players were well informed about how a specific business worked. Thus, developing their own capabilities and reputation aligned with the progression of the market, and became the key to developing market-based networks, as explained by NE17:

In our field, the competition is getting more intense, one must adapt to it. The more important thing is to strengthen internal capabilities ... If your own capability and market reputation are strong enough, you can easily find and build networks ... I feel as the market continues to evolve, these are becoming more and more important.

These entrepreneurs calculated the costs and benefits of adopting *guanxi* practice and assessed which approach would be most effective. They recognized that *guanxi* ties were *nice* to have but not essential. *Guanxi* networking consumes valuable time, energy and money, and they preferred to put more effort into enhancing their products and services and creating business reputations that would attract high-quality market partners. As NE11 pointed out:

I feel that in the future, the role of *guanxi* will become less and less important. As society progresses, the market will become more standardized. In the near future, the way we do business will feature very professional behaviors.

Second, through dyadic interactions with their networked partners, these entrepreneurs reinforced and internalized expectations of demonstrating market value and providing business solutions (theme E). They regarded being instrumental (i.e. communicating and negotiating over resource contributions and expected economic outcomes) as essential to establishing consensus and facilitating collaboration. They perceived that during dyadic interactions with their partners, they were expected to highlight how their technologies, services, and novel business models could provide business solutions and confer added value. They understood that focusing on added value

and problem-solving could bring opportunities to bridge to new ties and collaborate with unfamiliar but high-quality business partners. NE14 made the point:

In our industry, the most important thing is the solution you provide to your partner ... We tried to convince them of the potential value we could bring to their business. We helped them design the solution and told them how to implement it. Step by step, we developed this cooperation. We have used this approach to develop cooperation with sales experts of firms many times.

Some entrepreneurs found it unnecessary to invest significant amounts of time and energy in maintaining ties; dormant ties could be reactivated for future collaboration once opportunities presented themselves. For instance, NE4 reflected on why he thought weak connections could still provide “potential profit sources”:

I have known him [networking partner] for many years. There is no business between us. However, whether there is business in the future? There could be. I am not deliberately practicing *guanxi* ... My business and networks are spread across various fields and sectors. They are our potential profit sources. This [networking] is a general concept [not *guanxi*-based].

Third, these NEs identified themselves as entrepreneurs who were striving to become “market builders” in China (theme E). This self-proclaimed identity encouraged a norm that departed from conventional *guanxi* practice and embraced more “entrepreneurial” networking practices. They attributed the *guanxi* practice of the previous generation of entrepreneurs to early policy constraints, immature markets, and a lack of adaptability to new conditions. These NEs appreciated that marketization and technology advancement had liberated them from the need to bend the rules as “edge-ball players” and offered the opportunity to initiate new networking behaviors: “becoming responsible market builders”, “changing existing practices”, and “rewriting business rules”. NE1 exemplified this:

Our generation needs to take more responsibility. The prosperity of a nation depends on its industry and commerce, not on a strong government. Our generation is younger and more visionary. We need to do something different.

Disappointed by the lack of international competitiveness of the older generation, some new entrepreneurs perceived a calling and took pride in improving the global image of Chinese firms. For instance, NE14 believed that younger entrepreneurs should encourage fast learning and effective organizational collaboration to make an international impact:

It's surprising that, for so many years, the competitiveness of Chinese software companies has been much weaker than those of international companies. In contrast, some Chinese, especially those young people who are learning fast, are catching up quickly. Industries, including retailing, software and others, haven't gone global. We should ground our business more deeply ... This requires us to enhance our internal strength, work with our partners and help strengthen their own capabilities.

In summary, market-based networking is characterized by the actions of exploring new and diverse market ties, and leveraging reputations forged from existing business partnerships to expand new ties. When entrepreneurs sense that market capability is the key to survival and growth, feel the pressure to demonstrate that capability, and identify themselves as market builders, they adapt to the new opportunities and requirements by adopting a market-based networking style.

