

Kwansei Gakuin University
Social Sciences Review
Vol. 16, 2011
Nishinomiya, Japan

Dynamics of Personal Networks ——Cases of Private Entrepreneurs in China——

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Abstract

A strand is connected between two nodes through a JOINT POINT in personal networks. It has a SLEEP state as well as an ACTIVE state. This paper examines how a strand is connected, when do the strands of the personal networks become active, and what dynamics make the strands active, through the analysis of the personal networks of private entrepreneurs in China. It is found that all institutional organizations can serve as joint points in personal networks, and an individual starts to make the strands active when he encounters some difficulties. As for the dynamics, it is found that if spiritual solidarity takes the function of an independent variable, a strand can be made active at any time. On the other hand, in the case of substantial interest, activating a strand may be difficult, if the material benefit between the two individuals cannot be matched.

Key words: joint point, dynamics of personal networks, orientation of networking.

I. Introduction

In the last three decades, private business has developed rapidly and is becoming an important sector of the Chinese economy. At the early period of the transition to the market economy, the government maintained many restrictions related to private business activities. As a result, many entrepreneurs increasingly sought to manipulate personal networks in order to circumvent the institutional

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control. However, in many papers, personal networks in Chinese society are taken as “guanxi,” which somewhat characterizes the Chinese business. It is said that personal networks are a kind of social capital, the same as with other capital, that can benefit the business (Shaolun Huang, 2000). “Guanxi” is considered more and more important in explaining the business management culture in Chinese society. However, many academic findings about “guanxi” categorize personal networks under capital’s function in relation to economic activities. Nevertheless, “guanxi” is merely one perspective for studying the function of personal networks; it cannot explain the movement of personal networks. In this paper, personal networks are used to indicate the interdependence among individuals. According to the movement of different variables, the behavior of interdependence will change in different directions. At present, very few studies have examined the dynamic state of personal networks; therefore, this paper attempts to clarify the dynamic state of personal networks through the analysis of the private entrepreneurs’ behaviors of dependence at the start point and the process of development of their businesses in the early period of transition to the market economy in China.

The data used in this paper are based on the survey conducted by an international research group funded by the Japanese Education Ministry from 1997 to 1999. The survey was a questionnaire survey on private behaviors of dependence; further interview surveys were conducted with some private entrepreneurs, as well as trade associations and government agencies related to private business in Hebei, Zhejiang, Jiangxi, and Shansi provinces. The questionnaire survey provided data sets on 1,947 private entrepreneurs, whereas the interview survey provided detailed information on 67 cases.

In this paper, I attempt to get a better understanding of the dynamics of personal networks—by first proposing some fundamental concepts of personal networks, and secondly by analyzing the entrepreneurs’ behaviors of dependence during the process of establishing and developing their businesses—so as to be able to answer the following questions.

1. What is the characteristic of the behaviors of dependence of private entrepreneurs in China?
2. When do the strands of the personal networks become active?
3. What are the dynamics that make the strands active?

II. Fundamental Concepts of Personal Networks

2. 1. Strands

The social context for an individual’s behavior has two dimensions of a vertical society and a horizontal society. The former is rather institutionalized and group-

oriented, and the latter is more voluntary and individual-oriented. The movement of personal networks can be hypothesized more actively in the latter one.

In personal networks, an individual is defined as a NOTE (Mitchell, J. C. 1969), and the tie that connects two notes is conceptualized as a STRAND which indicate the relation between the two notes (Boissevain. J. 1974). Numerous notes connected with each other through strands form the personal networks of individuals.

In this paper, a strand can be considered as a PASSAGE between two notes, through which the information can be sent from one note to the other; hence, it is very meaningful to look at how many strands an individual possesses and with whom he is stranded. Generally speaking, an individual has two kinds of strands with others. One is the ascribed and the other is the achieved. The former refers to the strands connected through kinship groups, whereas the latter refers to strands connected through all others except kinship group members. Only through collective activities can an individual form his achieved strands with others. In this sense, all the institutionalized groups or organizations can play a role as a JOINT POINT to enable plural notes to strand each other. Accordingly, it can be said that information sent between individuals through the strands can flow easily over the boundary of an institutionalized group or an organization. It can be hypothesized that with the access to a joint point, every individual can have an equal opportunity to strand with others; however, the numbers of the strands an individual can acquire differ with his social attributes, such as race, age, sex, religion, education, social status, financial situation, etc.

