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RESEARCH IN THE SOCIOLOGY OF WORK VOLUME 19

WORK AND ORGANIZATIONS IN CHINA AFTER THIRTY YEARS OF TRANSITION

EDITED BY

LISA KEISTER

Duke University, Durham, NC, USA



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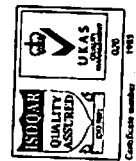
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INVESTOR IN PEOPLE

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RECRUITING AND DEPLOYING SOCIAL CAPITAL IN ORGANIZATIONS: THEORY AND EVIDENCE

Nan Lin, Yanlong Zhang, Wenhong Chen,
Dan Ao and Lijun Song

ABSTRACT

The paper advances the argument that social capital operates on both the supply and demand sides of the labor market. Organizations have significant needs for employees with social capital capacity and skills as they do with human capital. We articulate a theory on why organizations have such needs and how social capital may be differentially and strategically deployed to different positions. Specifically, three types of positions (the top positions, the edge positions, and the exchange-oriented positions) are identified with such needs. We formulated two hypotheses derived from the theoretical articulation: (1) the deploying hypothesis – organizations are expected to strategically recruit and deploy workers with social capital capacity and skills to such key internal and edge positions and (2) the institutional contingency hypothesis – organizations in the more competitive environment (e.g., the private sector) are more likely to show such differential deployment than those in the less competitive

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environment (e.g., the state sector). The hypotheses were subjected to an empirical examination with a set of firm data from China. Both hypotheses were confirmed. Further, we also found evidence for differential deployment of human capital (education and experience) and hierarchical capital (statuses of prior positions and organizations) in different sectors. We discuss the implications of the theory and findings for future research on organizations in different economic sectors beyond China and how a theory of deploying various types of capital – social capital, human capital, and hierarchical capital – in different economic sectors may be developed.

DEPLOYING SOCIAL CAPITAL IN ORGANIZATIONS

Social capital, defined as resources embedded in social networks (Lin, 1982; Bourdieu, 1983/1986; Coleman, 1990; Flap, 1999; Burt, 1992), has been envisioned as a capital that returns benefits to actors in the marketplace (Lin, 2001). Several factors contribute to the effects of social capital: it provides information otherwise inaccessible (Granovetter, 1973); it affords possible influence of a third party on behalf of the actor (Lin, Ensel, & Vaughn, 1981; Burt, 1992); it provides the actor's social credentials to the larger community where credentials are significant (Collins, 1979); and it reinforces the actor's self-identity and social recognition (Bourdieu, 1983/1986). That is, it offers relative advantages and added values to an actor in the marketplace. Similar to human capital, it requires investment on the part of an actor. Instead of investing technical skills and knowledge as in the case of human capital, social capital requires investment in social relations where better resources may be located (Lin, 2001; Chapter 1). Substantial evidence shows that individuals gain an advantage in the labor market when better social capital returns better job outcomes (occupational prestige, authority or supervisory positions, and, indirectly through such positional advantages, earnings) (for reviews, see Lin, 1999; Burt, 2000; Marsden & Gorman, 2001).

However, the theory and utility of social capital need not be restricted to individuals seeking jobs in the marketplace – the supply side of the labor market. A labor market represents a field where a multitude of actors supply or demand capital encounters, engage in negotiations, and seek the optimal matching of such capital for both parties. Agents from organizations and enterprises, representing the demand side of the labor market, also actively seek out candidates best suited to filling positions. Social capital should play a key role from the supply side of the labor market as well. We envision this role in two ways. First, organizations and their agents are expected to

actively use social connections and social networks in the process of seeking out suitable candidates for positions in their organizations – the hiring process mirrors the “getting jobs” process (Boxman & Flap, 1990; Boxman, De Graaf, & Flap, 1991; Burt, 1997; Erickson, 1995; Erickson, 1992; Erickson, 2001; Fernandez & Weinberg, 1997; Marsden, 1996; Marsden, 2001; Marsden & Gorman, 2001). Second, organizations and their agents may be sensitive to the demand for social capital in certain positions in the organizations – positions that are required to engage in extensive social exchanges internally or externally – and seek out candidates who best occupy these positions. Matching these socially demanding positions and socially capable candidates should promote the persistence and survival of the organizations – the “deploying process.”

