



Deconstructing self-organisation in microentrepreneurship: A social embeddedness perspective

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ABSTRACT

Research overemphasises the facilitative role of institutions in cluster formation. It overlooks the collective actions by microentrepreneurs when confronting issues of microentrepreneurship in a weak institutional environment. Drawing from a social embeddedness perspective in entrepreneurship, we analyse the mechanisms underlying their methods of self-organisation for collective action, particularly in cluster formation. Interviews involving 19 microentrepreneurs in rural China revealed that they self-organised to form self-serving clusters by engaging in small-scale entrepreneurial acts of reciprocal and cooperative behaviours, solidarity, camaraderie, and by adopting Chinese business ideologies. Such an understanding contributes to research on clusters, as it reveals ways in which microentrepreneurs in a weak institutional environment leverage localised economic, social, and cultural forces to collectively form self-serving clusters. This foregrounds the role of microentrepreneurs in establishing a socioeconomic equilibrium in such an environment and it holds social, academic, and policy implications.

1. Introduction

Research suggests that clusters are ‘hotbeds’ for entrepreneurship (Lai et al., 2014), and that they offer alternative ways of thinking about economics (Feldman et al., 2005). Clusters comprise connected individuals, firms, and associated institutions linked by both commonalities and complementarities (Zhu et al., 2019) ranging from financial and knowledge to human capital (Maskell et al., 2006; Porter, 2003). Entrepreneurship studies generally acknowledge that coming up with institutional strategies to foster clusters of firms or industries is important for economic development in many global regions (Anokhin et al., 2021; Feldman et al., 2005; Howells, 2005; Qian, 2018; Sunny & Shu, 2019). Within this body of knowledge, there is overemphasis on the facilitative role of institutions in the development of clusters (see Wurth et al., 2021). However, this repeated argument about the position and effect of institutions in research on clusters overlooks the collective efforts of other economic agents, especially in a weak institutional environment.

Emerging scholarly research is beginning to recognise that when entrepreneurs are faced with adversities, they coalesce to confront them (see Kuk et al., 2022, Meyer, 2020), and their resultant acts often create

some form of socioeconomic equilibrium (Kirzner, 1973; Schumpeter, 1934). Thus, and drawing from social embeddedness perspectives in entrepreneurship (McKeever et al., 2014), we foster an understanding of the processes underlying ways in which microentrepreneurs in rural China interact and act as they confront issues of microentrepreneurship in their weak institutional environment. For the purpose of this research, we describe microentrepreneurs as individuals who engage in entrepreneurial activity to tackle socioeconomic issues in a weak institutional environment (cf., Khan et al., 2021).

Utilising a Chinese context as the setting for exploring the actions of such underprivileged entrepreneurs is important for several reasons. First, it offers an opportunity to develop indigenous theory (see Bruton et al., 2022). We take a view that scholars risk missing the unique features in the Chinese context when they recycle overutilised theories, often developed from a Western perspective, to study such a context.

Indeed, and given that the Chinese economy is becoming, if it is not already, the largest in the world (Jiang et al., 2015), research on microentrepreneurship needs a reset to consider China’s distinctive entrepreneurship terrain(s) often characterised by traditional business ideologies that markedly differ from the West (Bruton & Sheng, 2021). Such scholarly efforts make entrepreneurship research more

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representative, inclusive (Bruton et al., 2022), and contextually sensitive (Welter, 2011; Zahra, 2007). In our endeavour to contribute to the understanding of a Chinese entrepreneurship phenomenon, we are guided by the following question. *How do microentrepreneurs self-organise to confront issues of microentrepreneurship in a weak institutional environment?*

By focusing on this research question, our findings contribute to entrepreneurship studies in several ways. First, by drawing from social embeddedness perspectives in entrepreneurship (McKeever et al., 2014), our findings offer a set of propositions depicting the formation of self-serving clusters by Chinese microentrepreneurs in a weak institutional environment. In particular, our propositions account for how small-scale entrepreneurship acts (e.g., reciprocity, solidarity, camaraderie, cooperative behaviours, adoption of Chinese business ideologies, etc.) by microentrepreneurs help them confront their large-scale socio-economic hardships (e.g., poverty, resource-shortage issues, locational problems, etc.) through self-serving clusters. In some way and through scholarly conversations with the context (Bruton et al., 2022), we advance the understanding of how microentrepreneurs in rural China devise their own schemes through self-organisation to confront their adversities.

Second, our findings offer a new theoretical framework elaborating ways in which microentrepreneurs galvanise family members, friends, relatives and associates to form self-serving clusters of economic cooperation and coordination to confront issues of *microentrepreneurship* in a weak institutional environment (cf., Omeihe et al., 2020). Furthermore, we contribute knowledge on how such clusters spontaneously emerge as a response to emerging socioeconomic hardships. Moreover, we provide perspectives that advance the idea that when microentrepreneurs self-organise in localities facing multiple adversities, they can establish a socioeconomic equilibrium (Kuk et al., 2022). Such an understanding advances entrepreneurship as a process in a weak institutional environment by showcasing how microentrepreneurs influence their environment when they align their entrepreneurial action with local forces, including culture, economics, business ideologies, etc., to shape/define their social structures (cf., Frank et al., 2013).

Third, the outcomes of this research have academic, policy and social implications. Academically, they provide alternative theorisations for explaining how self-serving clusters are formed through acts of self-organising. This encourages policy debate about the need for responsive entrepreneurship policies, and from a social perspective, it calls for the need to establish economically and socially equal neighbourhoods through levelling-up (cf., Peck et al., 2022), thus ensuring equal access to resources not only for business purposes but also for enhancing livelihoods across many global regions.

2. Theoretical argument

Research that has focused on regional and local economic contexts suggests that geographical clusters play an important role in economic development at local, regional and national levels (Denney et al., 2021; Spencer et al., 2010). Within the wider research on geography and regions, there is consensus that public institutions and regulations directly shape and influence cluster formation (Delgado et al., 2010, 2014; Porter & Cluster, 1998; Porter, 1989). The assumption is that social actors engaged in amalgamated communities of economic cooperation and coordination rely upon, as well as wait for, resources provided by power brokers, in other words, governmental institutions (Lundequist & Power, 2002). While this has been widely accepted as the basic model for providing aspiring entrepreneurs with business support (Audretsch et al., 2021; Felzensztein et al., 2019), in variable contexts, there are likely other factors at play enabling the provision of alternative social arrangements (see Li et al., 2012).

Elsewhere, research tends to focus on the outcomes of networking, including social capital (see Felzensztein et al., 2014; Hoffmann et al., 2014; Li et al., 2013; Shao & Sun, 2021). Such an approach only provides

an understanding of the outcomes of social interactions (Ahuja, 2000; Burt, 2019) without explaining the mechanisms underlying the processes that give rise to those interactions, especially in self-organised networks, not least self-serving clusters (cf., McKeever et al., 2014). Thus, taking a social embeddedness perspective to explore the processes behind the social connections that generate social capital in micro-entrepreneurship helps to account for the social, cultural, and environmental dynamics that define the business landscape in rural China, for example.

