The Entrepreneurs of Europe and Asia: Patterns of Business Development in Russia, Eastern Europe, and China

By: Victoria E. Bonnell and Thomas B. Gold (eds.)

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Focusing on entrepreneurship in transition economies, this book is a collection of 12 chapters based on papers presented at a Berkeley conference in May 2000. While both are sociology professors, the editors, Bonnell and Gold, are also directors of Berkeley's East European studies and Chinese studies centers, respectively. The editors have assembled an interesting and impressive team of contributors representing major social science disciplines. Probably because of the editors’ professional contact, seven out of the 12 authors are sociologists. Authors with backgrounds in anthropology (2), political science (2), and journalism (1) are also present. While a majority of the authors (8) are with U.S. universities, three scholars based in Eastern European universities (two from Russia and one from Hungary) and one based in Asia (an editor at the Far Eastern Economic Review) are also represented. Despite lengthy footnotes, chapters in general are of high quality and are a pleasure to read.

Divided in two parts each with six chapters, this book sets out to answer two key questions: (1) Who are the new entrepreneurs in transition economies in Europe and Asia? (2) What are their business practices? The chapters are mostly descriptive studies on individual countries, such as China (Chapters 2, 6, 7, and 12 by Gilley, Pearson, Guthrie, and Jeffrey, respectively), Hungary (Chapter 10 by Lengyel), Poland (Chapter 5 by Benson), Russia (Chapters 1, 4, 8, and 11 by Gerber, Volkov, Radaev, and Yurchak, respectively), and multiple countries of Eastern Europe (Chapters 2 and 9 by Rona-Tas and McDermott, respectively). Most chapters describe intensive field-based surveys and interviews conducted in the region, reporting interesting findings.

Answering the first key question, it is found that the new entrepreneurs come from a variety of backgrounds, such as former communist party officials (Gerber and Gilley), former state security force officers (Volkov), and younger professionals well versed in a new language called “market research” (Benson). Shedding light on the second question, the business practices described in the chapters generally conform to a typology of entrepreneurial strategies in transition economies I first suggested in Peng (2001). These include three possible strategic postures. The first is prospecting, namely, doing more with less resources. The emergence of market research firms in Poland (Benson) serves as a case in point. A second strategy is networking, involving players old and new in the changing transition landscape. Entrepreneurs in China, Czech Republic, Hungary, and Poland seem to have embraced this strategy (Guthrie, Lengyel, McDermott). Finally, a strategy of boundary blurring, especially between legal and illegal sectors, is also widely encountered (Jefferey). The chapter on how former Soviet state security and enforcement employees have created a new business sector that deals with private law enforcement – that is, between public law enforcement, which has been weakened in Russia, and illegal private actions, such as those committed by mafia – is a fascinating account of this process (Volkov).

Overall, there are at least two reasons to admire the accomplishments of this book. First, the chapters have collectively answered the two questions that are under-studied in the literature. Most of the transition literature either focuses on state-level policy issues such as liberalization, or firm-level challenges for large companies, such as
state-owned enterprises and foreign multinationals. This chapter has helped fill a much needed gap in our knowledge in terms of "What is going on?" at the level of small businesses and entrepreneurs. Second, given that research on Eastern Europe and China is usually separated in different strands of the literature, the editors have sensibly assembled a team of experts covering both regions in one collection. Such multinational triangulation is intellectually – and logistically – difficult to do. I applaud the editors for their foresight to bring this diverse group of contributors to one volume. This book is a good example of scholarly integration across multiple regions and disciplines not only for research on transition economies, but also for social science inquiries in other topics as well.

Having noted the strengths of this book, let me note three weaknesses. First, despite the title being on “entrepreneurs and business development” and the editors’ efforts to include multiple disciplines and regions, I am disappointed that not a single entrepreneurship researcher teaching in a business school is represented – the only business school faculty member is McDermott, but his Ph.D. is in political science and, to the best of my knowledge, he is not a full-time entrepreneurship researcher. Although entrepreneurship researchers housed in business schools have generated a voluminous stream of work, only two chapters (Guthrie and McDermott) reference this literature. There is no evidence that other contributors are aware of this literature, which has answered some of the unanswered questions they set out to investigate. While business school researchers (such as this reviewer) have often generously and enthusiastically referenced the social science literature, our colleagues in social sciences have seldom reciprocated. Of course this is not a problem unique to this book. My hope is that in the future, social science researchers may want to expand their horizon to know a bit more about the work of their business school colleagues, whose core competences lie in areas such as entrepreneurship and business development.

A second problem I identify is that the chapters, all of which are rich in descriptive details, fall short of the “so what” question. Having read the book, I am not sure, if I were a practitioner or a policymaker in these countries or a Western business person interested in doing business there, how this group of experts is advising me in terms of how to proceed. In a sense, although none of the authors teaches in the history department, they all appear to be organizational historians telling a wonderful story of what happened. I would appreciate seeing a bit more forward-looking, speculative views on how the future of entrepreneurship may unfold in transition economies.

Finally, I am not sure I agree with everything that is said in the book, which, of course, is to be expected. However, I take issue with a particular view invoked by Rona-Tas (Chapter 2). He argues that “The fecundity of the small private sector actually threatens the health of the economy. Never growing up to become medium-sized companies, the ‘too small and too many’ microbusinesses create a distorted size structure of the economy” (pp. 61-62). Moving “in the wrong direction,” he writes that “an economy of dwarfs cannot take advantage of real economies of scale, cannot improve productivity by substantial investment in fixed capital, and cannot successfully compete in a globalizing world economy” (p. 62). Yet, the size comparisons he shows in Table 2.11 (p. 61) do not suggest significant differences between the EU average and Slovakia, Hungary, and the Czech Republic. Rona-Tas’s view is indicative of a bias in favor of larger firms. Although this view is typical during the pre-transition era, I am surprised that a contributor to this book would suggest that a proliferation of small business ventures may lead to the economy in the wrong direction. I would suggest Rona-Tas (and others sharing his view) to have a little more faith in the “creative destructive” power that entrepreneurship may unleash, a process which Adam Smith and Joseph Schumpeter first described.


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