Yet there is a relative scarcity of studies investigating the utility of social capital in the demand side of the labor market. Employing social networks in the recruitment process (the hiring process) has received some research attention (see reviews in Marsden, 1996, 2001; Marsden & Gorman, 2001; Erickson, 1995; and Marx & Leicht, 1992), yet there is limited research attention given to whether organizations recruit and deploy employers for their social capital capacities in organizations (the recruiting–deploying process). This essay will focus on the latter issue and defer the former (the hiring process) to other scholars and other essays. We argue that a sound theoretical development is required to support the deploying argument for social capital; empirical work can then proceed.

The purposes of this essay are threefold. First, we formulate and articulate a theory of social capital for organizations. Second, we specify two research propositions that postulate the linkage between recruiting and deploying strategies to different positions in organizations (the deploying hypothesis), and how such differential deployment is contingent on the institutional context (the institutional contingency hypothesis). Data from a large-scale cross-sectional survey on Chinese enterprises will be used to examine the hypotheses. The essay concludes with a discussion on theoretical and research implications for examining how organizations enhance and employ social capital in the future.

RECRUITING AND DEPLOYING CAPITAL IN ORGANIZATIONS

We begin with a general discussion on the recruiting and deploying capital of different types in organizations. Deployment of resources in

organizations, especially economic organizations, constitutes a significant research enterprise for sociology and management sciences. The theoretical foundation for such a strategic deployment argument is found in both sociology and economics. Davis and Moore, 1945 proposed that in a functioning stratification system, individuals endowed with certain skills or capacity to perform should be distributed to certain positions that are more important to society. This theory, while being criticized for possible tautology (reward is justified by defining functions of positions) or class reproduction (socialization and privilege feed each other), nevertheless achieved a major paradigm status over the next six decades in guiding much of subsequent stratification analysis. Most prominently, in the studies of status attainment and social mobility (for individuals seeking positions in the labor force and stratification system; Blau & Duncan, 1967; Kalleberg, 1988) and performance in organizations (for individuals holding positions), education and training conceptualized as skills and knowledge essential for performance or human capital are conceived as the primary factors in distributing individuals to positions and determining returns to positions. Further, for organizations in certain market segments, perhaps more competitive ones, differential deployment and mobility in the organizations (i.e., the internal market) become more meaningful.

A parallel development is also prevalent in economics. Neoclassical economists (Johnson, 1960; Schultz, 1961; Becker, 1964/1993) have argued that individual laborers who invest in skills and knowledge that meet the needs of certain jobs will have better opportunities for finding such jobs in the labor market and receive better returns. Human capital thus conceived, and indicated largely by education and proxies such as experience and tenure and, to a much lesser extent in research, on-the-job training is seen as the critical mechanism in the match of individuals and jobs. Again, the effects of experience and on-the-job training become more prominent in larger organizations and in the more competitive market environment. This theory has since dominated much of economic analysis of the labor market.

However, human capital is only one type of capital significant in the labor market (Nahapiet & Ghoshal, 1998). What is argued here is that social capital may also be an important asset for organizations and certain positions in organizations. An organization functions as an actor in a web of networked actors – the marketplace. Its persistence and performance depends to a significant extent on its capability to negotiate with other actors for capital, labor, and commodities and goods. Such capacity largely lies in agents who represent the organization in the marketplace. Their successful maneuvers in the marketplace depend not only on their technical

know-how, but also on their social skills and networking capacities. Those agents with better network resources should benefit from better information as to where to find goods and services and availability of alternative sources; better persuasive and influential tactics in negotiating with other agents with whom they may have developed reciprocal relationships and trust, or gain their generalized trust through third parties; and greater confidence in self-presentations. These social skills and assets should benefit the organization they represent in achieving closer-to-optimal returns from the marketplace.

Internally, certain key positions are encumbered with responsibilities to engage and exchange with other positions and their occupants. In contrast to other positions where the occupants engage primarily in non-exchange tasks (e.g., production, accounting, computer programming, and technical), the performance of occupants in these positions depends to a significant degree on their social networking skills and capacities (e.g., the top administrators, personnel managers, and department heads).

These considerations suggest the need for a theory concerning the process by which social capital is captured and used in organizations. This process may entail (1) how to recruit candidates endowed with social capital (capacity and skills) that meet the demands or requirements of positions in an organization, (2) how such candidates, once recruited, are deployed to various positions in the organization, and (3) how such recruitment and deployment impact organizational survival, performance, and individual rewards. We now proceed to explicate the first two phases of this process. The third phase is deferred to other research reports.

