

# **Breaking into the International Jewelry Market: Legitimacy Strategies and Entrepreneurship of Hong Kong Small Businesses**

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*This article analyzes the different strategies for breaking into the international jewelry market. Although the interviews analyzed by the author revealed some of the personal traits that help to distinguish between (a) craftsman entrepreneurs characterized by their narrowness in terms of their craft, their procedural rigidity, and their incompetence in dealing with the social environment, and (b) opportunistic entrepreneurs utilizing their communication skills and educational qualifications to seek opportunities for their businesses, the author proposes that the weaknesses of craftsman entrepreneurship can be overcome by the acquisition of various sources of cultural capital which allow entrepreneurs to deploy different legitimacy strategies in different market niches. By using narrative analysis, the author shows that entrepreneurial strategies can be varied and context-dependent in such entrepreneurial value creation of legitimacy building by deploying a combination of different forms of cultural capital in order to maximize the chances of success in business venturing.*

## **INTRODUCTION: A GROUNDED THEORY PERSPECTIVE**

It was not my original intention to study small business and entrepreneurship. I was participating in a research project in which the founders of 20 successful firms were interviewed as a part of the project's data collection process. This research project was turned into a report in order to recommend the best production practices and design strategies for the Hong Kong jewelry industry (Hong Kong Jewellery Manufacturers' Association, 2010). However, believing that the qualitative data from the project could be utilized to make further contributions to the academic field and adopting a grounded theory approach (Glaser and Strauss, 1967), I read through the transcripts of 20 interviews (more than 900 pages in Chinese) using axial coding. These transcripts recorded the lives of the founders of the 20 successful firms (in most cases, family business owners) and the struggles they had experienced in seeking to establish themselves as credible and legitimate newcomers in the international jewelry merchandise market and as credible business people in the eyes of their trading partners (Aldrich and Fiol, 1994, p. 651; Aldrich and Baker, 2001; Lounsbury and Glynn, 2001). Given the general characteristics of these family-owned, small-sized firms with under 100 employees and their organizational constraints in terms of internal resources and the issues related to asset inheritance

in Chinese family businesses (SL Wong, 1988; Carney, 2007; Carney and Gedajlovic, 2003; Yeung, 2000b), these founders did not mention anything in their interviews about things they had deliberately done to enter a foreign market, but they had done so successfully by using what they had learned from their international trading partners about fitting in with the required expectations of the markets. In other words, legitimacy building by newcomers to an industry does not require deliberate intentions and planning, but rather the daily use of practices embedded in a complex of social institutions and interpersonal relations (de Clercq and Voronov, 2009: 396; see also Gravenotter, 1973, 1985; Lounsbury, 1998; Lounsbury and Glynn, 2001).

After examining the transcripts, I conducted a review of the literature on Chinese entrepreneurship. A vast amount of studies have been conducted on the social structures that shape entrepreneurial activities (R Wong, 2009). These studies have articulated how Chinese family business organizations can respond to changing international business environments (Redding, 1990; Whitley, 1992; Whitley, 1999; Yeung, 1998; Yeung, 2000a; Yeung, 2000b; Yeung, 2000c; Yeung and Olds, 2000; Yeung, 2002; Yeung, 2004), stressing production flexibility, opportunity seeking, and guerilla tactics as the features small-scale enterprises must have in order to be highly adaptable to changing buyer-driven markets (Sit and SL Wong, 1989; Yu, 1998) and highlighting the class issues in the professional versus manual sectors of Hong Kong migrant populations in the West (SL Wong and Salaff, 1998). However, none of these studies have dealt with the issue of entrepreneurship at the startup of a Chinese small business in terms of creating new organizations and new ventures (Aldrich, 1979), nor have they addressed any business startup issues with respect to the theoretical propositions of family organizations and business systems in the larger context of international organizations and global finance.

Perhaps the social characteristics of the founders of these 20 firms can offer hints regarding this understudied issue of startup in relation to Chinese entrepreneurship. With the exception of four interviewees who had finished their undergraduate studies before entering the international jewelry merchandise trade, all of the other founders were people in their forties to sixties who never finished their primary or secondary school studies. This characteristic is consistent with the findings of mobility studies of Hong Kong's new middle class, whose members opt for professional occupations, and those in the first post Second World War generation who were less successful in their education and chose petty entrepreneurship as their future career path (Lui and Wong, 1994; Lui, 2003, p. 170). After browsing various areas of the research on entrepreneurship, I found that the bipolar types of entrepreneurship, craftsman versus opportunistic, first coined by Smith (1967) were sensitizing concepts which identified the overall research problems in my study by providing a general direction for analyzing the empirical data and starting points for developing my frame of analysis (Blumer, 1952; Charmaz, 2003, p. 259). Smith and Miner (1983, p. 326) summarized these types of entrepreneurship as follows:

