

Mass Entrepreneurship, Government Support and Entrepreneurial Cluster: Case Study of Junpu Taobao Village in China

Likai Zou^{1*}, Qiang Liang¹

¹Shantou University Business School, Shantou 515063, P. R. China

*Corresponding Author

Likai Zou

Email: 14lkzou@stu.edu.cn

Abstract: With the continuous conjugation of Internet and traditional industries, "Taobao Village" has become the patterns of emerging industrial clusters to promote the development of China's rural economy. This paper selects the Junpu Taobao Village in Jieyang City as single case for study, and we analyze the forming process and mechanism of the rural e-commerce entrepreneurial cluster from perspective of mass entrepreneurship, then put forward analytical framework of mass entrepreneurship in terms of government support. Our result illustrate that there are four aspects of impact that government can exert on mass entrepreneurship: create entrepreneurial conditions, improve entrepreneurial abilities, inspire entrepreneurial motivations and assist entrepreneurial activities. Accordingly, we analyze and conclude the forming mechanism of rural e-commerce mass entrepreneurship in terms of government support.

Keywords: mass entrepreneurship, government support, Taobao Village, entrepreneurial cluster

INTRODUCTION

China's economy is at a critical period of reformation and transformation, so how to solve the country's rural issues and resolve expanding differences of urban-rural wealth gap becomes a priority. Entrepreneurial activity, economic output, and employment are showing increasingly close relationship [1]. In September 2014 the opening ceremony of the Summer Davos, Prime Minister Li Keqiang said that we need to catch the moment of reform and innovation to set off a new wheel of entrepreneurial boom "public business, grass-roots entrepreneurship. Lu and Deng [2] pointed out that entrepreneurship forward positively on employment promotion, job creation. The promotion of innovation has become the main driving force of economic growth, which not only can ease the employment pressure on rural and urban, but also promote new powerful engine of China's economic growth.

Currently, "Taobao Village" in China has become a prairie fire, a typical of the public business and grass-roots entrepreneurship. The formation and development of "Taobao Village" is the integrated advantages product of traditional clusters and Internet business venture, the unique form of entrepreneurship under the background of economic transition in rural China, which is closely related to government policy. In the study of the impact of government policy on entrepreneurial behavior, some scholars tend to the point that the policy has a positive impact on

entrepreneurship [3], Lundstrom and Stevenson [4] think that since the policy in the field of entrepreneur was complex and in mass, policy making should be considered dimension of entrepreneurship. Since entrepreneurship policy has no unified theoretical basis, specific policy instruments should be selected according to the different business subject. Previous studies scholars focused on the impact of government policy on small and medium technology and innovation enterprises, this paper argues that the main Chinese entrepreneurs who promote "Taobao Village" emerging is different with the previous entrepreneurs and we call them as mass entrepreneurs, so it should be corresponding to big difference on government policy. However, current literature has not yet done research on the characteristics of this unique entrepreneurial model and the underlying mechanism of "Taobao Village".

This paper focuses on the e-commerce entrepreneurial clusters in Junpu village, Jieyang City, we attempt to analyze the development process of "Taobao Village" where combines traditional cluster with e-business entrepreneurial clusters. From the perspective of government support on mass entrepreneurship, we research the formation path of rural e-business cluster, and discuss mechanism under the situation where government supports public entrepreneurship, in order to excavate public entrepreneurship policy with Chinese characteristics.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Industrial cluster is also called industry gathering or business clusters etc, in the existing research literature, Chinese scholars mostly prefer a reference of Porter [5]: industry cluster refers to a particular industry, a large number of industry are closely connected businesses and related support organizations gathered in space, and the formation of a strong, sustainable competitive advantage of the phenomenon. We can call it a collection of particular field of interconnected companies and institutions in the specific geographic. Traditional industrial clusters, clusters of new industries and emerging industry clusters have appeared in China one after the other. The traditional industrial cluster theory mainly research on traditional or general manufacturing industries, and emerging industry cluster theory mainly focuses on the modern service industry and high-technology industry Cluster.