THEORETICAL CONSIDERATIONS

The principal theoretical stance here is that social capital, like human capital, is a critical capital for organizations, especially in a competitive market. In this environment an organization's persistence requires constant and efficient communications both internally and externally (Uzzi, 1996; Geletkanycz & Hambrick, 1997; Erickson, 2001; Scott & Davis, 2007). An organization, or a formal social structure, consists of four fundamental elements: (1) a set of social units (*positions*) that possess different amounts of one or more types of valued resources, (2) are hierarchically related relative to *authority* (control of and access to resources), (3) share certain *rules* and procedures in the use of the resources, and (4) are entrusted to *occupants* (agents) who act on these rules and procedures (Lin, 2001, p. 33; also see Sewell, 1992). The survival and performance of an organization

substantially depend on the coordination and communication among positions and occupants, and judicial exercises of exchanges between those in authority positions and other positions. The significance of such exchanges varies across different positions in an organization. There are positions in which performances rely heavily on exchanges, and coordination would necessarily benefit for occupants with social skills and networking capability. That is, we expect that positions in an organization can be differentiated in terms of the capacity and use of social capital.

We identify three types of positions that are more demanding of capacity and exercise of social capital from their occupants (Lin, 1999). First, authority positions, especially those at the top of the organization, are expected to possess and exercise social capital. Occupants of these positions invest much time and effort in exchanges with others outside the organization and with occupants inside the organization (Erickson, 2001; Geletkanycz & Hambrick, 1997). For example, a university president is required to capably exchange with parents, alumni, the community, and potential donors. While the scholarship of the occupant is a credit, his/her social capability is paramount for maintaining and acquiring resources for the organization. Likewise, a CEO for a large corporation is expected to be capable of negotiating on behalf of the enterprise with financial institutions, legal institutions, stakeholders and shareholders, and the board of directors, among others. In a more competitive market, such capability and use of social capital should gain more significance. It has become increasingly difficult to argue whether human capital or social capital requirement is more important for these occupants. For example, does a university prefer a Nobel laureate or a top-notch communicator as the president? Does a high-tech company need a top-notch hardware or software expert, or does it need someone who is a top-notch networker? A cursory check among presidents of research universities and the CEOs in top companies seems to tilt toward social capital.

A second type of position in an organization that demands social capital capacity and skills is the edge position – positions that interact with the external environment on behalf of the organization. The titles of these positions may include marketing, purchasing/supplies, sales, public relations, and development (i.e., fund raising) (Burt, 1997). These positions function primarily to protect and preserve resources of the organization or to seek additional valued resources for the organization. Negotiating and networking with agents and representatives from other organizations (both vertical linkages to suppliers of resources and to consumers, and horizontal linkages with partners), the community, and other key individuals and

parties are the primary job descriptions for these positions in which occupants cannot survive without social capital capacity and skills.

A third type of position within an organization that may also require social capital is those whose primary responsibilities include exchanges with other occupants rather than nonoccupants in the organization. Administrators, managers, and personnel directors, for example, interact and exchange with other positions and occupants on a constant basis. In contrast to positions of production or material processing (e.g., assembly line positions, accounting, programming, etc.), these positions necessarily need a certain amount of social capital to discharge their responsibilities.

These are some, certainly not all, of the positions in organizations that likely require greater demand for occupant's social capital. From the theoretical perspective, the more critical question is whether organizations are consciously aware of these differential demands for social capital across different positions. We postulate that organizations are indeed aware, especially in a more competitive marketplace. That is, strategic recruitment and deployment of social capital characterize organizations and enterprises in such a market. We offer the following hypothesis:

H1. The deploying hypothesis. Organizations strategically recruit and deploy occupants with social capital capacity and skills to certain key positions.

Further, the validity of this hypothesis will need to take into account the institutional environment. In particular, the extent of differentiation may be contingent on the competitiveness of the market environment. The external environment can be seen as an institutional field in which an organization is located or competes. When the institutional field tends toward the competitive end (i.e., free market), we assume there is a greater need for internal and external coordination. Timely initiation of actions and reacting to external challenges become more urgent for sustaining and acquiring resources. Therefore, it is postulated that the differentiation will be greater. When the institutional field tends toward noncompetitiveness (i.e., criteria of survival and performance are not contingent on performance in a market), such internal and external coordination become more stable and positional performances more routinized. In this case variations in occupant (agent) capability become less demanding. Thus, the second hypothesis:

H2. The institutional contingency hypothesis. The more an organization finds itself in an institutional field of greater competitiveness, the more it will differentiate in its recruitment/deployment strategy for various positions.

Again, we expect that this hypothesis holds true for both human capital and social capital and, tentatively, that such differentiation for social capital will be more salient for edge positions and human capital for internal positions.