Smith (1967) indicated that different types of entrepreneurs could be isolated. One such type is the craftsman entrepreneur characterized by narrowness in education and training, low social awareness and involvement, a feeling of incompetence in dealing with the social environment, and a limited time orientation. In contrast, opportunistic entrepreneurs exhibited breadth in education and training, high social awareness and involvement, confidence in their ability to deal with the social environment, and an awareness of, and orientation to, the future. The more the individual fitted the craftsman model, the greater the likelihood that the firm itself would be rigid in nature; the greater the degree of fit with the opportunistic

model, the more probable it was that the firm would be changing and adaptive. Smith (1967) concludes that the more opportunistic the entrepreneur, and the more adaptive the firm, the greater the likelihood that the entrepreneur will bring the company on through the initial phases of the life cycle to aggrandizement.

In my opinion, there are two theoretical problems with the use of the typical and opposing traits of the opportunist and the craftsman to explain entrepreneurship found in current scholarship. Firstly, it suggests a rooted but unstated presumption of a simple, hierarchical, and bureaucratic organization in which there are different types of managed personalities, changed as designated by the organization itself in an authoritative manner, not men with a calling who make the organization change; Smith and Miner presumed that there is only one form of bureaucratic organization, ignoring other forms of organization such as “isotopic institutionalism” (DiMaggio and Powell, 1983), heterarchy (Stark, 2001), managerial discourse and soft capitalism (Thrift, 1997), and network organizations and space of flows (Castells, 1997). This presumption denies any human potential to create new organizations under different sets of entrepreneurial experiences and settings with different types of individuals (Gartner, 2008; cf. Verpes, 1980). Secondly, I join the chorus with Gartner (1989, 2004), who protested the fallibility of studying entrepreneurs in terms of personal traits; Gartner argued that addressing the question “Who is the entrepreneur?” is the wrong question to ask in researching entrepreneurship in terms of the exact doing and sense-making found in a sequence of narrated events of the successes, failures, and decisions of entrepreneurs that cannot be recorded, analyzed, and generalized in a statistical model.

However, the descriptions of these two opposing traits do have some value in relation to explicating the social backgrounds of my interviewees. Fifteen of these interviewees had gone through some basic or advanced training in jewelry craft and gemology without undertaking any further higher education. Due to their limited education, two or three of the interviewees with this background had difficulty narrating their exact entrepreneurial experiences. However, they were well aware that their limited education was an impediment to future business growth, and consequently they employed credible professionals in the areas of financial control and knowledge management (interview transcript, 17 June 2009) or sent their sons or daughters to recognized business schools to acquire more management knowledge and widen their business venture networks (interview transcripts, 27 July 2009; see also Yeung, 2000c, pp. 99-100). In the cases of entrepreneurship in the international jewelry merchandise market I studied, the question was not one of replacing one type of entrepreneur with different types of entrepreneurs in order to adapt to organizational changes; rather, these cases showed firms making different strategic responses to market changes through the division of labor into different sectors of professional expertise. In other words, both craftsman and opportunistic entrepreneurs coexist, but they are under the management of family-owned businesses, which are quite common within Hong Kong small business (Sit and SL Wong, 1989). In a nutshell, there are so many different ways to approach new business ventures, and the calculation of risk in these ventures depends on the experiences, educational attainments, and personal skills required to legitimate an entrepreneur which lead to him or her being trusted by potential partners in a market that he or she is entering for the first time. The key issue when entering a new market is how an entrepreneur acquires and deploys different forms of cultural capital (Bourdieu, 1977; Bourdieu, 1990; Robbins, 2000, pp. 33-37) that will increase the chances of success in such business ventures. In other words, craftsmanship is part of the success story, but what entrepreneurs in the jewelry merchandise

market have to do to succeed is to venture into new markets, learn new rules, and legitimize their position as credible newcomers by demonstrating their skills and competences. In this study, I discovered how my interviewed entrepreneurs (1) built their legitimacy during the startup phase of their businesses (O'Connor, 2004, p. 105; Aldrich and Baker, 2001) and (2) deployed different forms of cultural capital in their sense-making process (Aldrich and Fiol, 1994, p. 666; O'Connor, 2004: 105; Gartner, 2008, p. 11; de Clercq and Voronov, 2009).