Mixed Networking

Through comparison, we also found some commonalities among the remaining IEs ($N = 6$) and NEs ($N = 8$), who adopted both market networking and *guanxi* networking approaches. We label this style as mixed networking. These entrepreneurs broadened their search scope and actively formed new ties, through attendance at industrial events and business gatherings, and cold-calling potential business partners. They also used existing *guanxi* ties to bridge to new ties. Thus, compared to *guanxi*-oriented networking and market-based

networking, mixed networking demonstrated an integrative style. When interacting with international and domestic partners who had a strong market-networking orientation, these entrepreneurs adopted a similar style. However, when interacting with domestic partners who were more *guanxi*-oriented, they adjusted accordingly.

For example, for IE13, 60–70% of his business ties were based in Japan, Europe or the US, involving little to no scope for *guanxi*. However, he also used his *guanxi* contacts to bridge to new ties. Similarly, although IE5 principally formed new ties that were market-oriented, he had accumulated *guanxi* ties with college classmates and past business associates, who helped him extend his relationships. NE3 formed business ties with foreign banks through direct contact and presentation of his business value, but also used personal *guanxi* to bridge to domestic banks, as he explained:

For domestic banks, I may introduce myself through personal *guanxi* connections. However, for foreign banks, I basically knock on the door directly. I bring the brochure of my company and find the counterpart departments. I introduce the background of my company, what services I can provide, and what value I can bring to you.

For NE9, a variety of approaches were employed to create business ties, including a market-based primary approach and *guanxi* bridging as a complementary approach:

Some companies find us. Some companies find us through intermediaries. Sometimes we find companies through intermediaries, or we find companies by ourselves ... Some [connections] are market-based. Some intermediary companies specialize in this referral business, and some are referred by personal friends.

Again, we wanted to uncover the normative underpinnings of this mixed approach to networking. First, we found that these entrepreneurs perceived both increasing market expectations to demonstrate and enhance competence and increasing competitive pressure when it came to attracting network partners. Thus, they adopted a networking style that

aligned closely to market-based networking. However, they also recognized that ties bridged through *guanxi* could smooth communication and speed connections thanks to its transfer of interpersonal trust. They regarded *guanxi* as providing a “ticket”, because it opened the door to rapid establishment of the desired ties. Once they had gained admission to the “room”, new connections and transactions could be established through the verification of their market capability (theme C). Thus, enhancing market capability and developing *guanxi ties* complemented each other in the formation of business collaborations. For instance, two entrepreneurs explained:

It [*guanxi*] is, of course, not the most critical thing. If you don't have a business, what's the point of developing network relationships? The key is that you have a business. After that, these networks and *guanxi* can help you. It's just like adding wings to a tiger. (IE13)

At least you have an “admission ticket” [because of *guanxi* bridging]. However, after that, we have to rely on our own performance ... If we don't know anyone, we can also cold-call them [new business partners]. However, when I knock on the door [of the new business partners], if someone could endorse me by saying “this guy is capable”, that could put us on the same starting line. (NE4)

Second, in dyadic interactions with their alters, these entrepreneurs acknowledged the need to differentiate their expectations according to the nature of the partners involved (theme F). Distinct from *guanxi*-oriented networking, with its emphasis on particularistic attachments, and market-based networking, which emphasizes economic instrumentality, the mixed networking style instead emphasizes flexibility and accommodation. Thus, when these entrepreneurs interacted with business partners from Japan, Europe, and North America, they emphasized the importance of following market standards and requirements; when interacting with domestic partners who placed more value on face, reciprocity, and the giving and receiving of favors, they accommodated them accordingly. However, where

domestic partners placed more value on market orientation and task-based elements, they also adjusted accordingly. The following quotes from representative entrepreneurs, one an IE and the other an NE, illustrate how they were influenced by different norms when interacting with different exchange partners:

During the communication process, we Chinese traditionally put emphasis on feelings, affection, and face. Those aspects still need to be considered ... You need to develop an appropriate approach to develop and maintain connections ... When you are interacting with other kinds of businessperson who place more value on the business side, you need to do the same. This is something you must do even if you don't want to. You need to be clear about which one is more beneficial for the development of the company. You need to do these well. (IE13)

A normal way is to first match the person; when there is a good match between you and me, we then match business and improve service quality. Another way is to match business first, trying to figure out how to create added value for your products and provide customers with a more valuable experience ... This is the feature of the new economy. You need to see their different styles and requirements. (NE10)