RESEARCH DESIGN AND DATA

The conceptual scheme and hypotheses were put to the test with a set of data collected from urban Chinese organizations in 2001. Details of the research design and sampling strategies are described below.

Research Site: China

At the turn of the new century, China provided an ideal research site for examining the institutional contingency hypothesis (H2). At that juncture, China was being transformed from a command economy to a hybrid economy, where multiple economic sectors, representing the state-collective sector, the private sector, and the joint-venture-foreign-venture sector, coexisted. The state-collective sector continued to operate as work units under the jurisdiction of the state and local government. While the enterprises were asked to compete in the market, much of the authority in personnel and resource issues resided within the bureaucratic structure of the government. Each enterprise was still located in a ranking hierarchy and had a supervising organization. Some of the enterprises had assumed forms of typical market enterprises, with a board of directors and a separate line of executive management. Yet the party secretary is typically either embedded in the board (more often than not as the director or deputy director) or in the authority (as the CEO or deputy CEO who also headed a separate office of the party that played decisive roles in personnel appointments and other key issues). The decision to retain, modify, or discard the enterprise resided with the sponsoring government, in conjunction with but often superseding market considerations.

In the private sector, the enterprises had taken on a typical form of independence and registered as private entities. Variations remained great; many private enterprises leaned strongly on government units – meaning they relied on resources and personnel relieved from government units and remained in the deep structure (personnel, party, supply, and market), aligned with government units. Other private enterprises were started by cadre children and relatives, who could count on such *guanxi* to gain better

access to resources and support from pertinent government units. Still others were started by individual entrepreneurs.

Joint ventures and foreign firms constituted another economic sector. By the turn of the century, China had welcomed and encouraged foreign firms to join forces with Chinese firms so that the combination of foreign managerial skills, capital and technology, and domestic labor and local support (land, government, etc.) could benefit both parties. At the time of the survey this sector contained firms and joint ventures of widely different characters. Most of the Chinese firms in the joint ventures were in fact government units or firms that had branched out from government units; they retained much of the character of the state sector firms. Some of the “foreign” firms were in fact firms from Hong Kong, Macau, and Taiwan. While capitalistic in nature, these firms operated with both market and *guanxi* principles socialized from their original societies. Still other foreign firms were typical capitalist firms from North America and Western Europe, but were few in number at that time. Furthermore, some of these firms were owned by Chinese expatriates. By the end of 2001, foreign-invested firms from North America and Europe numbered 27,894, or 15.6% of total foreign firms in China. The amount of investments made was 9.5 billion US dollars, or 20.4% of total FDI in China (data from *China External Economic Statistical Yearbook 2002* Beijing: China Statistics Press).

Thus, while diverse economic sectors had emerged, their characters were blurred at times. As described below, we gathered data from each sampled firm to explore the “true” political-economic nature of each firm; more detailed analysis is deferred to future projects and reports. For the present purpose, we take advantage of the multi-sector economy and make the crude assumption that variations across the three sectors were sufficiently significant to allow a preliminary test of the second hypothesis: that differentiation of recruitment and deployment would be greater in the private and joint-venture sector than the state sector. If findings from this study, with the less-than-ideal prototypical institutional segmentation formulated in the hypothesis, are consistent with the expectations, it would increase our confidence in its validity.

Sampling: A Multilevel Strategy

The sampling was based on multilevel stratification. The first stratification involved dividing all urban cities in China into three regions: the coastal, the interior, and the border regions. Within each region, “typical” cities were

sampled that presumably characterized the character of each region. For the coastal regions, sampled cities were Beijing, Shanghai, and Guanzhou. This region was the first to benefit from "the reform and open" policy, assembled investment of resources from the central and local government, and mobilized labor forces from the rural and interior regions. These cities experienced the fastest economic growth and remained the leading region in economic development. Sampled interior cities were Shenyang, Xian, Nanchang (Jiangxi), Nanchong (Sichuan), and Wendeng (Shandong). The interior region was slower in economic development and enjoyed less support from the central government, but was rich in labor resources and some heavy industries from past development. The sampled border cities were Yuqi (Yunnan), Tacheng (Xinjiang), and Dandong (Liaoning). The border region was the slowest in economic development; had a presence, to varying degrees, of minority groups; and had begun developing trading relationships with bordering foreign countries, all of which lagged in economic development themselves.

The second stratification factor was organizations (work units) in different economic sectors. In each sampled city, all work units were identified by their registered identity: state/collective, non-state/collective (private), and joint venture or foreign (joint venture) sectors. Attempts were made to sample at least one or more work units in each sector for each sampled city. More organizations were sampled in larger cities.