In order to understand the movement of a strand, I propose a pair of concepts, that of SLEEP and ACTIVE states. A strand has a SLEEP state as well as an ACTIVE state. When a strand falls into a sleep state, information cannot be sent between the two individuals. Only when a strand is in an active state can information flow between individuals. Therefore, the quantity of the strands that can be put into active state and the quality of the information flowing through the strands will greatly influence an individual's social behavior. The more strands he can put into active state, the more necessary information he will have access to, and the more possibility he has of overcoming the institutional restriction and behaving more voluntarily. Therefore, in personal networks studies, it is much more important to grasp the active state of the strands rather than the mere numbers of the strands.

In the movement of personal networks, the active state of a strand is more meaningful. Therefore, we have to clarify what makes a strand active. I conceptualize the energy that makes a strand active as DYNAMICS: dynamics is generated by a consensus between the two individuals. The consensus might be influenced by two variables of spiritual solidarity and substantial interest. Spiritual

solidarity means, here, the interdependence based on ideas and values, whereas substantial interest means rewardable and interchangeable relations based on the materialistic benefits (Lixing Chen, 1994, Kokusai Syoin.). Nevertheless, the two variables generally exist simultaneously and cannot be dealt with separately. However, the two variables share the different functions of an independent variable and a dependent variable. As the situation changes, the functions of the two variables change as well. Therefore, it is possible to qualify and quantify the dynamics by analyzing changes in functions of the two variables.

It is said that in the process of dynamics generating, spiritual solidarity is somewhat more powerful than substantial interest (Lixing Chen, 1994). It is hypothesized if spiritual solidarity takes the function of an independent variable, a strand can be activated at any time, even though the strand has been dormant for long. On the other hand, in the case of substantial interest, it may be hard to put a strand into an active state, if the material benefits between the two individuals cannot be matched.

2. 2. Orientation of Manipulation of Personal Networks

Making a strand into an active state can be considered as manipulation of personal networks. The previous section discussed how all the institutional groups and organizations serve as joint points in personal networks through which information can flow through the boundaries of groups, so that all the institutional groups and organizations provide individuals with chances to connect the strands, while at the same time restricting individuals with many regulations.

In order to understand which important factors influence individuals' orientation to manipulate personal networks, I introduce two variables—institutional efficiency and voluntary efficiency—on the basis of the hypothesis that if an individual cannot be satisfied spiritually or substantially from a group or an organization to which he or she contributes, the orientation of manipulation of personal networks will be strengthened, and vice versa. Here, the institutional efficiency indicates the satisfaction individuals gain from institutional groups or organizations, whereas voluntary efficiency indicates the satisfaction individuals get over the restriction of institutional organizations. In other words, the orientation of manipulation of personal networks is a willingness to realize what an individual cannot obtain under the institutional regulations. Here, the institutional efficiency can be assessed by the commitment of the members to the institutional organizations and the impartiality of the institutional operation, whereas the voluntary efficiency can be assessed by the social commitment and trust among individuals.

Accordingly, I propose two axes with the two variables, in trying to identify the orientation of personal networks manipulation.