Concept of entrepreneurial cluster proposed

In the real economy, China's rural e-business economy also has the characteristic of industry clusters. With the development of economy, "Taobao Village" regarded as the representative of the cluster and becomes a more important issue. But current researches have not given enough attention on the phenomenon of "Taobao Village", Chinese scholars Cui and a number of scholars began to study these phenomenon. However, few scholars take "Taobao Village" as a kind of industrial clusters to study. This paper argues that "Taobao Village" is the result of industrial clusters, Ling [6] proposed the concept of industrial clusters in rural e-commerce case studies, but his research cannot explain the mechanism of the formation process of the entrepreneurial activity in rural e-commerce industry cluster. This paper argued that rural e-commerce entrepreneurial clusters refers to the rural area within a large number of economic subject and third-party services, who taking e-business model as the core of business project application and forms organic groups with integration of production, supply and selling via a particular network. The main characteristics of rural e-commerce entrepreneurial clusters are: First, a low dependence on natural resources, information but high dependence on personnel requirements; Second, lower entrepreneurial threshold, which conform to the actual needs of farmers; third, the product features which e-business entrepreneurs operate are single; Four, it is a new kind of "line of industrial clusters", combining advantages of traditional industrial cluster with network marketing.

New interpretation of the formation of the e-commerce entrepreneurial clusters

There are lots of literature about formation mechanism of industrial cluster. As Weber [7] and other scholars believed that industrial cluster is a result of externalities, including external economic and economies of scale formation. Porter [5] considered that knowledge and information transfer, and marketing elements of the cluster is the basis of the existence of small businesses. while Fujitatal [8] and Krugman [9] developed its agglomeration economies view that industrial cluster is the result of increasing returns through its new trade theory. Chinese scholar Fu [10] considered that it is necessary to introduce network externalized, also known as the network effect to the explanation of clusters formation.

To sum up, the current cluster theory deems that natural conditions, history, causal factors, economies of scale and externalities, organizational structure, competition and innovation are the key parameters to the formation of industrial clusters. These theories from different perspectives to explain the formation of industrial clusters scientifically, but those industrial clusters theories cannot be effective interpretation for the present situation of industrial cluster like "Taobao Village", there are at least three defects: firstly, they lose sight of key role of internet information during the formation process of industry cluster; the second is that those research only focus on manufacturing or modern service industry cluster, neglecting of rural small and medium entrepreneurship formed by the grass-roots; the third is those research lay particular emphasis on the formation of industrial clusters from natural factors and historical conditions, externalities, economies of scale system. However, e-commerce entrepreneurial clusters like "Taobao Village" are closely related with the Internet technology, also closely linked with the government support. Based on the current industrial cluster theories, this paper proposes new interpretations on the formation of e-commerce entrepreneurial clusters from the perspective of government support on mass entrepreneurship.

Mass entrepreneurship in terms of government support

Mass entrepreneurship. Entrepreneurship is the individual autonomous decision to start a business with two ways: set up a new corporate and derivatives from existing corporates. For a long time, the basic point of academic entrepreneurship about success of entrepreneurship depends on the entrepreneur's personal qualities even talent, until Carroll and Delacroix [11] found that individual status in the organization rather than individual traits determine whether they can find opportunities and implement the entrepreneurial activities. Recent research think the entrepreneurship

should be managed and management activities must be seen as a systematic process [12]. Therefore, situational factors and mechanisms of the entrepreneurial process has become the key point to explain entrepreneurial activity. The term “mass” refers primarily to a large number of ordinary collective citizen, this study

consider mass entrepreneurship emphasizes that more grassroots and ordinary people engage in collective entrepreneurial activities in an area, which is different from a general sense of the entrepreneurship, including entrepreneurial threshold, and business forms etc (see Table 1).

Table 1: The difference between general entrepreneurship and mass entrepreneurship

Item	General sense of entrepreneurship	Mass entrepreneurship
Entrepreneurs	Small and medium-sized technology firms	Micro or individual firms
Pioneering threshold	high	Low
Supportive measures	Venture investment	Entrepreneurship training, government financing
Characteristic	No industrial clustering	Characteristic of industrial cluster is obvious

Analytical framework of mass entrepreneurship. The public entrepreneurial opportunities are different from entrepreneurial opportunities in the general sense, the general sense of entrepreneurial opportunities emphasize the specific opportunities which entrepreneurs need to be perceived and alerted, but public entrepreneurial opportunities emphasizes that the opportunities occur in a particular area of the interior, suffering larger impact of cluster environment and government in the region. There are two basic premises for entrepreneurial success: opportunity identification and exploration and development of these opportunities [13], Identification of entrepreneurial resource has a significant positive effect on its use. Those two premises achieved depend on the entrepreneurial ability, if in the entrepreneurial process the potential entrepreneurs don’t have a certain entrepreneurial skills, it is very difficult to succeed finally. Man etal [14] argues that individual entrepreneurial ability mainly includes two dimensions: opportunity competence and organizing ability, among that, opportunity competence contains opportunity recognition and development, and organizing ability includes organization management ability, strategic ability, relationship ability and commitment ability [15].