These entrepreneurs identified themselves as carriers of both cultural tradition and market professionalism (theme I). They appreciated that they were at the “intersection of the old and new”. They acknowledged that older entrepreneurs had valuable experience and *guanxi* tactics from which they could learn. They realized that, as Chinese entrepreneurs, they should not “forget their roots” but instead appreciate traditional normative elements such as face, reciprocity, and *renqing* obligations during business interactions; however, they also embraced the opportunities offered by technology and societal change to adapt and learn to be more professional in business and networking. Balancing tradition and professionalism was not always easy, but these entrepreneurs were investing effort into it. Both an IE and an NE offered explanations:

Our generation is now in the process of changing from the old to the new. The values of our parents' generation are deeply ingrained in our generation ... However, old values and new values are sometimes conflicting. How to balance these depends on our position and firm's features ... At least, I have the opportunity to try. (IE14)

We are actually learning from the second [older] generation of entrepreneurs. We pay attention to how they do business, absorb their ideas and practice, and combine those with the business opportunities we have discovered, seeing if an operating model can be formed. (NE12)

To sum up, mixed networking is characterized by blending market networking actions with *guanxi* networking. When these entrepreneurs perceive that *guanxi* can complement network admission, sense the need to differentiate their expectations according to the exchange partner involved, and identify themselves as carriers of both tradition and market professionalism, they accommodate these different normative forces and adopt a mixed networking style.

DISCUSSION

In this study, we have employed a comparative design to study entrepreneurs' networking styles and their underpinning normative mechanisms. Our study provides a richer description of the variety of networking styles seen among Chinese entrepreneurs during their venturing processes and, more importantly, it elucidates how entrepreneurs' perceptions and understandings of social norms shape these different styles. We detail our contributions to the literature of entrepreneur networking below.

Entrepreneurs' Networking Styles and Normative Underpinnings

First, this study contributes to the literature by identifying a variety of networking styles among entrepreneur generations who have been experiencing market-oriented institutional transition. Prior research has mainly focused on understanding the function of networks in

the entrepreneurial process, and the influence of entrepreneurs' individual position within these networks on access to resources and venturing performance. There is much less understanding of the different networking activities that individual entrepreneurs may pursue (Hoang and Antoncic, 2003; Slotte-Kock and Coviello, 2010) and only limited work has moved beyond the individual level to compare how different entrepreneur generations might network differently (Zhang, Tan, and Tan 2016). By focusing on three aspects—with whom entrepreneurs develop networks, whether their alters are existing ties or new ones, and through what activities they form these ties, we were able to identify entrepreneurs' dominant networking patterns in this paper. This conceptualization provides guidance for future empirical research on entrepreneurs' networking styles.

Our research also extends Vissa and colleague's (Vissa 2012; Vissa and Bhagavatula 2012) research on individual entrepreneurs' networking styles by adding a generational lens that connects changing institutional environments with entrepreneurs' networking. Through our comparative approach, we contribute to the literature by identifying three distinct networking styles among Chinese entrepreneurs: *guanxi*-oriented networking, a style focused on the preservation of *guanxi* ties and their use in building new ones, that is still prevalent among the older generation of “incumbent” entrepreneurs; market-based networking, a style focused on retreat from conventional *guanxi* practice and the creation of ties based on market capability and reputation, that is emerging among younger “new” entrepreneurs; mixed networking, a style that inclines toward market networking but blends it with *guanxi* networking, and is evident to a lesser extent in both groupings, new and incumbent entrepreneurs.

Several researchers predicted that, as China's market transition evolved, entrepreneurs would switch from a relationship-based strategy toward a market-based one of impersonal transactions (Peng 2003; Yang and Li, 2008), and, similarly, would change from strong-tie-based to weak-tie-based networking (Peng and Zhou, 2005). However, our findings show that different networking styles are operating in parallel, presenting a richer and more realistic picture of Chinese entrepreneurs' actual networking behaviors.

Second, our study contributes to the social network literature by highlighting the role of social norms in shaping entrepreneurs' networking styles at the generation level. Within the functional and structural approaches commonly employed in the networking literature, entrepreneurs are assumed to act according to their personal motivations and positions, and the role of a normative framework that prescribes and guides networking actions is under-investigated (Todeva 2006). Although norms are externally shaped and imposed by social structures, in a transition economy such as China's, exacerbated by incomplete reform and quasi-marketization (Nee 1998), networking norms are subjected to conflicting forces, leading to their reshaping, contestation, and replacement, and leaving them prone to entrepreneurs' varying interpretations and internalizations when it comes to their influence on entrepreneurs' networking styles. Through our inductive analysis, we theorize that these styles are underpinned by perceptions and understandings of three different types of social norms.