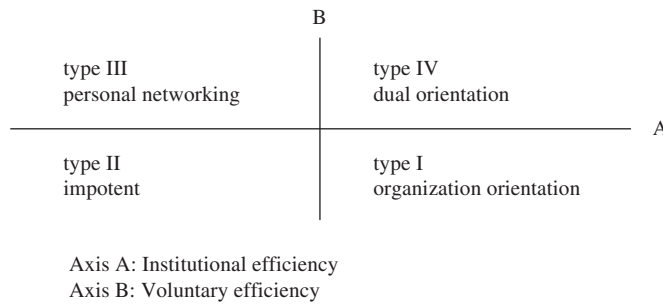


Fig. 1 Orientation of personal networks manipulation

In Fig. 1, 4 types of the orientation of personal networks manipulation are given according to the interrelation between the two variables' change from weak to strong. In type I, here, institutional efficiency is strong but the voluntary efficiency is weak. It can be hypothesized that in this kind of social context, the commitment of the members to institutional organizations or groups is strong. It might also be imagined that institutional organizations or groups can satisfy most of the individuals' needs, so the individuals' voluntary efficiency is not a strong factor in their social life. Accordingly, in this kind of social context, individuals orient themselves to groups or organizations. In type II, the institutional efficiency as well as the voluntary efficiency is weak, which means the commitment of the members to the institutional organizations is weak and there is lack of impartiality in the institutional operation. Moreover, the social commitment and trust are also weak among the individuals. In this case, individuals feel impotent and the society is liable to lose the centripetal force. In type III, the commitment of the members to institutional organizations is weak and there is lack of impartiality in the institutional operation, but the social commitment and the trust among the individuals are strong. Therefore, individuals depend heavily on voluntary efficiency in their social life, which results in the orientation toward personal networking. In this type, the strands of a personal network can easily cross the boundaries of institutional organizations, so individuals are very much influenced by the manipulation of personal networks. In type IV, when the commitment of the members to the institutional organization and the institutional operation's impartiality are strong, the social commitment and the trust among the individuals tend likewise to be strong. In this kind of social context, the voluntary will scarcely interferes with institutional operations. The institutional operations and the individuals' voluntary behaviors are distinctly separated. As a result, dual orientation is liable to occur.

According to Fig. 1, the social context in China nowadays can be considered as type III. For most Chinese people, the orientation of personal networks manipulation

is strong and personal networks influence their social life greatly. This can be seen through the analysis of the personal networks of private entrepreneurs in China.

III. Findings

The questionnaire survey revealed that 39.5% of the private entrepreneurs come from rural areas with a rural register¹⁾; whereas, in the interview survey, the rate of rural register holders was 62.7%. In this section, I will focus on the private entrepreneurs who were rural register holders.

Before 1978, rural register holders were permitted institutionally neither to find a job, nor to obtain accommodation and food in urban areas. The rural areas were separated from urban areas, which resulted in a huge gap between urban areas and rural areas in terms of infrastructure and education. The rural register was just like an ascribed status due to which all of the holders were deprived of many rights institutionally.

It is miraculous how these people who live in such poor conditions can rapidly embark on capital accumulation and become entrepreneurs. Through the analysis of their personal networks, I hope to find the answer.

3. 1. Joint Points with Urban Residents

The interview surveys revealed that almost all of the private entrepreneurs who are rural register holders have one joint point or more in their personal networks, either with people in the urban areas or with a man of power. Among the 42 rural register holders, 92.0% had a joint point with people in the urban areas before they set up their own businesses. The social context to connect the joint points with urban dwellers can be divided into three types: 1) business through illegal channels, 2) working in urban areas as a rural register contract worker or serving in the army, and 3) second generation family member of those who were exiled from the urban areas. I term the people who strand their personal networks in the above social context as 1) black market operators, 2) contracted workers, and 3) second generation exiles, respectively.

Table 1 shows that among the 42 rural register holders, 17 (40.5%) were black market operators, 7 (16.7%) were contracted workers, and 14 (33.3%) were second generation exiles.

The interview survey revealed that most of the black market operators had experiences of selling some items on the black markets; making some items in a non-licensed factory; or doing business as carpenters, plasterers, and tailors without

1) "Rural register" in Chinese is *nongchun hukou*.

Table 1 The experiences of private entrepreneurs before cases (%)

| | Before setting | Zhejiang | Jiangxi | Shanxi | Hebei | Total |
|------------------|--------------------------|-----------|------------|------------|-----------|------------|
| Rural registered | Black-market operators | 7 (77.8) | 6 (30.0) | 4 (30.8) | | 17 (40.5) |
| | Contract workers | 1 (11.1) | 2 (10.0) | 4 (30.8) | | 7 (16.7) |
| | Second generation exiles | 1 (11.1) | 8 (40.0) | 5 (38.4) | | 14 (33.3) |
| | Others | | 4 (20.0) | | | 4 (9.5) |
| | Sub- total | 9 (100.0) | 20 (100.0) | 13 (100.0) | | 42 (100.0) |
| Urban registered | Cadres | 0 | 4 (40.0) | 2 (50.0) | | 6 (24.0) |
| | Others | 5 (100.0) | 6 (60.0) | 2 (50.0) | 6 (100.0) | 19 (76.0) |
| | Sub – total | 5 (100.0) | 10 (100.0) | 4 (100.0) | 6 (100.0) | 25 (100.0) |
| Total | | 14 | 30 | 17 | 6 | 67 |