The paper thinks that mass entrepreneurship emphasizes more on the ability of organization. The traditional sense of the potential entrepreneurs have a relatively standardized management including training practice and enterprise culture, make its managerial and strategic skills improved. In addition, they have a wide network of relationships, which can improve their

ability of relationship and commitment. However, for the public, they don’t have working experience in the firms and can’t set up the network relationship through the work. so their ability of the organization rely on external training opportunities. This paper argues that the local government undertake the role of "incubator" within a particular cluster , by providing entrepreneurship training for mass entrepreneurs to improve their potential entrepreneurial ability.

However, entrepreneurial ability has just created basic conditions for mass entrepreneurs, all process of entrepreneurial activity is derived by certain individual mind and the external environment influence. For mass entrepreneurship, the formation of entrepreneurial motivation always due to the various favorable conditions government provided, which directly stimulate the formation of mass entrepreneurship. And the influence of external environment for entrepreneurial activity mainly include: characteristics of cluster environment and government support. Characteristics of cluster environment embodied in entrepreneurial atmosphere and culture, opportunity and demand, external economy, shared values, information and knowledge spillover, and local social network [16]; And the government support can improve entrepreneurial environment, such as entrepreneurship training, infrastructure construction, financing support, tax preference and so on. In all, the government support and the improvement of the cluster environment play a key role on promoting success of public entrepreneurial activities.

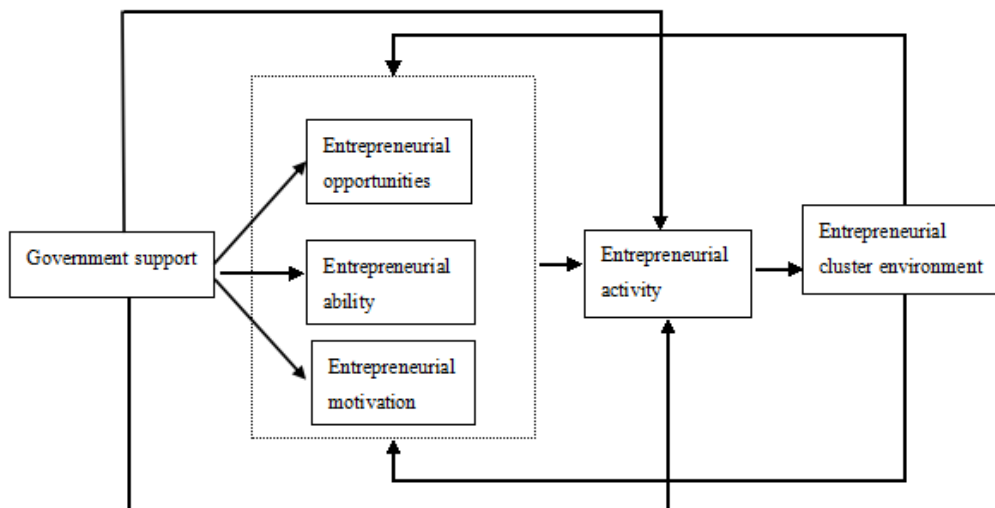


Fig. 1: theoretical analysis framework of mass entrepreneurship

Based on the above analysis, we propose a theoretical analysis framework as shown in figure 1. Formation process of mass entrepreneurial cluster refers to a large number of ordinary people like grassroots get entrepreneurial opportunities and social relation network in the area of the cluster. In addition, they improve working skills and management ability in order to form certain entrepreneurial ability through training provided by the local government; In the end, they set up new firms related to industry when the external environment condition is appropriate. This process follow the steps below: "favorable entrepreneurial opportunities - form entrepreneurial ability - set up companies". With the increasing of new ventures, such as external overflow, sharing information, opportunity, increase in demand, reduction of cost and cluster effect will be strengthened, so it would create a better cluster environment for entrepreneurial activity to promote the increase of all related business within a cluster, which also is a central part of the cluster to interact with entrepreneurial activity.

