

Social Autonomy and Economic Action:  
Expressive Social Circles in the Creation of Chinese Private  
Entrepreneurship

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# Economy and Society

- What is the relationship between economy and society?
  - Classic authors (Smith, 1976; Weber, 1920)
  - Social economists (Becker and Murphy, 2000)
  - Economic sociologists (Granovetter and Swedberg, 2001)
    - Embeddedness (Granovetter, 1985)
- Problem of embeddedness research
  - Instrumental relations
    - “Structural holes” (Burt, 1992)
  - Mixing instrumentality and sentimentality
    - Social attachment (Uzzi, 1996)
    - Identity (Podolny and Baron, 1997)
    - Friendship (Ingram and Roberts, 2000)
- Can economic actors maintain social autonomy?
  - Pitfall of lumping together instrumentality and sentimentality
  - Inherent psychic, social and cultural tensions in business friendship

# Social Autonomy

- Unintended consequences
  - Social relations constrain and enable economic action, but are independent of instrumental intentions.
    - Job search (Granovetter, 1974; 2002)
- Community ties
  - The Javanese (Dewey, 1962; Granovetter, 1998)
- Tension between economic transaction and social relations
  - Trobriand Islanders (Malinowski, 1922)
    - Barter and ceremonial gift exchange
  - Transaction between friends (DiMaggio and Louch, 1988)
- Can social autonomy facilitate economic action?
  - Autonomous expressive relations created the arguably most agentic economic action – entrepreneurship, in a major modern economy – China.
    - Expressive vs. instrumental relations

# China

- Contextual relevance
  - Social change and social theory
    - Layoff in state organizations
      - Liminality (van Gennep, 1909)
  - Emerging social autonomy
  - Booming economy largely driven by private entrepreneurship
- Expressive social circles as proxy of social autonomy
  - A social circle refers to three or more people who are close to each other
    - Distinct relational identity
    - Source of social support
  - Instrumental vs. expressive social circles
    - Conceptual distinction
    - Mental distinction in reality

# Social Autonomy in the Creation of Entrepreneurship

- When layoff happens ...
  - Endangered identity (Ashforth, 2001)
    - “Double status anxiety”
  - Frontstage audience vs. backstage audience (Goffman, 1959)
  - Importance of social groups in the Chinese culture (Hsu, 1963)
    - Problem of “structural holes” (Burt, 1992)
  - Implicit social support in Asian culture (Kim, Sherman, and Taylor, 2008)
- Prediction
  - *Expressive social circles moderate the effect of layoff on entrepreneurship. When layoffs occur, managers with at least one expressive social circle are more likely to start their own business than those who do not have such a circle.*

# Data

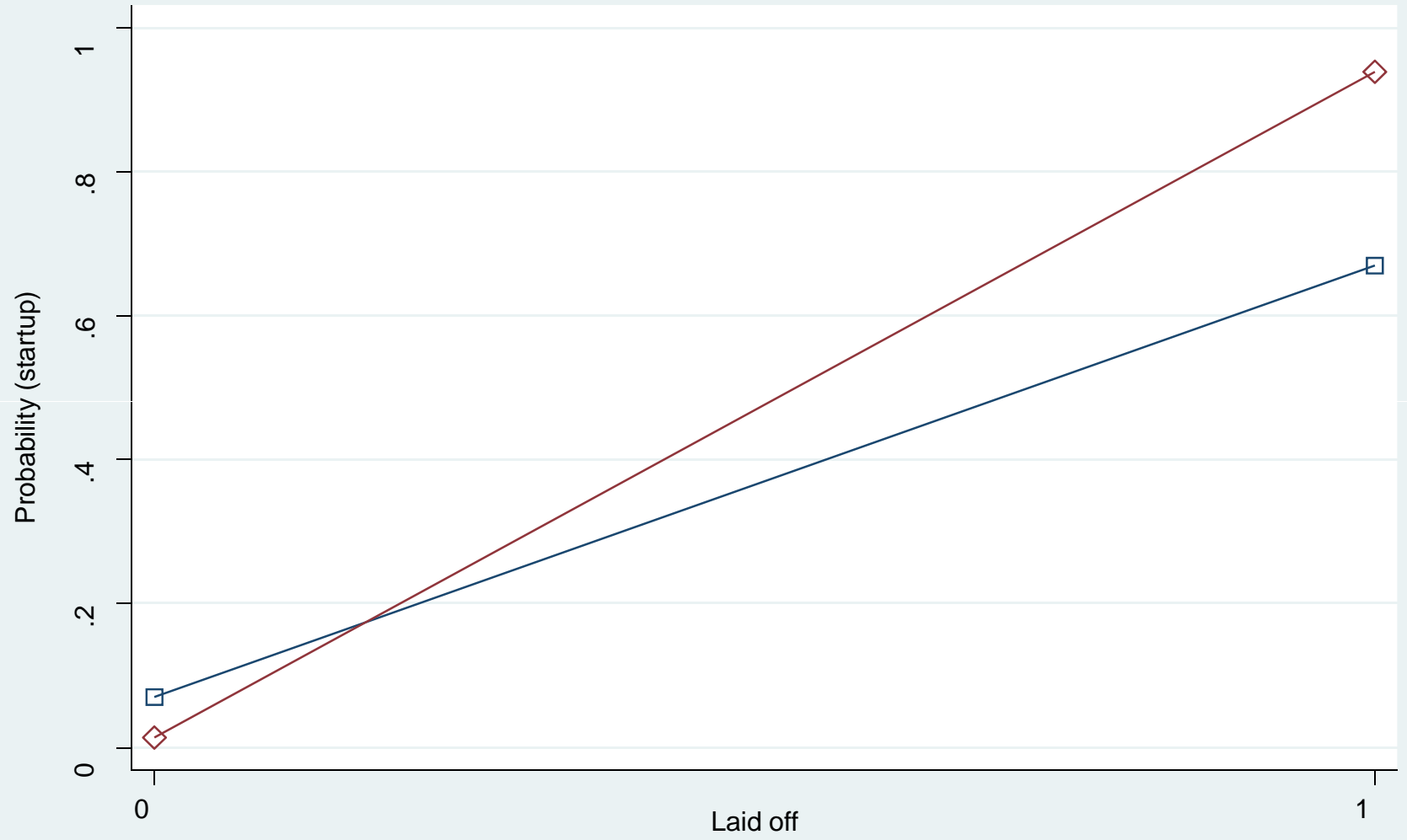
- Chinese Academy of Sciences (CAS)
  - From “One Academy, Two Systems” to “Knowledge Innovation”
    - Career blockage during turbulent organizational restructuring
- Face-to-face quantitative questionnaire interview
  - 134 general managers of CAS-owned firms in Beijing and Shanghai (2003-04)
  - Response rate = 80% (N=168)
  - Avoided the sample selection bias problem in entrepreneurship research
- Modeling
  - Logit modeling
  - Proportional hazards modeling
  - ML two-equation probit model (Greene, 2000)
- Benchmark year
  - The year prior to the reform of “Knowledge Innovation”