Advocating for such an approach aids in understanding subtle elements, including but not limited to individual, social, cultural, and political factors affecting human interactions and their outcomes (Bruton & Sheng, 2021; Huang et al., 2020; Li et al., 2012). Indeed, and based upon the configurations of the aforementioned factors, the nature and types of connections or ties (Granovetter, 1983; Porter, 1998) that emerge to form a cluster may markedly vary. To that end, there is a need to develop new perspectives about the mechanisms that sometimes influence cluster formation in variable entrepreneurial contexts (cf., Scott et al., 2019). In particular, in contexts with high institutional voids, societal, behavioural, and contextual factors determine and/or are known to shape the nature of social and economic interactions amongst key agents (Ozcan & Islam, 2014).

3. Social embeddedness in entrepreneurship

Existing scholarly research identifies social structures, processes and systems as channels through which economic actions and entrepreneurial outcomes are achieved (Fu, 2016; Soda et al., 2021). Within this research stream, social embeddedness emerged and came to prominence (see Ahuja, 2000; Borgatti & Halgin, 2011; Burt, 2019; Frank et al., 2013; Granovetter, 1985). This literature describes entrepreneurs as socialised actors in networks (Christopherson & Clark, 2007; Hoang & Antoncic, 2003). However, a problem with their conceptualisation as social actors, particularly in business or social networks, is that they are often discussed using the contexts of advanced economies (e.g., Denney et al., 2021), largely as dependent on institutional support (Isaksen & Jakobsen, 2017; Isaksen, Jakobsen, Njøs, & Normann, 2019; Sotarauta & Suvinen, 2018), and less so as organisers of their own social systems, processes and structures.

However, understanding how entrepreneurs sometimes develop self-serving social structures can be important, especially in contexts where social, cultural and political forces dictate how people relate to each other (cf., Wang & Richardson, 2021).

Indeed, and because within such contexts in which societies and their communal sub-groups exist through social interaction, their experiences are shared and communal life is maintained (Park, 1926). Such localised relationships are likely to shape and influence their social structures, especially when formal institutions have failed to offer coherent support (see Omeihe et al., 2021; Omeihe et al., 2020). Research on clusters needs to develop in such a way that such contextual variations are not only recognised but also developed to enrich the understanding of how clusters sometimes emerge and evolve congruent with the context (cf., Bruton & Sheng, 2021). Existing scholarly works acknowledge that the actions of local agents (e.g., entrepreneurs) often involved in developing clusters are contingent on the specific context in which they are situated (Anderson & Gaddefors, 2017; Bathelt & Gluckler, 2011). Their psychosocial conditions were identified by Li et al. (2012) as key due to the way they shape the actions of not only interacting with local agents but also other actors. Such insights are important in that they help to advance the understanding of how local agents internalise their social and economic structures to direct their strategic actions in regard to establishing a cluster.

To interpret the dynamic nature of the economic context and make appropriate decisions is not a routine process, even for market leaders (Storper, 2009). It becomes an intrinsic part of business thinking for local agents to systematically monitor and be curious about potential

changes in their environment (Li et al., 2012).

The relationship between context and action is neither predetermined nor normative. A specific context does not determine what actors do but affects and may limit ways of coordinating actions in a given situation. In other words, there are different frameworks of action in possible worlds of production, yet in a certain context, some coordinated collective actions of independent actors are more likely to be effective in achieving positive societal outcomes (Storper & Salais, 1997).

4. Cluster dynamics

Research on clusters is often associated with Marshall's (1920) seminal work, which emphasises the benefits firms accrue by co-locating through accessing and sharing resources that include financial resources, skilled labour and knowledge. Since Marshall's earlier conceptualisation of clusters, there has been a shift, especially in research that has focussed on the advanced economy context, towards emphasising the role of governmental institutions, regional and local authorities as well as private and academic institutions as the only power brokers that ultimately matter in how they are formed (D'Este & Patel, 2007; Etzkowitz & Leydesdorff, 2000). Within this research stream, these actors are presented as holders of key resources (Scott et al., 2019). This position in research overlooks the role of microentrepreneurs, yet prior research tells us that they have the potential to shape their own economic and social spheres by creating some form of socioeconomic equilibrium (Schumpeter, 1934).

Irrespective of this reported entrepreneurship potential and economic importance, research on clusters still identifies entrepreneurs as passive beneficiaries of resources embedded in clusters (Feldman, 2014), which relates to their active embeddedness in regions of economic cooperation and coordination (Fu, 2016). Elsewhere, studies further downplay the role of individual entrepreneurs in clusters by suggesting that they only have ample scope for individual action to the extent allowed by their networks and relationship-supporting institutions (see Denney et al., 2021; Pitelis, 2012). In light of that, it is unequivocal that less attention has been given to the vitality of entrepreneurs in establishing self-serving clusters (cf., Rosa & Scott, 1999) through self-organised social structures congruent with their context (cf., Johannisson, 2008; Meyer et al., 2005; Wilkinson & Young, 2002).

5. Methodology

This exploratory study draws from purposively selected cases (Yin, 2003) of individuals involved in cluster formation in rural China to generate qualitative data. Based on the qualitative nature of this study, interactive techniques for data collection were utilised (see Guba & Lincoln, 1994). Thus, data for analysis were obtained through semi-structured interviews with participants drawn from 3 prefecture-level cities in Zhejiang province, including Wenzhou, Shaoxing and Yuyao. NVivo was utilised for organising collected data in such a way that enhances the robustness of its analysis (cf., Gioia et al., 2013). Considering the exploratory nature of the research question stated for the purpose of this study, qualitative and Glasarian paradigms (see Glaser & Strauss, 1967; Guba & Lincoln, 1994) were adopted. The goal was to allow new theoretical explanations and insights about cluster formation to emerge from fieldwork (Baxter & Jack, 2008; Eisenhardt, 1989; Glaser & Strauss, 1967). Moreover, this research approach enabled us to interact with identified participants in rural China in such a way that allowed these interviewees to retrospectively relive their social experiences (Gioia et al., 2013) gained through the process of forming their own clusters. Crucially, the research procedure resulted in 'thick' descriptions (Davis, 1991) of their experiences. Such rich data helped to understand the mechanisms underlying the way Chinese micro-entrepreneurs self-organised to establish social structures essential to confront issues of microentrepreneurship since government resources

were too scarce to meet their support needs in their rural environment. Adopting a qualitative paradigm enabled the researchers to interact with the participants in their familiar settings in Zhejiang province. Consistent with the traditions of qualitative research, this study followed a Glasarian grounded theory approach (see Glaser & Strauss, 1967) to facilitate the use of existing theory on cluster formation as well as empirical insights into the process of establishing self-serving clusters.