a business license in the urban areas. Under the planned economic system, the shortage of commodities and insufficient services left ample room for black markets to exist. They did business and connected their strands with people in the urban areas, and information about the market flowed to them through these strands. As soon as the market opened up and regulation was relaxed after 1978, they set up their own businesses legally. In Wenzhou area, the percentage of black market operators is higher than in other areas.

The contracted workers include the workers under the contract labor system,²⁾ and the young people who went into military service. Under the contract labor system, the rural register holder could be employed under a contract with a certain company. The company, according to the demand for labor, decided the duration of the employment, which could be from three months. However, no matter how many times a worker had the contract renewed, he or she still could not obtain an urban register, which means the contracted worker had to return to the rural areas after the contract expired. Under the military service system, a rural register holder had to go back to the rural areas after 2–4 years' military service, unless he or she was promoted to become a military officer. Therefore, almost all of the young people from the rural areas had to go back to their former places of residence. Nevertheless, the factories and the army served them as the joint points to strand them with people from the urban areas, through which they could increase their heterogeneous strands in their personal networks. The strands that connected them through the joint points of the factories and the army have helped them tremendously with their present businesses. Take Mr. Z and Mr. H as examples: Mr. Z worked in a state-run food processing company in Wenzhou for nearly 10 years under the contract labors system, whereas Mr. H went into military service for 3

2) *Yigong yinong* labor system: A labor system implemented from the 1960s to the beginning of the 1980s to meet the demand for temporary and seasonal labor in the urban areas.

years. In 1979, Mr. Z came back to the village and started a poultry farm. With the help of friends made during his period as a contracted worker, he forwarded all the eggs and chickens to that state-run company, through which he started his capital accumulation. Then he closed the poultry farm and set up a food processing company. The materials for processing and the sale of products are still channeled through the friends made in that state-run factory. As for Mr. H, he went back to the village after 3 years of military service and registered as an individual household³⁾ to collect feathers with a capital of a mere 100 Yuan. After 3 years, he accumulated 6,000 Yuan and tried to set up a company to process feathers. He consulted some of his soldier friends who were by then cadres at the county government and city government. They helped him to get through all the procedures to start business and obtain a business loan from the bank. He said, every year his soldier friends have a spring festival party on January 4, and many friends come from far away.

The second generation exiles are those whose parents were exiled from the urban areas. Here, it is necessary to make a distinction between an exile⁴⁾ and sent-down youth in the rural areas⁵⁾. Exile was a kind of penalty for those people who were denounced in the political movements, thus depriving the whole family of an urban register. For an exile, the destination was specified and could not be selected. Most of the exiles are so called Heiwulei⁶⁾. In 1978, a policy was implemented that stipulated the people who went to rural areas as sent-down youth should go back to their home cities and get back their urban register. However, the policy did not apply to the exiles. Hence, many of the second generation exiles have had to remain in the rural areas. However, the second generation exiles have joint points with urban people who are mainly their relatives. From the strands with their relatives, they can receive information about urban life and the market demand. The data reveal that among the private entrepreneurs, the percentage of second generation exiles in Jiangxi province is higher than that in other provinces, for Jiangxi was one of the destinations for exiles.

Under the institutional isolated system that distinguished urban from rural areas, all the rural register holders were organized into activities of the people's commune. Somehow, the joint points offered them possibilities to connect their strands with the people in urban areas, through which they could successfully access information across the border of the people's commune, thus fostering their desire to

3) In Chinese, this is *Getihu* and means a sole trader.

4) In Chinese, this is *qiansong*.

5) In Chinese, "sent-down youth" is *shangshan xiexiang zhishi qinnian*.

6) *Heiwulei*: Blacklisted people in Mao's period; these include landlords, anti-revolutionists, right-wingers, and perverts.

start a business.