This paper is organized as follows: (1) a methodological section on narrative that guides my analysis; (2) a literature review on cultural capital related to the context of entrepreneurial legitimacy; (3) my analysis of the interviewees' life stories which demonstrates the crucial importance of cultural capital in establishing their position as credible business people (e.g. buying products and generating profits by deploying different forms of this type of capital); and (4) the conclusion.

## **METHODOLOGY**

As no prior research has been conducted on Hong Kong jewelry firms, convenience sampling was used in this study. The 20 in-depth interview cases were selected purposively and their contents compared in order to represent the diversity of Hong Kong's jewelry merchandizing firms, in terms of their size, production, and overseas clients, and to provide information-rich cases (Patton, 1990, p.169) and maximum variety of sampling (Morse, 1995) for the unstructured interviews. Each case represented a unique profile of a jewelry merchandise business. The interviewers asked for detailed descriptions of the business development of each firm from its startup and looked for indications of any events or stages that were significant in the firm's business path in terms of successes, drawbacks, and failures. Among the 20 cases of Hong Kong jewelry merchandise businesses, only two employed CEOs with no apparent family connections to the owners; in the other 18 firms, the chief executives were also the owners. All of the firms, which were recommended by the Hong Kong Jewellery Manufacturers' Association, had been engaged in jewelry merchandising for more than 15 years, establishing their reputations by word of mouth; the interviewees themselves had been engaged in jewelry merchandising for more than 20 years. Surprisingly, one of the firms did not possess any features of Chinese management: it positioned itself as a luxury fashion jewelry consultancy and design company, and it had a female boss, a deviation from the norm of male-dominated family businesses in Hong Kong.

The aim of a life story interview is the co-construction of narrative and meaning by a researcher and an interviewee, thus rendering events and experiences from the life story meaningful to both (Mishler, 1986; Riessman, 2008, p. 23; see also Larty and Hamilton, 2011, p. 225). In this study, the unstructured interviews were designed to allow the selected interviewees to tell their life stories of entrepreneurship in the international jewelry merchandise business. Although most of the talking was done by the interviewees, the researchers sometimes prompted some interviewees and helped them to express themselves more clearly; in other words, each life story was a co-constructed narrative between the researcher and his or her interviewee (Czarniawska, 2004; Essers, 2009; Larty and Hamilton, 2011, pp 224-225). All of the interviews, which varied in length from 2 to 3.5 hours, were recorded and transcribed and then coded to protect the identities of the interviewees.

In studying narration of these entrepreneurs of international jewelry merchandise, I consider that the life story has its practical values, such as projecting emerging organizations imagined by an entrepreneur into possible states of future existence (Gartner et al., 1992, p. 17). Rather than

taking a subjective or “prosaic” approach that charts different narrative strategies in relation to different entrepreneurial identities for the purpose of further action (Steyaerd, 2004; Foss, 2004), I took my interviewees’ narratives to be accounts of real situations (O’Connor, 2004) in which they, as entrepreneurs, engaged in way-finding activities. Such activities, as strategic responses to the social reality which is imposed upon entrepreneurs *in situ* as a social construction of entrepreneurial practices, create possible access channels to new markets in which entrepreneurs are situated (de Clercq and Voronov, 2009, p. 397). Therefore, the power of narratives here detects different way-finding strategies by deploying different combinations of forms of cultural capital, not only the types dubbed as craftsmen or opportunists but also different kinds of people within their social settings (Gartner, 2008, p. 359; Gartner, 2010, p. 8), and thus the weaknesses of craftsman entrepreneurship conceptualized by Smith (1967) can be tackled.

## **CULTURAL CAPITAL, LEGITIMACY BUILDING, AND BUSINESS VENTURING**

With regard to the issue of legitimacy building, the focus of current entrepreneurial studies concerns the problems newcomers to a market face in trying to secure buy-ins to ventures due to the fact that their newness may present liability risks to others (Schoonhoven and Romanelli, 2001, p. 389). This issue of risk is also related to the issue of trusting newcomers in different cultural and institutional contexts (cf. Fukuyama, 1995, pp. 62-67). Aldrich and Fiol (1994, p. 647) succinctly defined this situation of conducting transactions with newcomers as ‘entirely new activities [that], by definition, lack the familiarity and the credibility that constitute the fundamental basis of interaction.’