Case study

Case selection

A single case study is more suitable for refining complicate theory or rule, this article aims to analyze the process mechanism of mass entrepreneurship in terms of government support, which is a complex nonlinear longitudinal process, and need to have a lot of cases data supported. Therefore, this research adopts case study method. We combine case representation with information availability when we select case for study. The Junpun Taobao Village is developed in recent years, and widely reported by CCTV and other media, and important situational factors considered in this paper: the government, plays an important role in the process of its development, so the case has certain representativeness.

Case background

In recent years, with rapid development and increasing popularity of Internet, e-commerce has great influence on China's economic, for example, online shopping has quickly become a way of consumption which most Chinese citizen cannot be ignored. In addition, it has given rise to the era of online shopping as a new mode of rural economic development, and derived a new cluster pattern of "Taobao Village". The earliest a group of Chinese "Taobao Village" merged in 2009. According to "Taobao Village study in Chin (2014)" Alibaba Research Center released, they are three "Taobao Village" in the beginning and more than two hundred, and 19 "Taobao Town" merge in the first time in 2014. Taobao Village has become an emerging force which influence on China's rural economic development in the future, this new economic model plays an important role on the improvement of farmers' income and rural economy.

Junpu Taobao Village is one of the first 14 "Taobao Village" according to standard of Alibaba institute, which located in the xichang town, jieyang city, guangdong province , with a total area of 0.53 square kilometers, the existing 490 households and total population of 2695 people. It was a traditional food processing small villages, since 2008, someone in the village started its taobao shop, until the second half of 2013, the local government launched a package of support measures, centralized superior resources in the efforts to build an electric business, with the result of that, talents, technologies, capital, products and resources quickly gathered into Junppu Village to realize the industry docking, industrial agglomeration and product diversification. At present, there are 350 households, more than 1500 people engaged in the electricity business entrepreneurship, whose sales of main products are clothing, bike, leather goods,

electronics, hardware, toys and so on, result in more than 3000 taobao shop, more than 300 shops, more than 120 million yuan trading Volume on average every

month and 14 express companies. The development of e-commerce entrepreneurial cluster showed in Table 2.

Table 2: The development of e-commerce entrepreneurial cluster in Junpu Village

Stage of development	Budding stage	Growth stage	Mature stage
Time node	2008—2012	2012-2014	2015-
Entrepreneurial characteristics	Spontaneous; decentralized	Government guidance, collaborative	Diversified
Entrepreneurs	The youth who have working experience	Local young and middle-aged peasants	Many individuals such as college graduates and companies
Product characteristics	Single and similar products	Most of the products are clothing, toys and other products	Product diversification, branding
Entrepreneurial mechanism and function	Imperfect entrepreneurial mechanism simple imitation of copycat behavior,	Perfecting entrepreneurial mechanism	More perfect entrepreneurial mechanism
Key elements	E-commerce environment; geographical advantage	Government policy	Government policy; leader firm

Data collection

Case study data should include different sources [18], with combination of qualitative and quantitative data, so that we can guarantee the reliability and validity of research. In our research design, we mainly adopts participant observation, semi-structured

interviews and secondary data collection method to collect data based on the problems and purpose of this research (shown in table 3). In addition, we tried using the triangulation method to analyze the case through multiple data sources in order to avoid common method biases [19].

Table 3: Data collection

Data-collection methods	Collection time	Data source	Results
Participant observation	2014.11-2015.01	Government officials, business association members, entrepreneurs, and employees	Accumulate relevant material and knowledge about the situation of Junpu village's electronic commerce
Secondary data	2014.10-2015.03	Relevant government departments in Jieyang city; Ali Research; Jieyang Electronic Commerce Association; Jieyang Junpu Electronic Commerce Association; website, and news media; CNKI database	104 articles of TV, news reports, internet and other media
Semi-structured interviews	2015.01	Six typical entrepreneurs and two local government officials who responsible for e-commerce	Form the interview data by arranging interview recording; 6 inline documentation collected from internal government documents

Data encoding

This section mainly introduced how to measure the key variables and define the relationship between those variables in order increase research conclusion's validity and reliability [17]. In the process of coding, we summarized in tabular form, and then complete the whole coding process based on construct and its measurement methods. Specific encoding steps are as follows: the first step, encoded the summary case data as primary entry according to the criterion: the same meaning and meaning and similar expressions records

only for one entry; Second, encoded primary qualitative data entry as secondary entry according to the theory of analysis framework of related construct: entrepreneurial opportunities, entrepreneurial ability, entrepreneurial motivation, entrepreneurial activity; In the end, we encoded the entries as three-level coding according to variables measurement in each construct items. What we discussing above involved construct, measurement variables, and keywords during the encoding process are shown in table 4.