The first of these types is market-inferred norms, interpreted through entrepreneurs' expectations of what counts as important for their entrepreneurial process, based on their understanding of the surrounding market environment and associated social validation. Entrepreneurs' perceptions of inconsistent market development drive a belief that *guanxi*

networking remains crucial because it provides informal shortcuts, reduces cost, and mitigates risks. Entrepreneurs' perceptions of market progressiveness instill a belief that enhancing market capability is critical because it enhances them as attractive partners in an increasingly competitive landscape. The message entrepreneurs interpreted with regarding the market competition and the benefits of *guanxi* bridging infer a norm to mix market networking and *guanxi* networking. Given the instability of policies and regulations during China's market transition (Naughton 2006: 62), market-inferred norms have arisen instead to guide entrepreneurs' market interactions.

The second type of normative underpinning of networking style is dyadically formed norms. This type derives from past interactions between entrepreneurs and their alters and the resulting expectations for future exchanges, prescribing networking actions to meet the interests and preferences of one another. Entrepreneurs' economic exchanges are embedded in social interactions. Our identification of dyadically formed norms contributes to the understanding of the antecedents of entrepreneurs' networking embeddedness. Governed by informal mechanisms of trust, affection, and reciprocity, this embeddedness provides entrepreneurs with opportunities and resources that are not accessible to outsiders (Hite 2005). However, to date, the literature has not sufficiently explored the antecedents and causes of differentiation in the intensity of entrepreneurs' network embeddedness. Our finding shows that when entrepreneurs prioritize conformity to dyadic norms such as familiarity, reciprocity, and obligation, they tend to become overembedded and preserve traditional behaviors, manifested as a *guanxi*-oriented networking style. However, when entrepreneurs believe that providing business solutions and creating value are more important to economic exchanges than social interactions, they retreat from *guanxi*-based

networking and initiate a new networking style, manifested as market-based networking. Realizing the need to differentiate expectations of business and social interactions from exchange partners, entrepreneurs adopt a mixed networking style. Our study thus enriches our understanding of how entrepreneurs' interpretations of social norms through their dyadic interactions lead to different levels of embeddedness and networking style.

Last but not least are identity-induced norms, which refers to the behavioral patterns and expectations that entrepreneurs feel motivated to conform to on the basis of their self-identification as members of a specific entrepreneurial generation. Entrepreneurs' identity is an important driver for self-realization, behavioral justification, and meeting market expectations (Fisher, Kotha, and Lahiri 2016). Lippmann and Aldrich (2016) proposed exploration of how entrepreneurs of different generational units form collective memories and identities that shape their entrepreneurial processes and activities. Our study shows that entrepreneurs' identification of "who they are" influences "what they do." When, in the face of ill-developed policies and markets, entrepreneurs identify themselves as *rule-bending actors*, they cleave to the norm of relational scripts and actions, maintaining and reproducing habitual *guanxi* practice. If, however, to realize their entrepreneurial potential, entrepreneurs identify themselves as *market builders*, they are motivated to proactively initiate market-based networking. When entrepreneurs identify themselves as carriers of both cultural tradition and market professionalism, another identity norm emerges, one that encourages the adoption of a mixed networking style. Our study contributes to the networking literature by revealing how entrepreneurs' identification of their roles in the course of market-oriented institutional transition influences the norms and beliefs that underpin how they network.

Although for analytical clarity, we discuss each normative underpinning separately, we acknowledge that these three underpinings work in combination to affect entrepreneurs networking styles. This combinative nature resonates with previous studies suggesting the driving force of entrepreneur networks – market environment (Koka, Madhavan, and Prescott 2006), relational embeddedness (Hite 2005) and social identity (Foley and O'Connor 2013). These three dimensions can reinforce each other, such as if an entrepreneur perceives market capability as the most important criteria for business networking, she would tend to be more task-oriented in her dyadic interactions, and would be more motivated to become a market builder, and vice versa.