To solve this problem of the lack of familiarity and credibility, a newcomer establishes his or her legitimacy, following the advice of Suchman (1995, p. 574), by following and adapting the actions that are deemed to be ‘desirable, proper, or appropriate within some socially constructed systems of norms, values and beliefs, and definition.’ Suchman (1995, p. 578) defined three types of legitimacy: pragmatic or exchange legitimacy in the pursuit of self-interest; moral legitimacy (i.e. what is deemed to be right and proper); and cognitive legitimacy (the tacit, cultural, and collective rules that govern entrepreneurial behaviors). Researchers later modified Suchman’s classification of legitimacy and added the terms “pragmatic legitimacy,” which means the organizational learning of these tacit, cultural, and collective rules, and “sociopolitical legitimacy,” which refers to moral sanctions on and positive reinforcements of entrepreneur behaviors in the body politic (Aldrich and Fiol, 1994; Aldrich and Baker, 2001; see also O’Connor, 2004, p. 107). However, the majority of the research on legitimacy building has concentrated on the verbal negotiations and agreements made by business owners and other key persons in particular industrial sectors in order to establish credibility, and not much research has been done on what entrepreneurs say about doing what and for whom *in situ* and in connection with the process of legitimacy building (O’Connor, 2004, p. 108; see also Rao, 2001; Rindova and Fombrun, 2001).

In relation to entrepreneurship and legitimacy building of a newcomer venturing into a new market, De Clercq and Voronov (2009, p. 403) then identified three forms of cultural capital that enable a newcomer to adopt the “entrepreneurial habitus” perceived as the qualification required for fitting into the market field: objectified, institutionalized, and embodied capital. Embodied capital (or incorporated capital, Robbins, 2000, p. 35) refers to the habitual, cultural dispositions of an actor that are biologically transmitted like sign languages and bodily practices. Objectified forms of capital (or objectivated capital, Robbins, 2000, p. 35) are the dress codes, cultural

consumption of objects, and etiquettes an individual possesses and displays which indicate his or her social status (Bourdieu, 1984; Robbins, 2000, p. 35). Institutionalized capital is acquired by gaining the educational qualifications that determine a person's cultural legitimacy and qualifies him or her to appropriate preferences and tastes for cultural goods; in other words, a person's investment in his or her education may, as a result of his or her elite status being recognized, enable him or her to gain or pursue his or her economic interests through the acquisition of cultural capital by means of individual selections of goods in objectified forms (Bourdieu and Passeron, 1977, pp. 71-106; Bourdieu, 1984; Robbins, 2000, pp. 33-34). A derivative of institutionalized cultural capital is symbolic capital. One form of symbolic capital that gives a person legitimate status is the acquisition and mastery of the elaborate language codes (Bernstein 2003) of the elites, the cream of society who disregard other language codes representing the total interests of society that are imposed upon other factions in society (Bourdieu, 1991; Robbins, 2000, p. 36). Also, in the elitist language game involving these elaborate codes, an individual's mastery of the codes legitimizes the interpretations and perceptions he or she proffers in conversations with other partners in this game (Calhoun, 2003).

The premise of cultural capital, in stark contrast with *Das Kapital*, explains how an actor in a particular field acquires social and symbolic forms of ideas and cultural practices and converts them into material interests and capital accumulation. Such a premise originates from Bourdieu's fieldwork in the 1970s with the Kabyles in Algeria, a tribe in which kinsmen protected the honor their families had accumulated by offering and exchanging gifts and counter-gifts when proposing marriages (Bourdieu, 1977, pp. 3-71). However, Bourdieu extended the concept of cultural capital, not confining it to any individual investment in educational or cultural capital that is converted into the material forms of economic gains and interests, but extending it to cover investments made in order to build extended social networks to acquire such gains and interests (Robbins, 2000, pp. 36-37). I emphasize this premise mainly because in relation to my interviewed narratives, the acquisition of education qualifications is the prerequisite of all of the forms of cultural capital that de Clercq and Voronov omitted (I shall criticize this point in my conclusion). I should state the premise of cultural capital clearly here: with the prerequisite of acquiring educational qualifications, all acquisitions of the three forms of cultural capital point to the making of symbolic investments for both symbolic and material gain through accessing various social networks; even legitimacy building in business ventures can be seen as a "symbolic investment." Bourdieu's cultural capital reworks Smith's (1967) types of entrepreneurs and redefines my research question: an entrepreneur's method of building legitimacy is not predetermined by personal traits, but attained by the accumulation of cultural capital that is conducive to the accumulation of his or her symbolic capital. The accumulation of symbolic capital enables entrepreneurs to enter different networks of social bonds for opportunity seeking and legitimacy building through organizational learning. In other words, such theorizing destroys the discrete categories of craftsmen and opportunists conceptualized by Smith: every craftsman can be an opportunist on his or her path to acquiring cultural capital. In the next section, I analyze the different stories of my interviewees; with reference to the different organizational environments of different market niches, these stories show that different ways of acquiring cultural capital play a key role in establishing entrepreneurial legitimacy.