Table 4: description of construct, variables, and keywords

Construct	Variable measurement	Primary keywords
Entrepreneurial opportunities	Profitability of entrepreneurial opportunity	Marketing costs; profits, transmission speed; online dealing; low manufacturing cost
	Feasibility of entrepreneurial opportunities	Network infrastructure; examination and approval formalities; threshold; transportation; rent; capital
Entrepreneurial abilities	Ability of opportunity identification	Business opportunities; consciousness; innovation ability; reaction capacity
	Ability of organization	Product promotion; vendor relations; online promotion and marketing; customer service management; network organization
Entrepreneurial motivation	Self-actualization	Glory; "ambition"; future development; self-owned brand
	Social support	Preferential policy; supporting services; entrepreneurial passion; entrepreneurial atmosphere; social culture
	Living demands	Get rich; life improvement; livelihoods; expanding
Entrepreneurial activities	High ambition of entrepreneurial activity	Partnership; recruitment; innovation; opportunity; formal
	Low ambition of entrepreneurial activity	Personal investment; family-run business, imitation, simple

CASE DISCUSSION

We conduct the concrete analysis of how local government in Jieyang City support the public and eventually implement mass entrepreneurship in Junpu village according to real data we collected. Our result illustrate that there are four aspects of impact that the local government can exert on mass entrepreneurship: create entrepreneurial conditions, improve entrepreneurial abilities, inspire entrepreneurial motivations and assist entrepreneurial activities.

Local government create potential entrepreneurial condition for public entrepreneurs through the resource support. Entrepreneurial opportunity is the market demand which is not clear or the underutilized resources or ability [20]. Based on two dimensions of entrepreneurial opportunities: profitability of entrepreneurial opportunity and feasibility of entrepreneurial opportunities. On behalf of third-party

e-commerce platform, Taobao provides farmers with a low cost way to engaged in e-commerce venturing because rural e-commerce have the opportunity to directly joint with the national or global big market at a lower cost. In our study we found that local government support mainly create feasibility of entrepreneurial opportunities for potential entrepreneurs, mainly manifested in two aspects: infrastructure support and lower entrepreneurial barriers. The Internet, roads and other infrastructure construction in Junpu Village get great improvement from local government vigorously support; At the same time, local government simplify industrial and commercial registration and loan procedures for firms to reduce the entrepreneurial barriers. It just means that the government develops entrepreneurial opportunities for potential entrepreneurs is the premise and foundation of mass entrepreneurship in Junpu Village.

Local government improves entrepreneur’s entrepreneurial ability through social support. In study by Huang etc. [2], there are 78.5% of interviewee in the Junpu village are graduated from high school. This paper finds that entrepreneur’s entrepreneurial ability mainly manifested in ability of organization in the Junpu e-commerce village by encoding. The government mainly improves public entrepreneur’s ability of technical management and relationship management through providing training. Firstly, they mainly set up the youth entrepreneurship training classes or electric business elite training classes to improve the ability of entrepreneurs about technical management and online business; In addition, the local government also organizes entrepreneurs to the other place regularly for investigation in order to improve their management ability. This suggests that local government mainly in order to improve the entrepreneur's technical management ability and relationship management ability, in this way, it can quickly improve public entrepreneur’s ability of organization, which also conforms to the public’s basic requirements for electrical business entrepreneurial skills.

Local government stimulates entrepreneur’s entrepreneurial motivation through social support. Entrepreneurial motivation has three dimensions: self-actualization, social support, living demands. Through coding we find that social support and life demand rather than self-actualization is the motive for the public entrepreneurs in Junpu village, especially social support. We analyze government influence on the entrepreneur’s entrepreneurial motivation from the perspective of social support, the result shows that the government influence on entrepreneur’s social support type of entrepreneurial motivation reflected in two aspects: Firstly, the government provides all kinds of supporting services, such as, logistics, rent, Internet fee, manufacturers docking etc, it is obvious that the

government's supporting services can greatly inspire potential entrepreneur’s entrepreneurial motivation; Second, the government builds the social culture advocating entrepreneurship, in addition, they introduce the electrical business venture in Junpu village and carry forward the Junpu’s entrepreneurial spirit through all kinds of meetings and social groups.