The third stratification factor was positions in each organization. Working with Chinese colleagues and experts, we identified the "typical" positions for most work units: marketing/sales; advertising; supplies/purchasing; public relations; personnel; administration/management; party/union/women's committee; technical; productive; and planning. We attempted to capture the top-rank positions (party/union/women, administrative/management, and planning); edge positions (marketing, advertising, supplies, public relations); and "exchange-oriented" positions (personnel) as well as other positions (production, technical). It should be noted that both the union and the women's committees in each organization were closely aligned with the party office and widely understood as part of the party apparatus (Unger & Chan, 1995).

One condition for a sampled position was that the incumbent had assumed the job within the past 12 months so as to reduce possible recall errors. Very few sampled work units had all these positions, so the sampled positions varied across work units. The numbers of sampled work units and positions by city are shown in appendix. A total of 194 work units and 526 positions were sampled. For the present study, we focus on enterprises

and exclude government agencies and institutes. The final sample includes 413 positions, with 134 in the state sector, 162 in the private sector, and 117 in the joint-venture sector.

From each sampled work unit and position, we conducted personal interviews with the occupant, his/her immediate supervisor, and an administrator who could provide information about the work unit. We also gathered data about each city/region at the time of survey (2001), as well as over the past six or seven years. Thus, the final data set consists of four levels of data: from the occupant, from the supervisor, about the work unit, and about the city/region. The present study employs data from the occupants and the supervisors only.

Data from the Supervisors and Occupants

The questionnaire for the occupant covered topics ranging from his/her family background, demographics, the process by which they sought or found their present position, methods of getting the job including extensive information on the use of personal connections, routine and nonroutine practices in the current position, evaluation of their own behavior and performance, evaluations of their supervisors and the work unit, and a measure of social capital (the position generator). For the supervisors, the questionnaire also ascertained his/her family background, demographics, experience in the job market and with current work unit, how they processed the selection of candidate(s) for the focal position, criteria for evaluations, their behavior and performance, evaluations of their work units and their jobs, their own social connections and social capital (the position generator), their perception and evaluation of the occupant's behavior, satisfaction, and performance.

RECRUITING CRITERIA

For the present paper the analytic plan has two parts. First, it focuses on the recruitment criteria used by the supervisors in determining whether to hire the present occupant and second, it assesses whether such criteria had any bearings on the specific positions as reported by the occupants. Thus, the analysis was designed to examine whether the recruiting criteria used by the supervisors "matched" the social capital (as well as human capital) requirements of certain positions to which employees were deployed as hypothesized. The analysis therefore uses the selection criteria questions

from the supervisor survey and the position occupied from the occupant survey.

One question in the supervisor questionnaire asked: "When you were considering the appointment, which of the following individual conditions was important or not important?" Response categories were (5) very important, (4) relatively important, (3) average, (2) not too important, and (1) not at all important. A total of 26 conditions or criteria followed for their ratings. These conditions ranged from demographics (age, gender, nationality, marital status), party membership, human capital (education, experience, tenure, technical level), prior position and organizational rankings, health conditions, and dedication to work, to social capacities (family background, family social activity capacity, personal social activity capacity, and the identity of the recommender), residence considerations (household registration, local resident), family considerations (housing, job, and schooling needs of spouse and children), and salary requirement. One clarification regarding the "social activity" items is needed here. In Chinese, "social activity" (she-hui huou-dong, 社会活动) actually means social networking activities, reflecting the extent to which a person engages in interpersonal networking or organizational/associational activities.

In order to gain a more parsimonious picture of these criteria, we subjected the 25 items (excluding the "other" category) to a factor analysis for each sector. The principal component factoring with orthogonal rotations (for factors with eigen values at or greater than 1.0) was employed. The resulting selection factors appear in Tables 1, 2, and 3 for the three sectors.

Seven factors emerged for the state sector. For each factor, we identified the top-loading (≥ 0.40) items and labeled the factor in accordance with our interpretation of these items. The first factor, family, includes items such as "housing requirement," "resolving spouse's residence or job," "resolving parents' residence or jobs," "resolving children's residence or jobs," "resolving children's school attendance," and "salary requirement." The second factor, human capital/party, is indicated by items such as "party membership," "education," "work experience," "experience in the organization," and "technical level." Party membership, it should be noted, designates both competence and moral character in the membership induction criteria (Li & Walder, 2001; Bian, Shu, & Logan, 2001).