# Method

- Variables
  - Startup (=1)
    - Starting a private business
  - Layoff (=1)
  - Social circles
    - Business circle as instrumental relational identity (=1)
    - Non-business circle as expressive relational identity (=1)
  - “Structural holes”
    - Aggregate network constraint (Burt, 1992)
  - Network size and density
  - Controls
    - Had serious thought about start a private firm before the reform (=1)
    - Research group leader (=1)
    - Age and personal income (logged)
    - Division of basic sciences (=1)
    - CAS and non-CAS employees (both logged)
    - Number of major partners in private firms
    - Revenue (logged) and profitability (=1)

## Logit Modeling for Start a Private Business

	Model 1	Model 2	Model 3
Had the idea before the reform (=1)	.51 (.96)	.00 (1.02)	.22 (1.02)
Age	-.08* (.04)	-.12* (.05)	-.14* (.07)
Research group leader (=1)	1.21 <sup>†</sup> (.67)	1.59* (.71)	1.48* (.73)
Personal income (logged)	1.72*** (.53)	1.59** (.56)	1.73** (.60)
Basic sciences (=1)	.40 (.53)	1.17* (.58)	.74 (.51)
Number of CAS employees (logged)	-.34 (.52)	-.36 (.51)	-.39 (.55)
Number of non-CAS employees (logged)	.72** (.27)	.88** (.32)	.96** (.31)
Number of major partners in private firms (logged)	1.07** (.40)	1.59** (.55)	1.38* (.59)
Revenue (logged)	-.36 (.30)	-.36 (.32)	-.38 (.29)
Profitability (=1)	-.11 (.82)	-.27 (.82)	-.12 (.69)
Network size	-.08 (.09)	-.17 <sup>†</sup> (.10)	-.12 (.11)
Network density	.78 (.64)	.87 (.67)	.18 (.77)
Laid off (=1)	<b>4.32***</b> <b>(.62)</b>	<b>3.30***</b> <b>(.69)</b>	<b>3.56***</b> <b>(1.19)</b>
Had at least one expressive social circle (-1)		-1.66 <sup>†</sup> (.93)	-1.14 (.88)
Had at least one instrumental social circle (=1)		1.41 <sup>†</sup> (.73)	
“Structural holes” (aggregate network constraint)			1.78 (1.08)
Layoff × At least one expressive social circle		<b>3.68**</b> <b>(1.29)</b>	<b>3.25*</b> <b>(1.39)</b>
Layoff × At least one instrumental social circle		-1.16 (1.03)	
Layoff × “Structural holes”			-.59 (1.57)



—□— Did not have any expressive social circles

—◇— Had at least one expressive social circle

# Discussion

- Theoretical implications
  - Social autonomy and economic action
    - Social mechanisms are not only an “invisible hand,” but also an “*autonomous invisible hand*” regulating economic behavior.
  - Emotion and rationality
  - Social integration
    - Reintegrate economic actors in disarray back into the society.
  - Broader institutional contexts
  - Collectivistic view of entrepreneurship
    - Differential social support
    - Non-routine situations
- Avenues for future research
  - Kinship
  - Social capital in other contexts
    - US vs. China
- Genesis of economic action
  - Unintended consequence
  - Inherent need for social autonomy