6. Methods

6.1. Research settings

Fieldwork was conducted mainly in Zhejiang, an eastern coastal province in China, known for its intensive entrepreneurial activity. Interviewees who qualified for this research were identified in 3 prefecture-level cities in Zhejiang province, including Wenzhou, Shaoxing and Yuyao. Although Zhejiang is becoming one of the fastest growing provinces in China, in its earlier years, it was overlooked by the central government due to its geographical location and rural settings.

The province shares the same border with Jiangsu and Shanghai to the north, Anhui to the northwest, Jiangxi to the west and Fujian to the south, and to the east, there is the East China Sea. It is a province with a long coastline compared to the other mainland provinces in China. However, it is situated in a mountainous region with limited crop land (74.6% of its total areas are mountains and hills) (The Information Office of Zhejiang Provincial People's Government, 2023). This created challenges related to isolation. The population located in the province found it hard to communicate with its neighbouring regions, and such a situation created both social and business-related issues for the province. Their locational disadvantage created a situation where people in the province had limited choices, forcing them to be self-reliant, which they did by pooling resources from/in their families and community to start new ventures.

6.2. Case study design

To develop in-depth insights into how entrepreneurs in rural Eastern China self-organised to establish their entrepreneurial clusters to serve their local business needs and solve their socioeconomic issues, 3 clusters in Zhejiang Province were selected. Their unique geographical location and rural settings provided the opportunity to explore how entrepreneurs come up with their own support structures. Particularly, the role of their localised economic, social, and cultural forces towards establishing entrepreneurial clusters to tackle their socioeconomic issues. To account for individual actions in the 3 clusters, participants were treated as separate cases. Such an approach enabled us to make meaningful comparisons and explain variances in 19 experiences and outcomes of cluster formation. One of the main advantages of adopting a case-oriented approach that benefited this research was its ability to enable the authors to converge various data sources through triangulation.

Triangulating data about clusters gathered through observations, artefacts, semi-structured face-to-face interviews, informal discussions with 15 employees/family members/friends of our key interviewees and interpretations of participants' stories not only provided rich insights (Yin, 2009) into their weak institutional environment in which clusters emerged as self-organised structures but also helped to validate and enhance the quality of the data that was received for analysis. Table 1 provides an overview of the connections between our main interviewees.

The cases identified in the clusters within Zhejiang Province were deliberately chosen to achieve literal replication (see Yin, 2003). This was crucial in terms of identifying patterns of action and behaviours that reflected the nature of relationships, social and economic exchanges manifesting in clusters that emerged through self-organising in rural Eastern China.

Table 1
An overview of the connections of the main interviewees.

Interviewees	Relationship
SH1 vs W1, W9, SX1 vs SH2, SH3 vs YY1 vs YY2	Friend and business partnership Friends' subsidiary Friends Friend and business partnership
W1 vs W2, W4 vs W3 vs W5 vs W6 vs W7 vs W8 vs SH2 vs YY2	School friend Competitor Relative Student and Teacher Acquaintance Friend and Business partnership Head office & subsidiary Know each other's firm because of SH1
W2 vs W3 W9 vs SH3	Business partnership Head office & subsidiary
SX1 vs SX2 vs SX3 vs SX4 vs SX5 vs YY2	Neighbour and friend Classmates in 'manager training courses' Classmates in 'manager training courses' Father's friend Know each other's firm because of SH1
SX2 vs SX3 vs SX4	Classmates in 'manager training courses' Classmates in 'manager training courses'
YY1 vs YY2	Acquaintances Supply products to the same industry Located in the same area

6.3. Interviews

To qualify for the interviewing stage, entrepreneurs had to be located in an entrepreneurial cluster in the rural areas of Zhejiang province. Being part of what we considered a self-organised cluster (where the collective efforts of individuals led to pooled resources) was one of the main features that was important in identifying and selecting a cluster to approach. Face-to-face interviews involving 19 participants were the main methods used for data collection.

In addition, snowball sampling was further utilised to identify entrepreneurs who were involved at the very initial stages of forming a cluster for business support purposes in the rural settings of Zhejiang Province. Fig. 1 illustrates the process involved in identifying the participants and the coding used for research purposes. We were mainly

interested in three clusters that included Wenzhou, Shaoxing and Yuyao because of their rural settings and weak institutional context. The Zhejiang cluster provided essential leads to the other three.

Several rounds of interviews were utilised to cover any knowledge gaps as well as to ensure that rich data for analysis were received. Table 2 provides an overview of the interviewees, their industry, the types of businesses they established, when they started them, and the number of times we interviewed them.

The types of interviews with our participants varied from more formal to informal. Formal interviews took on average between 55 and 65 min, and informal discussions lasted in the range of 20–30 min. The interviews were carried out over a 3-year period (i.e., 2016–2019), and they were terminated at the point where we ceased to receive new insights about the experiences of our participants in forming their own clusters. In other words, we terminated the interviews because we had reached what Saunders et al. (2018) termed qualitative saturation. To identify patterns of actions amongst the participants, NVivo was used to help with coding data.

6.4. Data analysis

Data collected through face-to-face interviews were transcribed, coded and analysed thematically with the aid of NVivo. The process of coding and analysing data on cluster formation in rural China was sequential. That is, it was analogical at the start and evolved to encompass Glasarian grounded theory (Strauss & Corbin, 1998). This was done to benefit from emerging empirical evidence depicting how microentrepreneurs established their clusters in rural China and existing conceptualisations about clusters. Consistent with Glasarian grounded theory, we adopted the view that reality is constructed rather than set in stone (cf., Gioia et al., 2013), hence our use of the live stories of our participants.

The utilisation of such a grounded approach enabled two things: (i) we were able to keep the originality of the stories told by our participants regarding their approach to how they established self-organised clusters and (ii) we were able to generate theoretical schemas and research agendas emerging from our literature review (Post et al., 2020). Explained in another way, we allowed data to speak for itself (Strauss & Corbin, 1990) and the insights we developed to be informed by

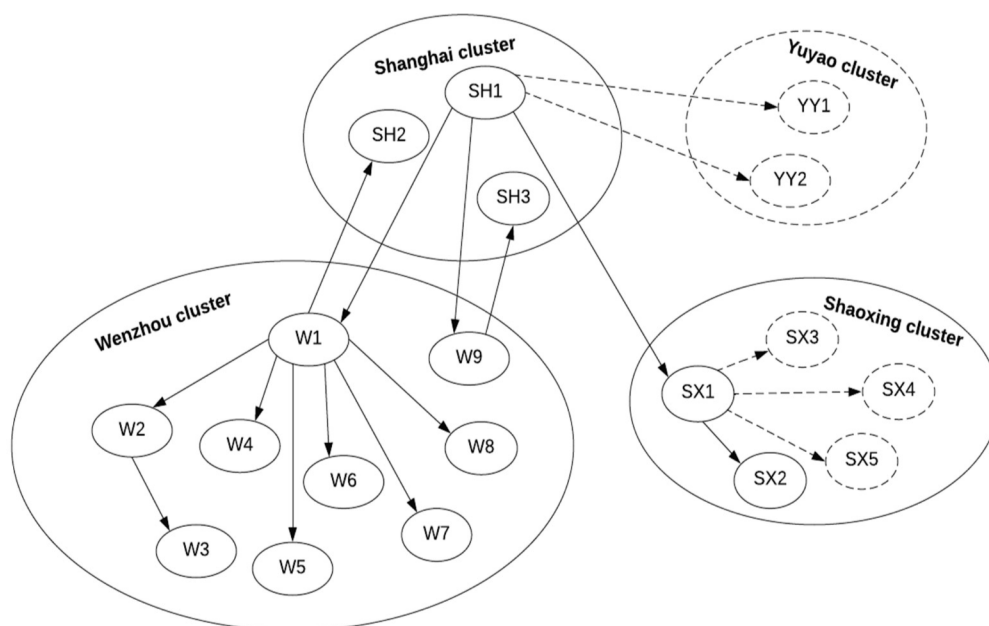


Fig. 1. The process involved in accessing participants in self-organised clusters. **The direction of arrows indicates who introduced who to the researcher. **Dotted circles are for those interviewees who joined from stage 2.