## NARRATING LEGITIMACY BUILDING STRATEGIES & ENTREPRENEURSHIP

Notwithstanding Bourdieu's premise on the use of symbolic investment and individual capital formation with the aim of entering and expanding networks of social bonds, the Chinese have a parallel network called the art of social relations, or *guanxi* in Mandarin (Yang, 1994). A Chinese person attains personal and material gains by offering gifts to or doing favors for other people with whom he or she has recognized and close relations, such as friends, superiors, and relatives, regardless of their educational qualifications. However, this increases the personal indebtedness (*zhenrenqing*) of the recipients of such gifts and favors: the Chinese ask for reciprocal returns or repayments; there are no time limits or constraints on the terms of this reciprocity, and a recipient who is revealed to have failed to fulfill the repayment a giver has asked for will be subject to social estrangement (Yang, 1994, pp. 126-145). Such an asymmetrical arrangement between the giver and the recipient runs contrary to the balance between the benefactors and the obligations distributed fairly amongst the parties in a contract arbitrated or litigated by the courts. In relation to this asymmetrical arrangement, Fei Xiao-tong once wrote that Chinese social networks developed by family and kin constitute a society without litigation – a concept of justice that restrains unbridled self-interest and defines moral obligations (Fei, 1992, pp. 101-107) and retains this asymmetrical arrangement unchecked. This particular characteristic of *guanxi* explicates exactly what Granovetter (2000, p. 258) called the right balance between coupling and decoupling in Chinese kinship networks that prevents excessive claims for reciprocal returns by relatives and friends.

Therefore, the fact that, in the current literature of Western scholars, organizational learning is taken for granted as being part of legitimacy building poses a particular problem for the Chinese. Given their constructed habitus of *guanxi*, the Chinese know nothing about, nor can they come to terms with, rule following; they cannot even accept the Western concept of moral legitimacy building. This habitus of *guanxi* can be seen as a negative social capital related to social networks that are regarded as networks or organizational resources that can only be accessed by a few privileged members. In this regard, other members and non-members are thus deprived of opportunities for “entrepreneurial accumulation” (Portes, 1998, p. 16). This negative aspect of Chinese social networking is reinforced by regionalism and consanguinity (Fei, 1992, pp. 120-127), and it encourages some entrepreneurs to dissociate themselves from these networks through different means of organizational learning in other non-Chinese networks. Lack of educational qualifications is still obviously a barrier, and those who cannot obtain such qualifications will not escape from the dominant web of *guanxi* in the Chinese business environment. Below, I present the story of a founder without sufficient cultural capital who had merely followed the Chinese way of running business.

### Story 1: The Humble Life of a Chinese Craftsman

During the interview, this founder stated that he was planning to retire the following year. He lost his opportunities to gain a good education as a result of World War Two, and he joined an ivory craftsmen's guild in the 1950s having had no formal education, something he has never sought to rectify. He made his living selling and trading in ivory products until 1979, the year that the Convention on International Trade in Endangered Species came into effect. He then switched his product lines and produced jewelry and small souvenirs.

He did not have much to say about his business strategy, but he took a rather conservative approach, always minimizing any transaction risks whenever he perceived his trading partners to

be unscrupulous or adopting dubious behaviors. What worried him most was his son's competence to take up the family business. His son, not very bright in terms of educational attainment, had failed to establish a market position in another product line and, together with his younger brother, had folded the company, which his father has invested in at the startup phase. Talking about his son's failures, he became flustered and stated that he did not know how to go on.

Although the character of the interviewee fitted the description of the craftsman type described by Smith (1967), I considered his story to be a negative case or an exception that did not fit in with my explication of the acquisition of cultural capital and its relationship to legitimacy building. However, this story was helpful to me as I was able to make constant comparisons between it and the other interviewees' stories and thus increase the credibility of the general theoretical model (Lincoln and Guba, 1985; Pidgeon, 1996, pp. 77-78). In my comparisons, the trap that this story illustrated was the lack of opportunities in a family business to acquire the education qualifications that would enable an entrepreneur-to-be to acquire cultural capital by means of formal education or on-the-job training. Below, I present a second story, which represents a contrasting case to the first one, of a father and his son describing their stories of entrepreneurship.