Entrepreneurs' Networking in Transition Economies

Although this research focuses on the Chinese context, the findings also make a contribution to the understanding of entrepreneurs' networking behaviors in other transition economies. Here, the extant literature yields inconsistent views. Some studies postulate network *adaptation*, arguing that, as a consequence of an improved formal institutional environment, managers and entrepreneurs can better secure resources and assure venture survival by adapting and changing their networks; for example, migrating from strong-tie-based to weak-tie-based networking and exploring a more diverse set of connections (Danis, Chiaburu, and Lyles 2010; Peng 2003; Peng and Zhou 2005). However, other studies argue that imprints from the socialist history and imperfect regulatory and market institutions lead to *persistence* of conventional networking practice, continuing with a closed circle of ties rather than reaching out to unfamiliar ones (Puffer, McCarthy, and Boisot 2010; Ledeneva 2008).

These studies, mostly examining entrepreneurs' networking at the individual level, show either adaptation or persistence. While this debate is inspiring, it nevertheless implies networking as entrepreneurs' individual decisions. Our comparative analysis of entrepreneur generations provides a unique lens to describe and explain how some entrepreneurs adapt while others persist in their networking styles: some incumbent entrepreneurs are more likely to adopt *guanxi*-oriented networking while some new entrepreneurs are more likely to adopt market-based networking, and more interestingly, some entrepreneurs, regardless of their generations, prefer a combination of both. Many transition economies have undergone comprehensive institutional changes, but they have also experienced policy instability and market imperfection on a continuous basis (Puffer, McCarthy, and Boisot 2010; Michael A. Hitt and Xu 2016). Thus, entrepreneurs in this context may develop different understandings of their normative environment and adopt different networking styles relating to adaptation and persistence. Researchers have been urged to go beyond a focus on formal institutions and explore how informal norms become instantiated and internalized in entrepreneurs' networking behaviors (McPherson and Sauder 2013; Barley 2008). Norms enable and guide economic transactions even in societies with well-established legal systems; they are particularly important in transition economies where actors cannot rely on formal institutions to safeguard their transactions (Nee and Oppen, 2012: 13).

In this paper, we move beyond existing debate of either "adaption" or "persistence" by elucidating the normative mechanisms that shape the various networking styles of entrepreneurs. Through the theorization of three types of norms, we explain why some entrepreneurs are more likely to demonstrate network persistence (manifested as *guanxi*-

oriented networking) and others more likely to demonstrate network adaptation (manifested as market-based networking), while others strike a balance (in the form of mixed networking). The changing and uncertain market landscape, the switch of exchange system from a communal to a price-based one (Biggart and Delbridge 2004), and the generational differences among entrepreneurs (Estrin and Mickiewicz 2011) provide a stimulating context in which to study the evolution of entrepreneurial networking styles and how subjectively interpreted normative forces shape such evolution. Our study reconciles prior inconsistent arguments and findings by showing that network adaptation, network persistence and the mixture of these two can be co-existing and clarifying who are more likely to adopt certain networking style during the market transition. Our exploratory research develops well-grounded constructs upon which future research can build conceptually and empirically.

Limitations and Future Research

This study has limitations, which also suggest directions for future research. First, retrospective and prospective accounts inform much of this work. Even though this type of data is suitable for qualitative study with an interpretative approach (Wadhvani and Jones 2014), the retrospective approach employed in this study also has its limitations. Entrepreneurs may have cognitive limitation and recall bias that reduce the validity and reliability of their accounts (Chandler and Lyon 2001). Although we employed “courtroom questioning” and “event tracking” interview techniques to reduce recall bias (Eisenhardt 1989; Huber and Power 1985), a multiple-wave longitudinal study would reduce potential recall bias and might more accurately capture how entrepreneurs’ interpretation of social

norms and networking unfold over time.

Second, because the data of this study were collected in 2009, our results need to be interpreted with a degree of caution. Since 1992, China has experienced a near-continuous policy and market reforms, though there have been some market and policy fluctuations. There may well have been further change in entrepreneurs' networking styles and normative understandings since 2009, although we would anticipate the ongoing coexistence of *guanxi*-oriented and market-based networking styles and the mixture of these two, still shaped by the three types of normative underpinnings we have identified. Nevertheless, future research should validate our findings by examining the continued evolution of networking styles and normative underpinnings as more up-to-date data becomes available.