Table 2
An overview of the interviewees, industry type and year of business inception.

Interviewees	Type of industry	Set up the business	Interview @ Stage 1	Interview @ Stage 2 & after	Date of starting business	Years in business (Up till 2020)
SH1	Wholesale and retailing (auto part)	Alone	✓	✓	1990	30 years
SH2	Manufacturing (W1's technical innovation centre)	With brother	✓		2004	16 years
SH3	Manufacturing (RB's sub)	With friends	✓		2003(set up year)	17 years
W1 (HK)	Manufacturing (HK head office)	With brothers	✓	✓	1986	34 years
W2	Real estate	With father	✓		1986	34 years
W3	Manufacturing	With friend	✓	✓	1987	33 years
W4	Official (CC)	/	✓		N/A	/
W5	Official (IR)	/	✓		N/A	/
W6	Academic	/	✓		N/A	/
W7	Official	/	✓		N/A	/
W8	Wholesale and retailing (Auto parts)	Alone	✓		1995	25 years
W9 (RB)	Manufacturing (Bearings)	With friends	✓	✓	1984	36 years
SX1 (XD)	Manufacturing (Wiring harnesses)	With father and brother	✓	✓	1987	33 years
SX2	Manufacturing (Springs)	With wife	✓	✓	1990	30 years
SX3 (Used to be university lecturer, then started a business)	Textile (Wholesale and retailing)	With wife		✓	Around 1992	20 + years
SX4	Textile (Manufacturing)	With husband		✓	Don't know exactly	20 + years
SX5	Wholesale (Automobile)	With Friend		✓	Don't know exactly	30 + years
YY 1	Manufacturing (Lighting and transformer)	With friend & brother		✓	1991	29 years
YY2	Manufacturing (Electric switches & plastic parts)	Alone		✓	1991	29 years

empirical evidence emerging from interviews covering how clusters in rural China were established. We went through several rounds of discussions and iterations about the meaning of each primary and secondary code. These discussions centred on ways of merging codes, identifying the interrelationship between primary and secondary codes and what they entailed. This process led to a total of 11 secondary codes, which we further classed into 5 aggregated dimensions (cf., Gioia et al., 2013). Fig. 2 illustrates our approach to data analysis. It illustrates how we progressed from primary-order codes to secondary-order codes and from secondary-order codes to aggregated dimensions.

The first three aggregated dimensions, or priori codes, crystallise information detailing the active roles performed by individuals as they interacted with their environment to obtain, manage, assemble and/or preserve the resources they need for their entrepreneurial processes. As illustrated in Fig. 1, the entrepreneurial finance aggregated dimension relates to the empirical data on how microentrepreneurs coalesced through self-organisation to assemble financial resources for starting, launching and running a new venture. Leading to the entrepreneurial finance aggregated dimension, the second-order codes involving raising start-up capital and preserving it to sustain their ventures formed the main two categories.

The second and third aggregated dimensions (i.e., entrepreneurial learning and entrepreneurial opportunity) were derived from descriptions of the second-order codes about how microentrepreneurs in rural China developed and accumulated business knowledge as well as identified, created and captured opportunities as part of their entrepreneurial process. Moreover, these aggregated dimensions represent their learning and knowledge acquisition approaches when they engage with family members and outsiders in their communities and/or social

networks. Combined, the fourth and fifth aggregated dimensions (community cooperatives and institution & interaction) encapsulate the second-order codes describing how microentrepreneurs engaged in collective bargaining, which led to the establishment of self-organised or self-serving clusters.

The first- and second-order codes preceding the fourth and fifth dimensions contextualise the nature of the relationships and interactions underlying the drivers causing entrepreneurs in rural China to come together through cooperation and working as a unit to form a cluster.

7. Findings

7.1. Institutions and social interactions

Since China adopted a series of reforms, including open-door policies representing a move away from the country's highly centralised planned economy to a socialist market economy, SMEs have rapidly developed into important economic agents, their role has been expanding in the country, and government interventions still exist. The uncertainties this caused meant that our participants adopted a survival mode strategy. They mainly established their businesses in the form of *Chenbao* state-owned enterprises and *Gua Hu Jing Lyng* (挂户经营, i.e., affiliate household business to collective business), allowing them to operate as red hat enterprises. In some way, they were sub-contractors of SOEs or foreign companies. This was clarified by W1, who stressed that:

In 1984, when we had just started our own business, there were more than 100 million farmers that went for Gou Xiao (购销, means buying and selling) in our local area. Based on Gou Xiao, they explored markets from north to south to promote and sell Wenzhou products to people around China. They