The third factor, "personal," is characterized by items such as "marital status," "household registration," and "local residence." The fourth factor, social capital, is characterized by "family background," "family social activity capacity," "personal social activity capacity," and "recommender." The fifth factor is labeled "prior status," reflecting "original position" and

Table 1. Factoring of Recruiting Criteria for Supervisor: State Sector ($N = 134$) (Rotated Factor Loadings).

Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7
	Family	Human capital/party	Personal	Social capital	Prior status	Age/gender	Local
Age	-0.025	0.147	0.132	0.200	-0.105	0.746	-0.076
Gender	0.070	-0.038	0.215	-0.041	0.050	0.788	0.082
Nationality	0.133	0.044	0.852	0.048	0.063	0.104	-0.105
Marital status	0.180	-0.044	0.755	0.117	0.095	0.241	-0.070
Household registration	-0.026	0.000	0.820	0.046	0.079	-0.022	0.281
Party member	-0.006	0.615	0.155	0.107	-0.176	0.008	0.142
Education	-0.021	0.644	0.085	-0.140	0.046	0.216	0.251
Overall work experience	0.110	0.787	-0.017	0.049	0.264	0.065	0.045
Experience in this organization	0.175	0.774	-0.071	0.114	0.317	0.004	-0.028
Technical level	0.084	0.728	0.014	0.104	0.326	-0.054	-0.046
Original position	0.132	0.233	0.082	0.027	0.896	0.017	0.005
Original rank	0.070	0.192	0.080	0.087	0.890	-0.003	0.043
Health conditions	0.034	0.093	-0.170	-0.011	0.161	0.527	0.581
Dedication to work	-0.049	0.409	-0.267	0.028	0.300	0.262	0.521
Family background	0.135	0.125	0.316	0.750	-0.078	0.042	-0.082
Family social activity capacity	0.201	-0.043	0.084	0.855	0.103	0.060	0.012
Personal social activity capacity	0.136	0.207	-0.202	0.643	0.133	-0.030	0.298
Recommender	0.163	0.090	-0.027	0.593	0.125	0.059	0.160
Local resident	0.217	0.004	0.407	0.177	-0.135	-0.153	0.689
Housing requirement	0.698	0.052	0.104	0.019	0.056	0.058	0.453
Resolve spouse's residence or job	0.925	0.044	0.103	0.109	0.065	-0.012	0.080
Resolve parents' residence or job	0.939	0.046	0.074	0.128	0.052	0.031	-0.003
Resolve children's residence or job	0.952	0.035	0.057	0.083	0.063	0.012	-0.006
Resolve children's attending school	0.950	0.066	-0.010	0.075	0.026	-0.018	-0.009
Salary requirement	0.537	0.127	-0.083	-0.036	0.168	0.293	-0.067

"original organizational rank." It is interesting to note that these status indicators were independent of both human capital and social capital, even though intuitively they might be related to either one or both. The sixth factor concerns age and gender. The seventh factor is a combination of "health conditions," "dedication to work," "local resident," and "housing requirement." It again indicates that a person's devotion to work is

Table 2. Factoring of Recruiting Criteria for Supervisor: Private Sector (*N* = 162) (Rotated Factor Loadings).

Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8
	Family	Personal/ party	Social capital	Prior status	Experience	Dedicate/ social	Age/ gender	Education/ party
Age	0.077	0.176	0.032	0.137	-0.181	0.039	0.749	0.190
Gender	0.108	0.386	0.007	0.231	-0.071	0.106	0.669	-0.103
Nationality	0.164	0.806	0.231	0.127	0.122	-0.171	0.121	-0.011
Marital status	-0.124	0.674	0.204	0.004	-0.096	0.088	0.298	0.119
Household registration	0.214	0.711	0.027	0.242	-0.170	0.213	0.128	0.121
Party member	0.098	0.411	0.155	0.220	0.105	-0.244	-0.228	0.476
Education	0.107	0.052	0.089	0.012	-0.022	0.079	0.102	0.835
Overall work experience	-0.059	-0.046	-0.155	0.229	0.622	0.288	-0.302	0.132
Experience in this organization	-0.049	0.074	0.149	0.230	0.730	0.160	-0.187	-0.267
Technical level	0.140	-0.139	0.031	0.181	0.699	-0.274	0.123	0.174
Original position	-0.015	0.154	0.218	0.805	0.210	0.075	0.126	0.011
Original rank	0.055	0.169	0.228	0.805	0.204	-0.029	0.101	0.035
Health conditions	-0.073	-0.249	-0.139	0.253	-0.280	0.491	0.228	0.045
Dedication to work	-0.094	0.053	-0.024	-0.192	0.126	0.691	-0.009	0.255
Family background	0.246	0.142	0.724	0.230	0.038	0.049	0.066	0.177
Family social activity capacity	0.069	0.073	0.874	0.211	0.004	0.076	0.039	0.080
Personal social activity capacity	-0.060	-0.008	0.377	0.127	0.130	0.689	0.156	-0.133
Recommender	0.157	0.206	0.758	-0.022	0.045	-0.016	-0.055	-0.087
Local resident	0.220	0.424	-0.018	0.090	-0.363	0.467	-0.029	-0.130
Housing requirement	0.750	0.130	0.053	-0.180	-0.069	0.061	-0.045	0.184
Resolve spouse's residence or job	0.914	0.085	0.090	0.027	-0.013	-0.052	-0.025	0.017
Resolve parents' residence or job	0.957	0.065	0.058	0.030	0.030	-0.016	0.063	0.010
Resolve children's residence or job	0.965	0.031	0.069	0.018	0.010	-0.020	0.083	0.005
Resolve children's attending school	0.946	0.001	0.061	0.019	0.028	-0.017	0.038	0.020
Salary requirement	0.223	0.003	0.095	-0.495	0.390	0.115	0.492	-0.007