3. 2. Joint Points with Men of Power

The data show that many of the private entrepreneurs have joint points with men of power. Here, the men of power do not only mean the cadres in the government, but also some very important persons in banks, etc., who have the power to influence the private business sector.

As the joint points with men of power are different, the dynamics of strands are maintained in different ways, which will be discussed in detail later. Generally, the institutional organizations serve as joint points with men of power. Some private entrepreneurs worked before as cadres in institutional organizations such as a government organization, a bank, and a state-run company. After they left that organization, they still kept strands with the key persons, which relationship benefited their business very much. The questionnaires data show that this type of private entrepreneur accounted for 31.3% of the total.

3. 3. When Do Strands of Personal Networks Become Active?

As proposed above, a strand has a SLEEP state as well as an ACTIVE state. When a strand falls into a sleep state, information cannot be sent between the two individuals. Only by means of a strand in an active state can information flow between individuals.

The data show that the private entrepreneurs have connected many strands in their personal networks with people who work in different fields. Now, I will analyze the data gathered from the questionnaires to check when and with whom the private entrepreneurs made their strands active.

In the questionnaires survey, the question, “When you meet some difficulties concerning your business, from whom do you ask for help?” was included. The items in the questionnaires were classified into two categories, institutional organizations and personal networks, by means of which we could form a clear picture about the active state of the strands in the networks of the private entrepreneurs. The institutional organization includes the items of government, financial organizations such as banks, legal organizations such as a law court, Industry and Commerce Administration, mass media, and trade associations. The personal networks include the items of other private entrepreneurs, influential people, friends (except those mentioned above), relatives, and family members.

Table 2 shows that the majority of the private entrepreneurs manipulate their personal networks when they are faced with management difficulties related to sales (86.6%) and technology and equipment (85.1%); followed by problems in infrastructure such as factory sites (45.2%), water and electricity (47.3%); and lastly,

Table 2 Comparison between institutional organization and personal networks in dealing with difficulties (multiple choices) cases (%)

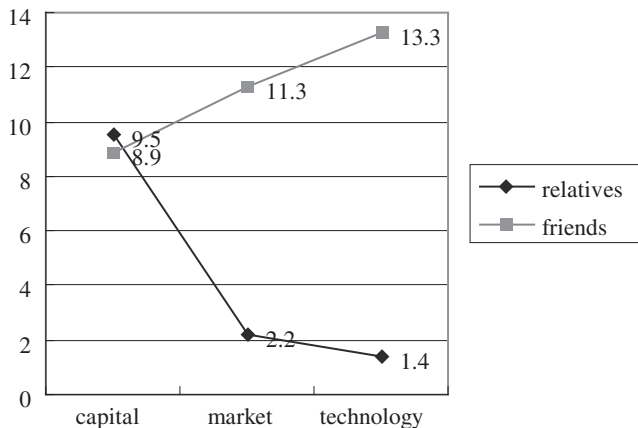
| when | Whom | Institutional organizations | Personal networks | Total |
|------------------------|------|-----------------------------|-------------------|---------------|
| Lack of capital | | 1,153 (60.8) | 743 (39.2) | 1,896 (100.0) |
| Decline in sales | | 234 (13.4) | 1,516 (86.6) | 1,750 (100.0) |
| Site for factory | | 964 (54.8) | 795 (45.2) | 1,759 (100.0) |
| Technology & equipment | | 254 (14.9) | 1,455 (85.1) | 1,709 (100.0) |
| Water & electricity | | 905 (52.7) | 813 (47.3) | 1,718 (100.0) |
| Rights & interests | | 1,585 (89.2) | 191 (10.8) | 1,776 (100.0) |

when faced with legal problems such as the infringement of rights and interests (10.8%).

Generally speaking, the institutional organization should be responsible for infrastructure, such as the site for a factory, as well as water and electricity. However, Table 2 shows that when entrepreneurs encounter with certain difficulties, such as with a factory site, 45.2% of the private entrepreneurs will ask help through their personal networks rather than consult institutional organizations. The same holds true for 47.3% of the private entrepreneurs when dealing with the lack of water and electricity for production. This indicates that the institutional organizations' service is not impartial, so private entrepreneurs can receive the help they need through personal networks.