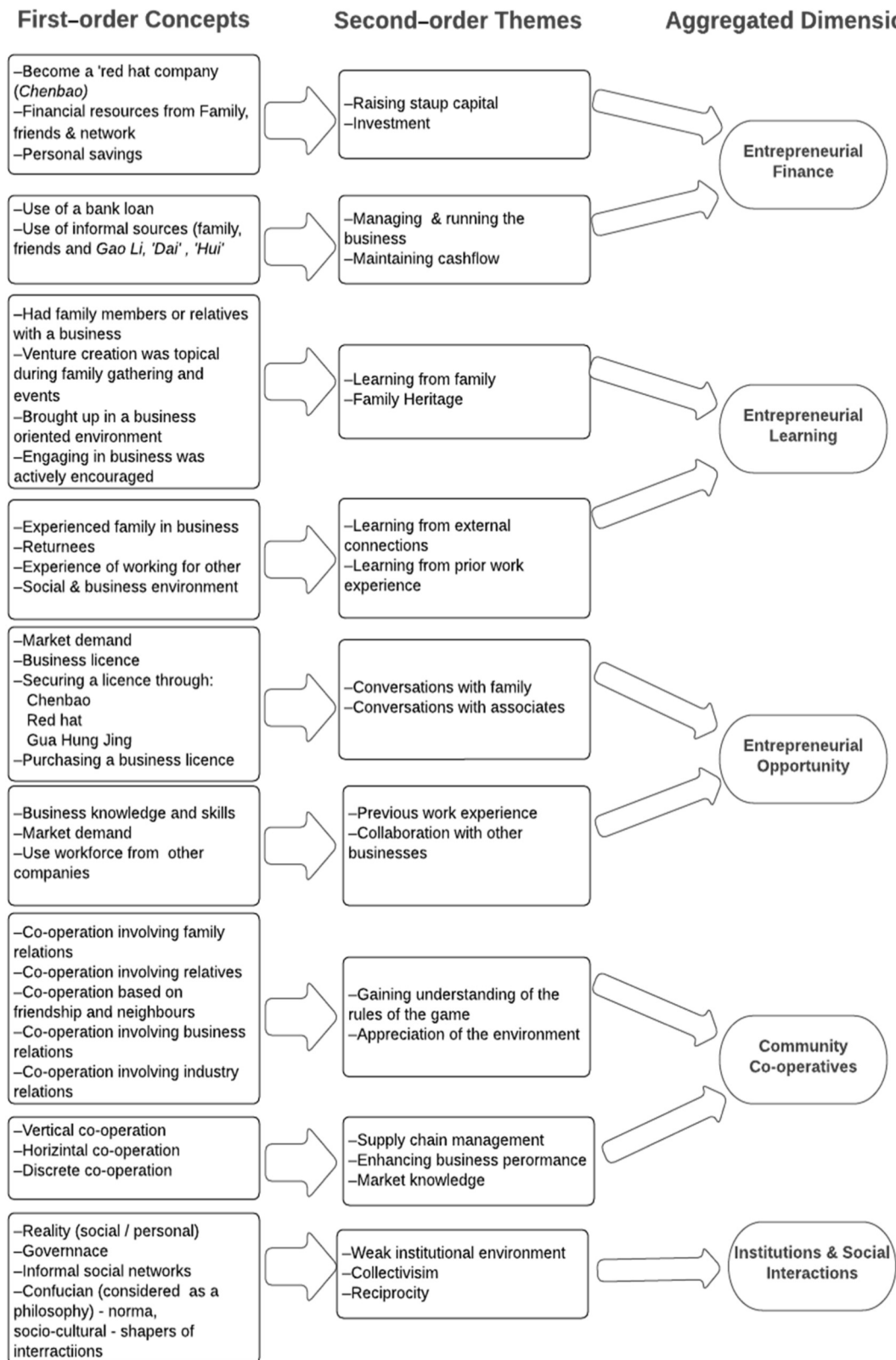


Fig. 2. Data structure/category and analytical themes from qualitative data analysis.

brought information back to Wenzhou, just like 'bridges', and played an important role in developing the rural commodity economy. However, household businesses and 'purchase and sell' activities didn't get wide support. At that time, although most of the household businesses were selling products outside, most of them could not offer corporate seals, introduction

letters, paper contracts or bank accounts. Because of these, Wenzhou people created the form of 'Gua Hu Jing Lying (挂户经营)', Gou Xiao Yuan and household businesses were affiliated to collective enterprises, doing business in the form of village and township enterprises, etc. This was created by farmers.

The fact that ordinary citizens could not access key resources, support and assistance from the government through its formal institutions and other actors represented the 'reality' in their environment. This clearly demonstrates that their social environment required them to employ unorthodox means of gaining the support and resources they needed for their ventures. This was clarified in the statements below:

The most difficult time for our firm was from 1984 to 1992. We received no financial support from the government during that period at all. The mentality of the local government at that time was more in favour of pursuing a policy of 'short, steady and speedy' projects' (i.e., short term investment giving quick payback, steady growth and generating quick high-profile results). However, for companies like ours that needed to produce high quality products, we were not able to meet their requirement for 'short, steady and speedy' projects. They (here meaning government officials) only came around to see... well... what's going on in our firm. People who worked in the bank came here, looked around, and then left. That was it, no attention was paid. (W3)

The statements above unequivocally detail the accumulated experiences of our participants, which reinforces their contextual 'reality'. This shows that in China, where government support is sometimes lacking, entrepreneurial individuals draw upon their social connections to collectively organise (or) self-organise in such a way that they complement each other's efforts, creating a pool of shared resources (e.g., human, knowledge and financial capital). Such resources underpin their collective success in a weak institutional environment. Consistent with the above, we propose the following:

Proposition 1. *Microentrepreneurs in a weak institutional environment coalesce and self-organise to establish self-serving clusters. Their environment induces a mindset of conformity with local forces of culture, norms, and business ideology.*

7.2. Entrepreneurial financing

The majority of our participants established their businesses through collective initiatives as opposed to *having the luxury* (W9) of becoming a *red hat company*. Their success in setting up their businesses was mainly attributed to generous support from their families, friends and neighbours. They confirmed that they relied on their family members, friends and relatives in setting up their ventures. When asked whether they were charged a high interest rate by friends or relatives, W6 replied,

This kind of phenomenon did exist, but we were quite lucky, most of our relatives did not specifically mention such a thing. We really appreciated their support, therefore, when we paid them back, we normally added some more money to thank them. But if your relatives helped you borrow money from others, that interest rate would be higher, the rate was 0.3%. (W6)

W1, W2, W3 W9, SX1, SX2, SX3, SX4, YY1, and SH2 described setting up their businesses through their connections as a *natural choice* because of the 'trust' built over time. Informal financing was mentioned as the most utilised source of finance because of easy access and availability. W1, W6, W9, SX1 and SX2 explained that the informal source of finance they relied on included (i) local cooperatives, (ii) *Gao Li Dai*, i.e., high interest loans, and (iii) *Hui*. *Gao Li Dai* was based on the premise that borrowers will pay back what they own, including interest, to clear their debts. This made *Gao Li Dai* (i.e., high interest loans/usury source) attractive as a non-mainstream financial source for our participants, especially those who were unable to secure financial support elsewhere. *Hui* emerged as another local way of accessing finance and was viewed by entrepreneurs as a means/group/form whereby people offer mutual financial support as needed.

There are no formal contracts among the *Hui* members or users of the system, but all users had to adhere to unwritten rules based on camaraderie, mutual trust, reputation, relationships, etc. To that end, W9 elaborated that his friends and relatives helped him access *Gao Li Dai* or raise money through *Hui* for business purposes. This is strong evidence suggesting that family, kinship and social networks played some role in

providing access to scarce financial resources. From the above, we propose the following:

Proposition 2. *Microentrepreneurs in self-serving clusters leverage their connections with family, friends, and communities to access critical business resources, including entrepreneurship finance.*

7.3. Entrepreneurial learning

Empirical evidence concerning entrepreneurial learning suggests that entrepreneurial knowledge and skills are learned both in and outside of the family in rural China. All our participants in Wenzhou mentioned that they had family members or relatives who were running their businesses or working in other businesses. It was clarified in our conversations with them that setting up or running a business were routine topics that featured during family gatherings, including daily family meals and discussions with visiting relatives. Observably, the majority of these entrepreneurs grew up surrounded by business-minded individuals who were part of their families, relations and associates. The following statements attest to that.