### **Story 2: The House of Rothschild**

The founder of this firm had received a primary level education. He then did an apprenticeship to train as a goldsmith and gem setter because a person "could make quick money" in these trades. Considering his very humble educational background, he recognized that "the valuable jewelry merchandising experience [he] had gained had demanded a long-term commitment and step-by-step learning," and he admitted that the low level of education common among craftspeople in the Hong Kong jewelry industry was a constraint in terms of gaining access to the international jewelry merchandise market.

In order to cast off this constraint, he had saved a large sum of money and had sent his son to a prestigious private university in South California to obtain a Bachelor's Degree in Business Administration in 1996. In the interview, his son indicated that he had learned a lot about the entrepreneurial spirit and business creativity through both the formal and informal education he had received at university, including that from members of his peer groups, who had emphasized the importance of fair competition and personal success. He believed that he had adapted well to the American way of life and thinking – straightforward and honest. He was now conducting the international jewelry merchandising part of his father's business; for most of the year, he resides either in Los Angeles or New York in order to maintain frequent contact with merchandisers, the majority of whom are Jews. He recounted one occasion when he dealt with his Jewish counterparts: He was a complete novice and inexperienced and was at a disadvantage when negotiating prices and terms with his Jewish counterparts. Seeing his weak negotiating skills, some of the Jewish merchandisers taught him how to do better next time. When the interviewers prompted him to say more about the tricks of the trade in negotiating with Jewish merchandisers, he did not give any details but attributed his successful acquisition of these tricks to his "baby face," because his face was like Winnie the Pooh. Hearing his son talking about the Jewish merchandisers, the father grinned with satisfaction; the son paused for a while, looked back at his father's face, and they both smiled.

Story 2 illustrates a common phenomenon in Chinese business called "the House of Rothschild" strategy (Weidenbaum and Hughes, 1996, pp. 4-5; Yeung, 2000c, p. 86), where

Chinese business firms internationalize their operations using family, language, and ethnic ties; in Story 2, the family CEO was stationed in Hong Kong and his son in Los Angeles and New York. In Story 2, the key to success in legitimacy building was the symbolic capital the son gained by presenting himself as a genuine and scrupulous person when making deals with Jewish merchandisers. The smiles of father and son indicated that this strategy was deemed to be successful.

Perhaps cultural capital can be acquired by means other than having a formal college education. Stories 3 and 4 show how cultural capital can be acquired and accumulated without formal education.

### **Story 3: “Sweetheart”**

This story was that of the only woman among the 20 case studies. Beginning her story of her business ventures, she remembered how, as a young girl, she liked daydreaming and drawing a great deal. After finishing her high school education, she aspired to be a jewelry designer and learned a great deal from craftspeople and senior designers, both local and foreign. Nonetheless, she realized that acquiring jewelry craft and design skills would never fulfill her career ambitions, and she began to see her career development in broader terms. In the early 1980s, she made the acquaintance of several Indian jewelry traders who later became her bosses or partners, and she accompanied them on their travels around the world. Her role was to provide personalized designs using very precious jewels. She dealt with the cream of society in New York, Las Vegas, and Hollywood and learned all the know-how required to deal with her clients, who were public celebrities.

Addressing the key to her success, she expressed her gratitude toward the Indian jewelry traders for teaching her and providing her with ample opportunities to experience the fantastic world of the international jewelry trade, something which would not have been possible had she stayed in Hong Kong. She believed that she had learned two very important things: (1) the need to work hard and to listen to the details of the task specifications given by her bosses and clients and (2) the importance of being good-natured, honest, and modest in order to build up interpersonal trust. Moreover, she learned that impression management is a must when dealing with clients courting public attention and acquiring celebrity status. She stated that dressing glamorously and talking courteously were essential when serving celebrities and added that failing to do these things would convince these clients that “you do not have good taste and you are not qualified to make a jewelry piece for them.” In other words, maintaining good relations with clients under such circumstances was more important than designing fabulous jewelry that conformed to the bandwagon of what was trendy and in good taste, as defined by her clients as the elites of cultural tastes. Thanks to her model body (for which she thanked her mother), she easily learned how to dress glamorously. Her case therefore exemplified the acquisition of an embodied form of cultural capital that legitimizes a newcomer in the niche market of public celebrity jewelry.