Third, we have demonstrated combinative influence of three normative forces in shaping networking styles. Future research could explore how these three forces may vary in their relative strength and their interactive effect in shaping entrepreneurs networking styles when quantitative data becomes available. Last but not the least, the small sample size needs to be borne in mind when extrapolating the results. Future research could review our findings in the context of a larger sample and consider the effects of specific industries and different venturing durations on entrepreneurial networking. Examining such effects would be useful to control for alternative explanations or for incorporation into the analysis to generate new insights.

CONCLUSION

Although the past three decades have witnessed dramatic changes in cultural practice and the institutional environment in China, relatively little is known about the use of alternative,

non-*guanxi* networking styles among Chinese entrepreneurs during this market-oriented transition, and how such variation might arise. Through our inductive study, we have discovered that such alternative styles are emerging, in the form of market-based and mixed networking (i.e. a blend of market and *guanxi* networking). By closely examining and comparing two entrepreneur generations, our study has illustrated their interpretation of changing environmental conditions during their venturing process and elucidated the normative underpinnings of these networking styles. If this paper were to convey just one message, it would be that overlooking the variety in entrepreneurs' networking behaviors and their underlying normative forces can lead to inconsistent theorizing. Taking entrepreneurs' own experiences and interpretations more seriously can help us to better identify the diversity and normative reasoning behind different networking styles. Our study offers a good foundation for deeper inquiry into the relationship between entrepreneurs' networking behaviors and their underlying normative framework in transition economies, and offers to practitioners working in China an enriched understanding of entrepreneurial networking and how to engage more effectively in building networks there. *Guanxi* is no longer everything, and market-based and mixed networking styles are proving important to entrepreneurs building their businesses in China.

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Table 1. Basic characteristics of entrepreneur respondents

ID	Start-up year	Gender	Start-up age	Business	Employees
IE1	1992	Male	30	Safety manufacturing	370
IE2	1992	Male	33	Home utilities manufacturing	80
IE3	1993	Female	28	Logistics	10
IE4	1994	Male	25	Electronic equipment production and sale	100
IE5	1995	Male	25	Stone export (1995); Venture capital (1999)	20; 6
IE6	1995	Male	28	Printing	100
IE7	1995	Male	34	Law firm	50
IE8	1996	Male	34	Advertisement	10
IE9	1996	Male	26	IT, multimedia device sales and service	50
IE10	1997	Male	35	Communication equipment design	30
IE11	1997	Male	28	Electronic device installation	3
IE12	1997	Male	29	Electrical machinery production	300
IE13	1999	Male	34	Call center	180
IE14	1999	Male	35	Clothes production and trading	150
IE15	1998	Male	22	Machine building	700
IE16	2001	Male	28	Healthcare product sales	30
NE1	2002	Female	28	Real estate	450
NE2	2003	Male	25	Machine building	600
NE3	2003	Male	35	Financial outsourcing	400
NE4	2003	Male	26	Furniture production	40
NE5	2003	Male	34	Metal casting	900
NE6	2004	Male	24	Technology, media, telecom	200
NE7	2005	Male	28	Private equity	6
NE8	2005	Female	35	Marriage consulting	4
NE9	2007	Male	31	Private equity	300
NE10	2005	Male	22	Smart child tutoring	60
NE11	2006	Female	26	Voice training	8
NE12	2007	Male	22	Education	4
NE13	2006	Male	31	Catering management and consulting	25

NE14	2006	Male	29	Business management software design	15
NE15	2007	Male	35	Taxation consulting and training	30
NE16	2006	Male	31	Electronic communication design	17
NE17	2008	Male	31	IT, MBA membership service	8

Table 2. Entrepreneurs' networking styles and normative underpinnings

	Guanxi-oriented networking	Market-based networking	Mixed networking
Market-inferred norms	Guanxi is essential for business survival and development	Market capability is the key to business development	<i>Guanxi</i> provides a "ticket" to business development
Dyadically-formed norms	Meet requirements in particularized exchanges	Expect to demonstrate market value and solution	Need to differentiate expectations from exchange partners
Identity-induced norms	Being edge-ball players	Becoming market builders	Being tradition and professionalism carriers
<i>Mechanism</i>	<i>Perpetuating</i>	<i>Adapting</i>	<i>Accommodating</i>