.....I saw that some of my relatives opened workshops to process semi-finished products for others, and their income was better than mine. I thought starting a business might be a way out for me. If they can do it, I can also do it (W3)

People in Wenzhou are business minded people... they know how to do business. Even if you don't do business yourself, you must have some relatives, friends or acquaintances who are doing business...you know... they are just around you... people never open their mouths without talking business, it's just part of daily life (W6)

This was somewhat different from the experiences of the entrepreneurs in Shaoxing. A large proportion of them expressed that they had limited prior business knowledge leading to their decision to start their own business. Moreover, doing business was not a thing for them, as most of the people preferred working in their village/township stores. According to SX1, doing business "...was never discussed in her social circles". In her case, she started learning and developing business skills and knowledge while working in a family business, which was set up by her father. Similar learning experiences were reported by SX2.

Overall, for entrepreneurs in Shaoxing, doing business was not valued in the same way as their counterparts in Wenzhou. Their choice was to work in state-owned enterprises. Another way of gaining business knowledge and skills revealed by our participants was from outside of their families through their social connections. The majority of the participants acknowledged that they were inspired to engage in business by people around them, from whom they learned that doing business is not a mission impossible. This common view can be summarised by a comment given by W9.

If others could do business, why couldn't we?.

Moreover, entrepreneurs from Wenzhou, including W1, W2, W3, W4, W6, and W7, 's ideas about the desire to start a business converged. They recounted a phenomenon that occurred after the economic reform in 1980. They explained how some of their folks, who had lived abroad, came back to their hometowns to invest and set up businesses.

This was widely discussed in neighbouring villages where our participants lived, and it became local news. The news of how these returnees from overseas formed and operated their businesses locally became an important source of information for our entrepreneurs through which they obtained entrepreneurial knowledge and skills (cf., Felzensztein et al., 2019). Such insights point to the importance of the social environment in influencing and shaping individual entrepreneurial knowledge and skills.

Learning through working for others was also important according to these entrepreneurs. Except for SX1 and W8, all the other participants had experience working for others before starting their own business. They saw it as a good way of gaining insights into the world of doing business through *accumulating experience* (W3) and *earning the money to*

start your own business' (W1). In a way, they saw it as a way of minimising potential risks because: *you are not using your own money, but that of others to learn how a business is run* (W6). Interviewees W1 and YY2 emphasised that prior work experience not only helped them to develop business knowledge and skills but also provided a platform to set up their own business. This was represented in the following statements.

After I graduated from high school, I joined my uncle to learn about business. He had some apprentices at that time, my elder brother was there as well, and that's why I joined them. My brother was working as a 'Gou Xiao Yuan', going out to take orders, purchase material and sell our products. I went out with my brother and my uncle a few times... (W1)

.....When I was learning about business in my uncle's workshop, I felt really interested in doing business. I knew I would not stay there forever, I wanted to start my own. I still remember the first time I went to Shanghai with my brother, I was so impressed. At that time, my brother said to me, if you want to have a better life, work hard, otherwise you will never escape from our small village. Although we worked for our uncle at that time, we had our dreams already..... We were just preparing for when it was ready...' (YY2)

Even when some of the participants worked for their relatives (e.g., W1, YY2), this did not prevent them from leaving their relatives' business to start their own. Their experience highlights the fact that working for others is an important process for people to learn about business. There was, to some extent, a lack of 'loyalty' from the interviewees when they worked as employees even if their employers were their relatives. The 'disconnected' (*not to work for them anymore*) and 'connected' (*because of kinship, social relations*) relationships among them extending the existing business also give rise to other forms of business relationships, such as acting as a subcontractor, supplier or agent for companies they had previously worked for. These new business relations led to the creation of a cluster. The cluster played an important role in that it enabled closer cooperation and cohesion among communities that would otherwise have been at the peripheries of entrepreneurship—a situation that would further worsen their social and economic environment. Taking the above into consideration, we propose the following:

Proposition 3. *In a weak institutional environment, entrepreneurs learn about venture creation within their self-serving clusters as well as from outside of their circles. Business-like connections outside their clusters foster important entrepreneurship skills and competencies, including supply chain knowledge.*

7.4. Entrepreneurial opportunity

The majority of our interviewees confirmed that their business ideas were generated through socialising (informal networking) with their family members, friends or acquaintances.

Within such social fora, discussions tended to centre on business ideas, start-ups and progress in business. In relation to that, SX1 mentioned that the start of their business was attributed to a conversation between her father and his friend, who had an automotive wiring factory. From this interaction, her father learned about how automotive wiring was a service in demand within the automotive industry and required low entry technology.

In addition to identifying opportunities through associates, opportunities also came through the experience of working for others. Those interviewees who had prior work experience and started their own ventures reported that they developed business knowledge from such experience, giving them a head start in their own ventures. In addition, W1, W3, W9, YY1 and YY2 confirmed that they accumulated resources and developed networks, giving them the impetus to start their own business ventures. Within their ventures, they employed family members, e.g., W1 and his brothers worked as apprentices then as Gou Xiao Yuan (a post in purchasing and sales) for a few years in their uncle's electronic component business.

The experience they gained increased their awareness of what needs

to be done to enhance business profitability and thus helped them to realise that market knowledge and an understanding of the supply chain together with customer intelligence should be essential components of their plans to start their ventures. Likewise, YY2, who started his own plastic business after working for a factory producing plastic appliances, shared similar experiences.

While working in the plastic producing company, he realised that the demand for plastic appliances in the market was very high at the time and noticed that his boss frequently hired workers from other companies to meet production needs. He thought it was an opportunity and therefore decided to leave the factory to set up his own plastics company.

In summary, social relations and prior work experience were the two main factors that played some role in helping microentrepreneurs form and shape their entrepreneurial opportunities. With regard to the nature of the behaviours as they interacted in their social environment, there was a distinct pattern showing evidence of high-level pro-social actions based on reciprocal exchanges (cf., Kuk et al., 2022). This suggests that community cohesion and collectivism defined how entrepreneurs related to each other as they established localised entrepreneurial clusters. Considering the above, we propose the following:

Proposition 4. *In a weak institutional environment, prior experience in the work, reciprocal behaviour (prosocial behaviour), collectivism and self-serving clusters enable opportunity identification.*

7.5. Community cooperation

Based on the stories told by our interviewees, it was apparent that cooperation and, to a greater extent, self-organisation formed the basis of how they amassed a pool of resources to serve their business needs.

The process by which they engaged in cooperation had a strong bearing not only on their business relationships *per se* but also on their sensing-making abilities. According to W1, W2, W3 and W8, their personal relationships were established over several years prior to setting up their businesses. The following statements confirm their views. W8, for example, worked with W1 as a business partner and helped W1 sell products to the overseas market. To that end, W8 expressed that:

Without W1, there would not be the me of today. If W1 had not supported me at that time, I would have found it impossible to set up my firm... Since our firm was set up, our business had developed quite steadily. Our first markets were in China, then we extended into Japan, and now markets extend to America and Europe. The electronic goods produced by W1's company were upgraded rapidly in recent years, better techniques and better quality... we feel more confident and now try our best to push the overseas market bit... We are happy to work with each other... He trusts me to do things, if I messed the things up, I would have no face to see him.