Furthermore, I examine the intensity of the dynamics of personal networks by checking their attitude toward friends, relatives, and family members.

Fig. 2 shows the dependence on relatives and friends concerning business problems with capital, market, and technology. Here, the relatives exclude immediate family members. Fig. 2 shows clearly that the commitment and trust

**Fig. 2 Dependence on friends and relatives (%)**

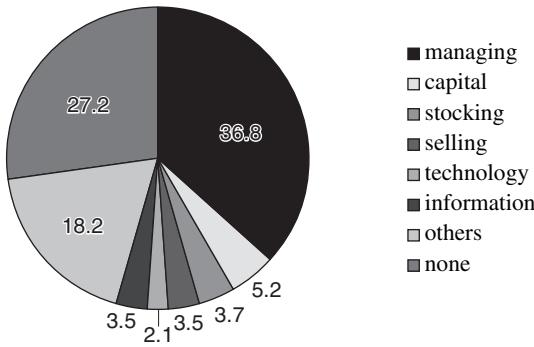


Fig. 3 The spouses' participation in the business (%)

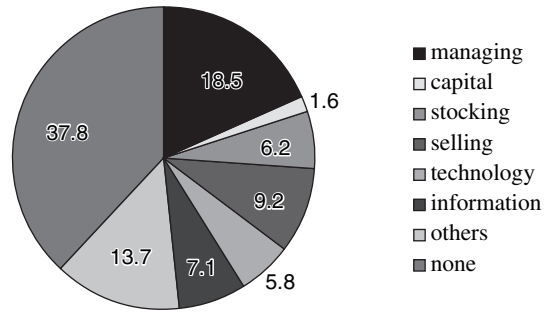


Fig. 4 The adult children's participation in the business (%)

among relatives and friends of the private entrepreneurs are strong.

Fig. 2 shows that for private entrepreneurs dealing with market problems, dependence on and trust in friends is crucial for 11.3% of them, while only 2.2% depend on relatives in such a situation. As for problems with technology 13.3% rely on friends, while a mere 1.4% rely on relatives. However, when it comes to the need for capital and money, the percentage of those asking relatives for help is slightly higher than that of those asking friends. Thus, it can be said that the private entrepreneurs depend much more on friends than on relatives in dealing with their business management problems. This indicates that the private entrepreneurs are confident about putting into an active state the strands with friends they have no business relations with.

However, the strands with immediate family members are very strong. Figs. 3 and 4 show that over 70% of spouses and over 60% of adult children assist in some way in the business activities. The high percentages indicate the tight solidarity of the family and the efficiency of the strands among the family members engaged in business activities.

These indicate that the strands within kinships branch in two directions. The strands among the nuclear family members are more active, while those with the relatives are falling into a sleep state.

3. 4. What Are the Dynamics that Make the Strands Active?

As mentioned in section 1, the dynamics that make the strands active are generated by a consensus between the two individuals. In this section, I will identify the dynamics by analyzing how the strands are maintained and the component of the strands of the private entrepreneurs, in terms of spiritual solidarity and substantial interest.

Section 3. 3 discussed how in the process of dealing with the difficulties and

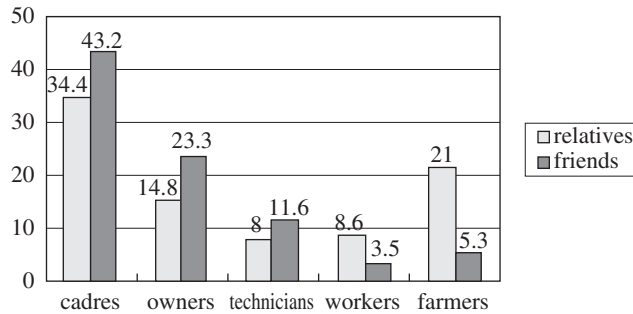


Fig. 5 The professions of the close relatives and friends (%)

problems in their business, the intensity of the dynamics of the strands could be ranked as family members > friends > relatives. From the interview survey, it is clear that the dynamics of the strands among the family members is mostly generated by spiritual solidarity. However, for the strands with friends and relatives, in most cases, substantial interest seems to take the function of independent variables in the process of those strands being activated.