### **Story 4: “Lawrence in Arabia”**

The last story of entrepreneurship I present demonstrates the multiple networks, including governments and multinational agents, from which this person had drawn resources to start up his business. Starting as a school dropout with an insatiable desire to learn practical knowledge, he became the head foreman of a local garment producer in order to learn the basics of production techniques and invoicing. He then became very dissatisfied with the production

environment and the limited stock of knowledge in this firm. After quitting his job in the garment factory, he learned accounting and company documentation and became the company secretary of a large Chinese enterprise. It seemed that at this stage of his life, he might have continued his career in this enterprise given Hong Kong's economic takeoff in the late 1970s.

However, given his disposition for taking risks rather than climbing up the social ladder by doing a 9 to 5 routine job, he switched to a British corporation and did accounting and supply management on a project with the United States military services in the Middle East. Due to the unstable political conditions in this area, not all Hong Kong workers were prepared to work there permanently. Later on, the buildings constructed as part of the project he was involved in were destroyed as hostile forces bombed the whole construction area when he was living in another building several hundred yards away.

It seems that in such severe and dangerous conditions, almost all of his colleagues fled, but he chose to stay. He made connections with Arabs and, with the help of Commonwealth VIPs, ventured into the local retail market by extracting insider information from his British networks and utilizing a list of reliable Arab business partners provided by the British connections in his network. Meanwhile, his business start-up was financed by a well-known British global bank. However, doing business with Arabs in real scenarios was not a risk-free activity. He sold "Bruce Lee style" black rubber shoes, but the Arab authorities confiscated all of his goods because of a rumor that there were marks resembling the name "Allah" on the soles of these shoes. Just as he was experiencing several failures with regard to his short-term partnerships with Arabs, he became aware of opportunities to sell Chinese souvenirs and "exotic" Oriental-style ethnic jewelry to the Arabs as symbols of wealth and status, and his business became successful. As his business had expanded in Dubai and he had recently been negotiating a million-dollar deal with a retailing network in Turkey, he kept in close and frequent contact with the head of the British global bank in Hong Kong that initially helped him, and he had also accepted an official appointment as an honorary ambassador for an Arab state, while at the same time maintaining his business as a family organization. Last but not least, in contrast to the conventional practices of most Chinese traditional traders, who concentrate primarily on making deals, short-term trading, and speculating on the price of commodities (in the cases of my other interviewees, gems and diamonds) (Chu and McMurray, 1993), he stressed the importance of fair play in business negotiations and deal making, something he had learned from the British, in paving his business' path to success.

In contrast with Interviewee 3, who focused on gaining access to a niche in the international jewelry merchandise market (i.e. public celebrities), Interviewee 4 extended the power of his business venturing by making use not only of interpersonal networks, but also multinational networks. His story fits in with Kirzner's (1973) definition of entrepreneurs as individuals who explore opportunities, draw on material resources that might not be owned by them, and later redeploy these resources to attain their economic goals and entrepreneurial ambitions. However, the key question the interviewers asked with regard to legitimacy building was how Interviewee 4 gained access to different British officials and to the bankers in the global British bank. He answered this question, surprisingly, by showing a number of photographed documents, organization charts, and personal curriculum vitae that were stored, he claimed, in thousands of images on his mobile phone. In other words, he adopted the British practice of clear documentation and made the British believe that he was a resilient and reliable person who they could trust without question. In analyzing his case, I found that his practices demonstrated his deployment of cultural capital in all its forms: keeping his documents and curriculum vitae

authentic and up to date (embodied and objectified forms), keeping them in the appropriate formats that he had learned from his training in accounting, and having frequent meetings with British expatriates (institutionalized form). Table 1 summarizes my comparisons of these stories in terms of the different deployments of cultural capital in attaining different types of legitimacy building (Suchman, 1995; Aldrich and Fiol, 1994; Aldrich and Baker, 2001; see also O'Connor, 2004, p. 107) which are conditioned by the different organizational environments in the international jewelry merchandise market.