Similarly, when W1 described why he chose to work with W8, he alluded to their friendship stressing that:

I met W8 when we had dinner at my friend's house. I mentioned during dinner that I was looking for someone who knows English to help me contact my foreign clients. My friend said W8 was just the person I was looking for. We [W8 and W1] had met several times before that dinner and [I] thought he was a good person. As he is also a friend of my friend, I let him do the work.

Consistent with the views on cooperation expressed above, W2 described his cooperation with W3 in the following way:

My cooperation with W3 is cross-sectoral. We were busy working in our industries when we were young. Now both our businesses have developed to a certain level, and we feel that we can do something together. Once at a friend's party, W3 mentioned something about floating on the stock market... the flotation things.

You see, I used to work in banking for years before starting my own business... I still have a lot of friends in the financial sector. Personally I felt very interested in this project, so I told W3 if he was serious about it I wanted to join in. He agreed, I then invested some money, and the project is ongoing... The process of floatation is quite complicated.

We have known each other for more than 20 years... we know each other's character well. Working with each other is quite straightforward. We do not need to talk in a roundabout way like with other people when doing business.

Cooperation and self-organising amongst individuals in the rural communities we focused on emerged as an outcome of personal and localised relationships. Although our participants indicated during the interviews that they knew each other or had at least heard of each other, this did not mean that everyone could establish a cooperative relationship with another person, reinforcing the importance of personal relationships in business cooperation. It is also interesting to note that the interactions that led to the cooperation between entrepreneurs in our sample normally took place in informal settings at social gatherings, such as having meals together, birthday parties and class reunions. Family members and relatives played an active role in facilitating cooperative arrangements. This was clarified in a conversation with W1 as follows:

'When my brother and I left our uncle's company, although we had accumulated some experiences and guanxi, most of our business came from our uncle. We shared some orders with him. Where there were problems in production, a shortage of workers, or cash flow problems, he helped us. We also did the same for him when he was in need. The electronic goods we produced at that time were very simple and almost the same. Using the current standard, we would be seen as competitors, but in fact, we weren't. We actually worked for each other and supported each other... Our uncle retired 3 years ago, and our cousin took over the business. Now our products are different, but they are still helping us process some spare parts.

In W9's case, he placed his brother-in-law in charge of his new business expansion into retailing. Although he set very clear rules in his company, which forbid the employment of family members or relatives in the business, in regard to cooperation, he still chose a relative whom he could trust because *'you don't need to keep an eye on him, he will look after the business because it is [part of] his, 'if he can't reach me, he can ring his sister [W9's wife], so problem solved'*.

The cooperative arrangements we derived from the stories told by our participants can be summarised on the basis of five different relationships: cooperation due to family relationships (father, mother, brother and sisters, etc.); cooperation due to relative/extended family relationships (non-blood relations, in-laws, etc.); cooperation due to friendship or neighbourhood relationships (e.g., school mates, neighbours); cooperation due to business relationships; and cooperation due to industrial relationships. We argue that the first three types of relationships are stronger in the Chinese context compared to the other two. In terms of the types of cooperative arrangements, there are three types that can be drawn from this research. The first type is vertical cooperation, which means that they are entrepreneurs working in the same supply chain and subcontracting to support each other (e.g., W1 & W8; W9 & SH2, SH3; W1 and W9).

The second type is horizontal cooperation, which represents entrepreneurs producing the same or similar products and sharing technical information to support each other but targeting different markets (e.g., W8 and his cousin, SH1 and YY2). The third type of cooperation is discrete cooperation, which not only integrates the first two types of cooperative arrangements but also includes other forms of support based on a greater variety of relationships. In this form of cooperation, individuals do not necessarily all work in the industry that the entrepreneurs are in. Family members, relatives and friends of the entrepreneurs can work in any sector as officials, academics, and lawyers but can still offer a different source of support to the entrepreneurs when they are in need.

We contend that this kind of cooperation, which is mainly facilitated by personal relationships, is key to establishing self-organised clusters. The following statement confirms this:

SX1: We know all people (here means 'bosses/managers' in the industrial park where SX1 is located) within the industrial park, we often meet and communicate in different meetings, but we are just acquaintances. SX2 is an

old friend, he used to be our neighbour, and we know each other very well. As both of us produce mechanical spare parts, when we encounter any problems, whether in production, in technical aspects or management, we would come together for discussion.....we all see ourselves as solid and hard-working but not high profile, and at times we also feel annoyed and tired of running a business (SX1 laughed).

Another key point raised from the participants' stories relates to the names of the key participants (normally the key introducers) that were often mentioned during the interviews even when they were not locally based. It appears that 'knowing' and 'hearing of'/'knowing of' are associated with a different level of trust and thus different results in terms of engaging in cooperative arrangements. The results suggest that trust, built over time through ongoing interactions among individuals, can help to foster cooperation from which individuals can benefit. Based on the above, we propose the following:

Proposition 5. *In a weak institutional environment, close cooperation among community members connected in self-serving clusters creates a sense of belonging and a bond built upon trust.*

8. Discussion

The facilitative role of government authorities in establishing communities of economic cooperation and coordination may be limited in global regions that are characterised by weak institutional environments. Research suggests that in such contexts, centrally controlled resources tend to be too scarce to serve societal and, to some extent, business needs (see Baldwin, 2014; Liedong et al., 2017; White et al., 2020). This exposes neglected neighbourhoods across many parts of the global regions of the developing world to social and economic hardships (Owusu, 2010). However, in resilient societies, within those regions, economic agents that include microentrepreneurs tend to step up to confront their adversities (cf., Kuk et al., 2022). Entrepreneurship research generally acknowledges that when entrepreneurs face adversity, they strive to create opportunities (e.g., Istiqliler et al., 2023; Shepherd & Williams, 2020). This study contributes to this body of knowledge showcasing how microentrepreneurs in a weak institutional environment come together and self-organise to develop small-scale entrepreneurial solutions to tackle their grand challenges (cf., Meyer, 2020). By articulating their actions, behaviours and responses to their socioeconomic hardships in a weak institutional environment, this research contributes to entrepreneurship knowledge in the following major ways.

The study develops knowledge showcasing that in a weak institutional environment, economic actors develop a sense of togetherness and belonging often aided by the commonness of the problem(s) at hand. Reciprocal acts in which family, friends, and neighbours become part of a problem-solving circuit that provides a pool of resources, including financial resources, human and knowledge capital, in whatever small way.