Next, I will look at the dynamics of personal networks in terms of the professions of the close relatives and the friends of the private entrepreneurs. Fig. 5 is made on the basis of the entrepreneurs' answers to the question regarding the professions of their most close relatives and the professions of their friends with whom they associate the most.

Here, the professions are divided into two types based on the possibilities of whether or not they can bring the private business material benefit. One type is the profitable profession such as cadres with power, private entrepreneurs with money, and technicians with skills. The other type is the non-profitable profession such as workers and farmers. Fig. 5 shows generally that profitable professions are at a higher percentage than non-profitable professions. Among friends, the percentages of profitable professions are higher than those among relatives; whereas, on the other hand, among relatives the percentages of non-profitable professions are higher than those among friends. Only 21% regarded farmers as close relatives. This cannot be considered high. Moreover, a mere 5.3% regard farmers as close friends, which can be said to be very low. Considering relatives as ascribed strands and friends as achieved strands, it is clear that the private entrepreneurs are keeping their ascribed strands with the relatives who hold profitable professions, while connecting more achieved strands with the friends who hold profitable professions. In other words, Fig. 5 shows a phenomenon that the people with power, money, or skill have more possibilities to be connected with others than people without. As a consequence, power, money, and technical skill can be considered as the dynamics that drive the strands' active state in the case of the private entrepreneurs.

In the interview survey, I tried to find out how the strands with friends are maintained by asking the private entrepreneurs about their association with their friends. Some answered, “I spend a lot of time associating with my friends. Even if I do not have a problem, we get together to chat. Chatting is a way to get needed information.” “In order to maintain a good relationship with my friends, I have to go to some banquets, parties. We also play Majiang. Sometimes I feel tired but I have to do it. Certainly I have one or two friends who help me even though I never spend time and money on them. But these kinds of friends are few.” “Most of my friends are new friends and we know little about each other’s personality and taste. But I think the more I associate with them, the more profound the friendship will become.” “Unlike the friends I made in school and university, most of my new friends are somewhat related to my business. So I spend time and money on them as a kind of investment. I believe this investment will not only benefit my business, but also my life to a certain degree.”

It can be deduced from the above conversations that the private entrepreneurs mainly have two types of friends, one related to their business and the other that has no relation to the business. It can be said that the dynamics of the strands with the friends related to business are mainly generated by consensus based on mutual business interests, while the dynamics of the strands with the friends unrelated to business are generated much more by the mutual attraction of personality. Therefore, it can be summarized that in the former case, the substantial interest takes the function of an independent variable, whereas in the latter, the spiritual solidarity takes the function of an independent variable. With the former case, the dynamics have to be charged like a battery with time, money, and even emotion, in order to be able to maintain the strand in an active state continuously. Otherwise, if the strand falls into a sleep state for a long time, it will be very difficult to make it active again. Nevertheless, with the latter case, the strand can be comparatively easy to put into an active state even after a long time in the sleeping state.

3. 5. Influence of the Strands with Power on Business Development

In this section, I will analyze the influence of the strands with power on business development, taking the two cases of Mr. N and Mr. H from the interview survey in Wenzhou area. The two companies are in the same areas, of the same industry, and have the same starting point.

Both Mr. N and Mr. H are from farming families in a village near Wenzhou city. They were good friends since their teens and both of them had the experience of being black market operators in the early 1980s. In 1984, Mr. N and Mr. H got together and collected 50,000 Yuan and set up a small company with 8 employees, making electricity switches. During the first year of operation, sales were about

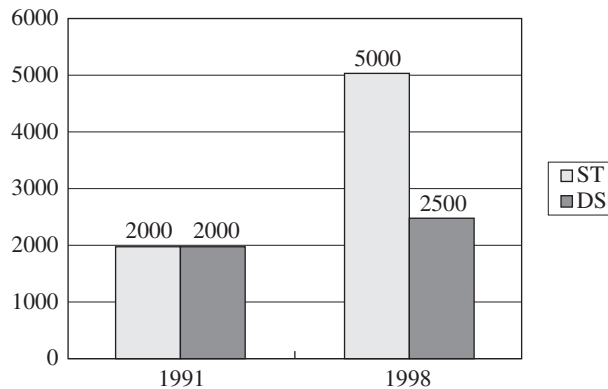


Fig. 6 Number of employees of ST and DS (number)