**TABLE 1**  
**A COMPARISON OF THE DEPLOYMENT OF CULTURAL CAPITAL, LEGITIMACY BUILDING, & DIFFERENT MARKETS IN THE INTERNATIONAL JEWELRY MERCHANDISE MARKET**

	Education (Formal/Informal)	International Jewelry Merchandise Markets	Deployment of Cultural Capital as a Means of Legitimacy Building	Type of Legitimacy Building	Reference to Types of Entrepreneurship
Story 1 (negative case)	Nil	Not specified (partly because of the flustered narration of the founder)	Nil	Nil	Nil
Story 2	Formal: college degree (obtained by the son)	US merchandising markets mainly controlled by Jewish merchandisers	Formal college education in US suggested that the son was a trustworthy newcomer (symbolic capital); son's "baby face" (symbolic capital)	Pragmatic or Exchange (Suchman, 1995)	The House of Rothschild (the Jewish bankers who financed the British Empire in the 18 <sup>th</sup> century; see Weidenbaum and Hughes, 1996)
Story 3	Informal (mentors of the trade)	Niche market of public celebrity jewelry	Dressing glamorously (embodied and objectified cultural capital); speaking courteously (symbolic capital); keeping body in good shape (embodied capital)	Cognitive (Aldrich and Fiol, 1994; Aldrich and Baker, 2001)	Nil

Story 4	Formal and Informal (Company secretary; accounting qualifications; knowledge of inside business practices of British business organizations)	Regional markets in the Middle East, with a special emphasis on ethnic jewelry	Maintaining networks with British VIPs (symbolic capital); keeping good documentation in relation to personal history (institutionalized, embodied, and objectified cultural capital)	Cognitive and Socio-political (with an emphasis on the Commonwealth); Moral (with an emphasis on fair play: Aldrich and Fiol, 1994; Aldrich and Baker 2001)	Kirzner Model (1973)
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## CONCLUSION

As Table 1 shows, I have shown that the comparison of these four stories of entrepreneurial legitimacy, with their different degrees of success and drawbacks, by deploying a unique combination of various forms of cultural capital. The interviewees had to figure out which combination of these deployments of cultural capital maximize their chances of opportunity-seeking and legitimacy building of a market niche, which is context-dependent in terms of approaching different settings of business networks. Unlike established Chinese family organizations which operate internationally using their transnational ethnic and family networks, their acquisition of overseas firms, and their ownership and control of family assets (Yeung, 2000c; Carney and Gedajlovic, 2003), Hong Kong small businesses have been prompted to respond to market changes and to access various market niches using their relatively limited family and organizational resources to support overseas acquisitions of firms and inter-firm collaborations. In my research, legitimacy building is a key aspect to understanding entrepreneurship in small businesses in Hong Kong because (a) traditional Chinese social networks have deprived such businesses access to opportunities and network resources controlled by a few privileged members and (b) organizational learning is inevitable when newcomers enter the international jewelry merchandise market, where *guanxi* no longer rules—this had resulted in culture shocks for the business founders I interviewed, all of whom had found other ways to access the merchandizing business. The four stories I analyzed confirmed what Gartner (1988, 2008, 2010; Gartner, Bird, and Starr, 1992) has always argued, namely that there is no personal trait or regression model that determines the occurrence or recurrence of a patterned set of outcomes of entrepreneurial activities and types of organizations; rather, regardless of whether they have abundant or limited resources and information for organization creation or legitimacy building, “non-entrepreneurs” can become entrepreneurs if they use these resources at opportune moments.

I argue that narratives are a useful tool for tackling what Gartner (2010, p. 10) has called for, namely using narratives to analyze and explain the intentions, actions, and situations (especially in the start-up phase) behind the many different responses and strategies of small businesses. The stories of the business founders I interviewed clearly illustrate this variety, describing the different settings in the international jewelry trade that require the use of different strategies for cultural capital deployment and the different methods of legitimacy building required to produce successful business ventures. In fact, unlike O’Connor (2004), who collected various narrations from different actors which focused on the legitimacy building and business venturing of an IT company, my comparison of these stories of jewelry merchandisers exactly shows the sense-

making of the narrators, who were also the actors in their diverse circumstances of creating entrepreneurial values and who had developed different perspectives and insights on individual creativity and entrepreneurial strategies in order to tackle the problem of legitimacy building in response to the different organizational environments in the international jewelry merchandise market. However, rather disappointingly, Gartner omitted one thing about narrative scholarship: narrative inquiry can be aligned with the traditions of qualitative inquiry to test, revise, or invalidate the existing theories in current entrepreneurial studies through careful data collection and analysis (Glasner and Strauss, 1967; Clandinin and Connelly, 2000), just as I have shown with solid empirical evidence that Bourdieu's definition of cultural capital is a radical revision of Smith's typology of the craftsman versus the opportunist, which I think is simply an academic's own vision of what the observed are doing rather than the observed telling the academic exactly what they have done. I think this reflexivity of researchers with the informants or interviewees matters most when they address the question of truthful accounts of interviewees in narrative studies of business.

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