seemingly dictated by one's physical health and no distraction from residence and housing issues.

In Table 2, there were eight factors for the private sector, labeled as family, personal/party, social capital, prior status, experience, dedication/social capital, age/gender, and education/party. Certain factors were similar to those in the state sector: family, prior status, and age/gender. Human

Table 3. Factoring of Recruiting Criteria for Supervisor: Joint Venture (*N* = 117) (Rotated Factor Loadings).

Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
	Family/ local	Social capital	Human capital	Prior status	Personal/ dedicate
Age	0.153	-0.058	0.155	0.680	0.305
Gender	0.108	-0.139	0.105	0.341	0.639
Nationality	0.362	0.246	-0.107	0.098	0.690
Marital status	0.237	0.321	0.043	0.193	0.664
Household registration	0.472	0.277	0.098	0.136	0.543
Party member	0.512	0.034	0.188	-0.286	0.378
Education	0.257	-0.143	0.585	0.080	0.164
Overall work experience	0.124	0.000	0.834	0.104	-0.031
Experience in this organization	0.014	0.293	0.684	0.318	-0.025
Technical level	0.150	0.048	0.836	0.232	0.017
Original position	0.079	0.142	0.302	0.770	0.156
Original rank	0.131	0.179	0.336	0.669	0.262
Health conditions	0.321	0.070	0.126	0.621	-0.126
Dedication to work	0.109	0.195	0.421	0.181	-0.464
Family background	0.332	0.685	-0.034	0.143	0.409
Family social activity capacity	0.294	0.819	-0.003	0.001	0.115
Personal social activity capacity	0.257	0.708	0.142	0.256	-0.182
Recommender	0.459	0.591	0.261	-0.058	0.107
Local resident	0.507	0.494	0.073	0.049	0.283
Housing requirement	0.713	0.401	0.208	0.113	0.134
Resolve spouse's residence or job	0.922	0.176	0.086	0.113	0.132
Resolve parents' residence or job	0.937	0.148	0.069	0.084	0.115
Resolve children's residence or job	0.944	0.137	0.066	0.100	0.091
Resolve children's attending school	0.939	0.144	0.076	0.105	0.061
Salary requirement	0.439	0.161	0.120	0.491	-0.234

capital is now in two separate factors: experience and education, somewhat independent of each other. Likewise, social capital is captured by two factors: family capacity and dedication. Also note that party membership is part of personal traits and part of education. Thus, part of party membership still reflects human capital, but is also seen as part of a candidate's personal traits.

Five factors emerged for the joint sector in Table 3: family/local, social capital, human capital, prior status, and personal/dedication. Interestingly, social capital, human capital, and prior status remained as independent

factors, but other factors found in the state and private sectors were folded into two: one concerns accommodation of family, residence, and personal needs; another concerns personal characteristics and dedication to work.

It should be noted that the sequence of these factors has nothing to do with their relative degrees of significance; it merely reflects how many of the items included in the questionnaire clustered together. What is important is which items cluster together and whether they form meaningful dimensions. In general, then, social capital, human capital, prior status, family, and personal requirements were salient recruiting considerations in all three sectors. Of particular interest here is the formation of clusters pertaining to social capital and human capital. It is reassuring that they did emerge, but it is also not surprising. Also of interest are the status of the previous position and the organization. They constitute a form of capital; we defer interpretation of its meaning to the discussion section.