Figure 1. Data structure of entrepreneurs' networking styles

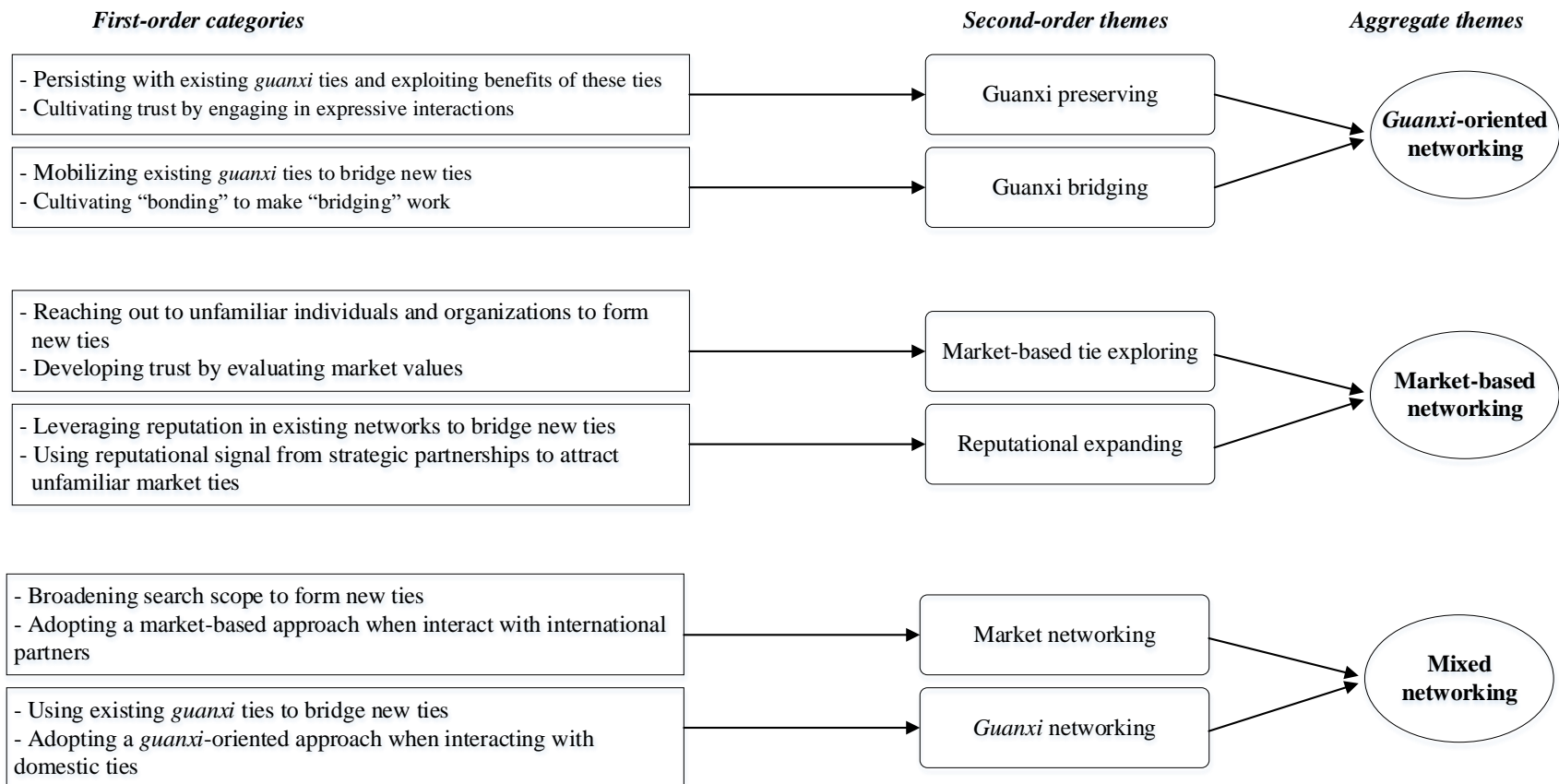


Figure 2. Data structure of entrepreneurs' interpretation of norms

