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Introduction

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Business History Special Issue Editorial on “History and Evolution of Entrepreneurship and Finance in China”

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The Business History Special Issue Conference on “History and Evolution of Entrepreneurship and Finance in China” was held on August 23–24 2013 at the Kylin Grand Hotel of Pingyao, Shanxi Province, China. This event gathered academics from around the world to present and discuss their latest research relevant to the Special Issue theme. It was sponsored by the Jinzhong municipal government and organized by the China Development Research Centre. Pingyao is an ancient city that originated nearly 2,700 years ago, and is now recognized by UNESCO as a World Heritage Site. It is well-known for being the birthplace of banking in China. From late Ming to Qing dynasties, Pingyao served as a significant commerce and financial center. Merchants from Pingyao actively traded abroad, reaching as far as Japan, Singapore, Moscow, Calcutta, Paris and London. The unique background and heritage of Pingyao fits well with the theme of this Conference. We collected the following set of interesting papers in this Special Issue.

Atherton and Newman “The emergence of the private entrepreneur in reform era China: Re-birth of an earlier tradition, or a more recent product of development and change?” analyzes the development of Chinese entrepreneurship. It argues that the rise of private sector in China

is not a re-birth of an earlier tradition, but is attributed to reforms and institutional changes. It also suggests that dynamic adaptation and evolution generates “rule ambiguities” within the institutional framework that leads to exploitable opportunities for Chinese entrepreneurs. Cumming and Fleming “Taking China private: The Carlyle Group, leveraged buyouts and financial capitalism in Greater China”, provides the analyses of the introduction of leverage buyouts in China and Taiwan. Using the case studies of the Carlyle Group’s acquisition of three companies, this study suggests that supportive institutional environment and the willingness of intermediaries to cater for a range of stakeholders’ claims ultimately influence the ability of target firms to benefit from the resource advantages offered by the leverage buyout firms. Godley and Hang “Collective financing among Chinese entrepreneurs and department store retailing in China before 1940” illustrates entrepreneurship development in China by focusing on the retailing sector. It attributes the success of entrepreneurs in the department store business to the financial support of surplus savings of overseas Chinese wanting to invest in mainland China. It demonstrates how financial and investor-relation skills played a greater role in the success of Chinese entrepreneurs in this sector than retailing skills.

Hua, Chen, and Prashantham “Institutional logic dynamics: Private firm financing in Ningbo (1912 – 2008) reviews the development of institutional logics and practices of financing private firms. It suggests that entrepreneurial financing in China evolved through a process of institutionalization, de-institutionalization, and re-institutionalization. It also argues that community logics were initially dominant but gradually replaced by market logics over time. McWatters, Chen, Ding, Hou, and Wu “Family business development in mainland China (1872 – 1949)” reviews Chinese family business development, and analyze the social, economic, and political environment these businesses are exposed to. It suggests that insights from the past may provide useful implications to Chinese family firms today since they are exposed to

external pressures such as the competition from state-owned-enterprises and foreign multinationals. Wilson and Yang “Shanxi Piaohao and Shanghai Qianzhuang: A comparison of the two main banking systems of the 19th century China” compares the creation, development, and business strategies of two types of early Chinese financial services. It argues that the difference in risk taking between the two banking system arises from the need to address potential agency problems driven by governance and ownership structures in the regions they operate.

China today is mostly known for its rapid growth and increasing influential economy on the world stage. It is an aspiring emerging country that is aiming to become one of the largest economies in the world. As a result of China’s economic success so far, its experience and development has policy implications for other emerging economies. Due to this, research of business issues in China is attracting increasing attention from academics, practitioners, and policy makers. In the past few years, we witnessed a surge of publications in high quality international academic journals on contemporary business issues of China. However, while the private business sector plays an important role in the nation’s economic strength and today, the history and evolution of entrepreneurship and corporate finance in China remains largely under-examined. Given the unique historical and cultural background of China, we believe such research will contribute to the business history literature that is currently still largely focused on the experiences of Western countries. According to a well-known ancient Chinese adage: “以铜为镜,可以正衣冠,以史为镜,可以知兴替”. This literally translates to: “Copper can serve as a mirror for us to see that we are properly dressed; the past can serve as a mirror so that we know what is good”.