10,000 Yuan. Due to their hard work and management talent, the business grew remarkably. In 1991 sales increased to 10,000,000 Yuan, which was 1,000 times that of 7 years ago and the employees increased to about 4,000. Unfortunately, in 1991, Mr. N and Mr. H divided the company into two and the two friends separated after 7 years of partnership. All the employees and assets were divided equally into two. Mr. N set up a new company called ST, while Mr. H also set up a new company called DS. When we visited DS in 1998, the new site of DS was still under construction. DS then remained in the former building built together with Mr. N, which had by then been separated with a fence in the middle. Even after the separation, ST and DS continued to enlarge their business and both companies became top-level companies in the Wenzhou area. However, in 1998, 7 years after the separation, ST grew much more rapidly than DS in scale. In 1991, the two companies were almost the same in scale, products, productivity, sales, etc. Nevertheless, by 1998, ST had developed into a company of about 5,000 employees, while the number of employees at DS was only 2,500. At the time we visited the two companies in 1998, we had a deep impression that ST greatly surpassed DS, which interested me very much.

What was the reason behind the gap in development between the two companies? I tried to find the factors that influenced the development of the two companies and found that there were almost no differences in many factors. In terms of top managers, both ST and DS were two brothers from each family. As for the environment, there were not many differences in the location of the companies and quality of the labor. As for the products, the two companies were almost the same, making electronic parts. Moreover, during the interview, I could not find much difference in management capability, such as strategy making, quality control, and market development between the two companies. However, I did find a big difference in the manipulation of personal networks. During the interview, we got to

know that Mr. N, the president of ST, is very active in connecting strands with key persons in the government. After he parted ways with Mr. H, he became very active in getting key persons from the government as his advisors. At the time we visited ST, he had hired 12 former directors of bureaus of the Wenzhou city government as department managers in his company. The manager of the accounting department of ST, in fact, is the former director of the tax bureau of Wenzhou city government. Although the 12 directors are undoubtedly very experienced, their contributions to the company are more from their personal networks with the government than their individual capability. Mr. N, the president of ST, serves concurrently as the deputy chairman of Zhejiang Province Industry and Commerce Administration, and is a star in the Wenzhou area. On the other hand, Mr. H, the president of DS, appears much more sober, and reluctant to associate with key persons of power. His words to me created a deep impression: "I want to develop my company with my products rather than through my connections."

The above two cases indicate that in the development of private business the talent of the managers and the market environment are the fundamental factors, but there is no doubt that the strands with key persons of power through personal networks can bring the business many benefits, with which it can rather easily beat the competition.

IV. Conclusion

The paper proposed some fundamental concepts for personal networks that were used to analyze the process of private business establishment and development.

My findings suggest several important implications in personal networks studies. First, the findings show that in China, the private entrepreneurs depend heavily on their manipulation of personal networks in the process of both establishing and developing their businesses, which helped them to surpass many institutional regulations. This indicates that if the voluntary efficiency is strong, the orientation of personal networks manipulation will become a kind of reference behavior. As a result, the institutional efficiency will be influenced by the personal voluntary efficiency. This paper points that the manipulation of personal networks is related to the institutional efficiency in a society. In China, now undergoing a transitional period with a closed political system and an open economic system, it will benefit an individual more if he can obtain more information, more opportunities, and more resources through the key persons in the institutional organizations or groups. Therefore, even if the institutional efficiency is not foolproof, the orientation of personal networks manipulation will remain constant over the transition period in China.

Second, the findings indicate that the solidarity within kinship groups is changing greatly. Historically in Chinese society, spiritual solidarity takes the function of an independent variable in the strands with the kinship group. However, a tendency is now evident wherein the kinship outside the nuclear family is becoming progressively weaker. Instead of spiritual solidarity with a kinship group, substantial interests are more oriented toward putting the strands into an active state. Therefore, people with profitable professions will benefit more from personal networks, both in terms of quantity and quality. As a result, many strands among former members of institutional groups, such as OB group, are remaining more active than those among the kinship groups outside the nuclear family.

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