At the forefront of these various actors are microentrepreneurs who have been identified, through the empirical results of this research, as architects that establish cliques or small networks (Barabási & Albert, 1999) that over time evolve into a self-serving cluster with pooled resources (cf., Stuck et al., 2016). Explained in another way, they self-organise to co-create a socioeconomic equilibrium in their societies (cf., Kirzner, 1973; Schumpeter, 1934). Contrary to prior research (e.g., Feldman, 2014) that often associates cluster formation with institutional influence, we contend that in a weak institutional environment, microentrepreneurs are not passive beneficiaries of pooled resources. Rather, their collective action in assembling/preserving resources in a weak institutional environment cannot be discounted, as it can enhance development across many global regions (cf., Meyer, 2020).

Considering the above, this research offers unique insights into an entrepreneurship phenomenon in a weak institutional environment. First, it advances the importance and influence of

microentrepreneurship and contextual factors in establishing a cluster. In some way and taking into consideration propositions 1 to 5 that offer new theorisations about how a weak institutional environment induces a mindset of conformity with local forces of culture, norms, and business ideologies in microentrepreneurship, this research engenders scholarly conversation with the context (cf., Bruton et al., 2022). From a social embeddedness perspective in entrepreneurship, such an understanding foregrounds the role of localised economic, political and social factors in establishing such self-serving clusters. This contributes to the understanding of an entrepreneurship process whereby context detects and shapes how self-serving clusters emerge and form in a weak institutional environment. Fig. 3 illustrates this phenomenon.

8.1. Implications

The framework and arguments presented above have academic, policy and social implications. Theoretically, academics are presented with alternative avenues for conceptualising the way clusters form and evolve in relation to environmental factors. For policy institutions, our findings renew the debate about the importance of policy reforms centred on developing responsive regional systems that not only serve business needs but also those of society at large. Such reforms can benefit society in several ways, including but not limited to creating decent employment for all, alleviating poverty, and enabling human and economic development opportunities in many global regions constrained by weak institutional environments. To roll out suitable policy and social reforms, the recommendations below can be a start.

8.2. Recommendations

On the basis of the implications of this study, we offer the following recommendations:

- In weak institutional environments, efforts must be directed towards supporting local economic agents, including microentrepreneurs, in such a way that enables them to establish socioeconomic equilibriums to sustain livelihoods. This is consistent with the UN’s Sustainable Development Goals of ensuring equality, decent work and prosperity for all.
- Central authorities, and to some extent NGOs, must work in harmony with each other to develop purposeful communities of economic cooperation and coordination in global regions where essential resources are too scarce to serve societal and business needs.

The goal must be to enable microentrepreneurship to flourish to revitalise their regions.

- Crucially, efforts to establish responsive policies that recognise the contextual influences (e.g., economic, geographical location, cultural, business ideologies) that shape social structures such as clusters can be decisive towards fostering entrepreneurship and social transformation in many global regions, including rural and remote settings. Moreover, such policies can be essential for a levelling-up agenda in weak institutional environments such as rural China, where this research has shown that there is uneven regional development due to either negligence or scarce government resources (cf., Chandra et al., 2022; Peck et al., 2022).

8.3. Limitations and suggestions for future research

Like any other research, our study has its limitations. As an example, our emphasis on grounded theory as a method for developing knowledge about self-serving clusters in a weak institutional context lends itself to interpretivism, which can give rise to subjectivism (Guba & Lincoln, 1994) about the phenomenon under examination. In a way, this might be seen to be in tension with some of the requirements increasingly frequently imposed on research projects (Timonen et al., 2018). Moreover, China has vast regions that are considered rural; therefore, our focus on one province (Zhejiang Province) may limit the generalisation of our findings.

However, given that our main goal was to deconstruct acts of self-organising and to understand the behaviours, response and action displayed by microentrepreneurs as they seek to address their problems in this unique context, our generalisation was from data to theory (see Yin, 2003). Accordingly, we recommend future research that can utilise our ideas about self-organising as a means for developing self-serving clusters to explore other rural settings in China or developing economies with weak institutional contexts to validate their applicability across such contexts. Moreover, future studies can adopt a quantitative research approach to test the relational effects of the variables contained in Fig. 3. Such studies may further enhance our understanding of cluster dynamics in weak institutional environments.

9. Conclusion

The study advances knowledge about how a weak institutional environment leads to self-organisation in such a way that it helps to

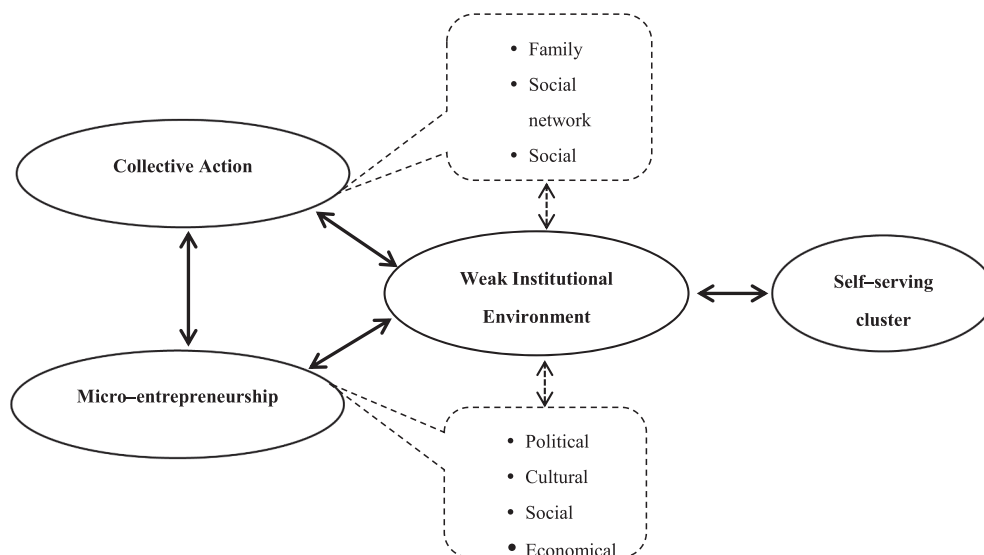


Fig. 3. A conceptual framework of how microentrepreneurs self-organize to form a self-serving cluster in a weak institutional environment.

produce small-scale solutions for tackling a resource shortage problem. It provides knowledge detailing how microentrepreneurs step up to create socioeconomic equilibrium in their communities by coalescing to develop self-serving clusters. The study highlights and foregrounds the important role of localised economic, cultural, and social forces in shaping the development of self-serving clusters. It showcases that within such clusters, family members, friends, solidarity, camaraderie, relations, kinship and neighbours play a decisive role by contributing resources that range from finance, business intelligence and assistance in such a way that not only promotes microentrepreneurship but also regional development.

CRedit authorship contribution statement

Amon Simba: Writing – review & editing, Writing – original draft, Project administration, Methodology, Formal analysis, Conceptualization. **Yan Wang:** Investigation, Formal analysis, Data curation, Conceptualization. **Francisco del Olmo García:** Writing – review & editing, Supervision, Project administration, Methodology, Conceptualization.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Data availability

Data will be made available on request.

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