Local government promote the public entrepreneurial activity through the social assist. There are two types of entrepreneurial activity in Junpu village: high ambition of entrepreneurial activity and low ambition of entrepreneurial activity. we found that low ambition entrepreneurial activity accounts for a large proportion in two types of entrepreneurial activity through coding. Local government mainly provide social assist for low ambition of entrepreneurial activity, which can be a key element make the public entrepreneurial activity success. There are three types of social assist which local government support on entrepreneurial activities: economic assist, service assist, social assist. First, financing predicament is a serious problem that most entrepreneurs who own entrepreneurial motivation will face up, in order to solve this problem, local government provide discount financial loans for those entrepreneurs who carry out entrepreneurial activity, which is the main way of economic assist. Second, local government set up special Start-up service Center and the Junpu Financial Service which provide one-stop service for new entrepreneurs in order to assist entrepreneurial activity; Further more, local government intensify features of Junpu Village, including village planning, social environment improved and convenient conditions created for farmers to upgrade. In all, the local government step in and launch a package of assist measures so as to promote e-business venture for great leaps during the development of e-business in Junpu Village.

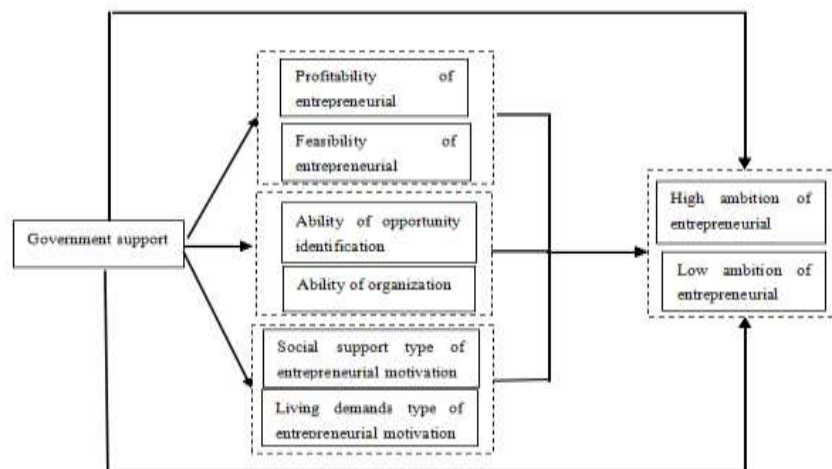


Fig. 2: The public entrepreneurial model in terms of government support

This paper put forward the public entrepreneurial model based on government support through further analysis of the induction (see figure 2). We can get that potential entrepreneur's entrepreneurial opportunities in Junpu village include profitability of entrepreneurial opportunity and feasibility of entrepreneurial opportunities. Among them, feasibility of entrepreneurial opportunity is the most important starting point, and the ability of organization is the foundation of all public entrepreneurial activity, in addition, social support type of entrepreneurial motivation inspired by government is the premise to promote more general public entrepreneurs to conduct entrepreneurial activity. The key point to promote public entrepreneurship is all support of entrepreneurial activity provided by the local government.

CONCLUSION

This paper selects Junpu Village in Jieyang City as the research object, we discuss mechanism of the public entrepreneurial activity in a e-commerce cluster, we find that local government plays a very important role on rural e-commerce entrepreneurial cluster which combine traditional entrepreneurial cluster with the e-commerce cluster. our conclusions is different from previous research, the contributions of this study lies in: Firstly, the formation and development of "Taobao Village" is unique in China under the background of economic transition, this article put forward the public e-business entrepreneurial model in terms of government support by this case study can enrich entrepreneurial mode with Chinese characteristics; Second, our research emphasize significance of transformation of rural and regional economic development in China, in this paper, we find that local government play key role in promoting the rural e-commerce; Third, this paper provides a new view to develop academic theory on innovation and entrepreneurship for academia.

Finally, in this paper, there are several limitations. First of all, this study is a single case study, if subsequent research could conduct empirical research, for example, future research can select "Taobao Village" in different provinces as cross case-study which can make conclusion more credible; The second is that this research mainly focus on analyzing mass entrepreneurship from the aspects of government support without considering entrepreneurial network relations between the public entrepreneurs and other social organizations. Therefore, future research can use questionnaire survey and other kinds of survey method to collect various data to further improve research conclusion; In the end, this study explore mass entrepreneurship is the core point during development of rural e-commerce entrepreneurial cluster, the follow-up studies can delve into the mechanism of those paths.

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