DEPLOYMENT DIFFERENTIATION IN DIFFERENT SECTORS

We test both hypotheses simultaneously. The questions are (1) for the deploying hypothesis, do recruiting factors, especially social capital capacity, affect how workers are deployed into certain key positions (i.e., the top positions, the edge positions, and exchange-oriented positions) and (2) for the institutional contingency hypothesis, is such differential deployment more evident in a more competitive environment (the private sector and the joint sector) as compared to a less competitive environment (the state sector)? Support for the first hypothesis comes from evidence that the social capital factor in recruitment consideration is associated more with certain key positions than other positions. We employed the multinomial logistic regression technique in which the dependent variables are nine of the ten sampled positions, with production as the reference (missing) position. The reasoning was that production would probably be the position that required the least social capital capacity and skills, since it was not on the edge of the organization, not near the top of the organization, and probably among those requiring the least amount of people connections. This last argument could be contested, since some production requires coordination of workers, even on an assembly line. However, we contend these coordinations are mostly routinized and individual workers are more or less interchangeable without significant loss of performance. The independent variables were the factors of the selection criteria.

Methodologically, we note that this analysis used the selection criteria data from the supervisor questionnaire and the position occupied by the employee from the occupant questionnaire. Each piece of information was clearly possessed by each respondent, minimizing possible measurement errors. Also, coming from different respondents and questionnaires, the items avoided possible response set effects.

To test the second hypothesis, we conducted analysis separately for each sector. Confirmation of the institutional contingency hypothesis comes from evidence that the differential associations between social capital as a selective criterion and various key positions would be stronger in the private and joint-venture sectors than those in the state sector. Results of the analyses are presented in Tables 4, 5, and 6.

As in Table 4, there was almost no significant differentiation for the state sector across different positions for social capital considerations. Only public relations showed a slightly significant association with social capital, as compared to production. Human capital showed significant associations with administrative positions and party positions, and a modest association with technical positions, consistent with expectations (H1: *Corollary*). Family considerations were significantly associated with technical positions, and had some modest associations with party positions and advertising. This suggests that technical positions were significant in this sector so that accommodation of family needs deserved the enterprise's attention and efforts. Also interesting were significant associations of the prior status factor (prior position and organizational rankings) with both internal (party and technical positions) and external (marketing, supplies, and, to a lesser extent, advertising) key positions in the state sector.

For the private sector, as can be seen in Table 5, social capital appeared in two factors. One social capital factor was significantly associated with being an occupant of personnel and supplies, and somewhat with being in personnel planning and marketing positions. The other social capital, overlapped with dedication, was strongly associated with public relations, personnel, administration, party, and planning as well as marketing, advertising, and supplies. Human capital also appeared in two factors. The experience factor was associated with advertising and public relations and somewhat with supplies. The education/party factor was significantly associated with party, technical, planning, and advertising positions and somewhat with marketing and personnel positions as well. Age/gender was positively associated with public relations and negatively associated with party position. In the questionnaire, age and gender were listed as conditions without indicating whether the preference was for older or younger personnel, or a male or female. It is thus

Table 4. Multinomial Logistic Regression of Positions on Selection Factor Scores: The State Sector ($N = 134$).

Factor	Position								
	Marketing	Advertising	Supplies	Public relations	Personnel	Administration	Party	Technical	Planning
Family	0.083	0.841 ^a	0.659	0.096	0.255	-0.092	0.741 ^a	0.915 ^{**}	-0.012
Human/party	-0.033	-0.429	0.175	0.529	0.608	1.197 ^{**}	0.908 [*]	0.634 ^a	0.066
Personal	0.426	-0.266	1.102 [*]	0.011	0.598	0.118	0.258	0.074	0.134
Social capital	0.519	0.006	-0.273	0.742 ^a	0.003	-0.134	0.446	-0.193	0.481
Prior status	0.943 [*]	0.943 ^a	1.490 ^{**}	0.556	-0.685	0.432	0.976 [*]	0.936 [*]	0.430
Age/gender	0.126	0.000	-0.333	0.178	-0.492	-0.290	0.360	0.015	-0.202
Dedicate	0.356	0.045	0.488	0.528	0.165	0.306	0.155	0.008	0.475

Note: "production" is the base category.

^{*} $p < 0.05$; ^{**} $p < 0.01$.

^a $p < 0.1$.

Table 5. Multinomial Logistic Regression of Positions on Selection Factor Scores: The Private Sector ($N = 163$).

Factor	Position								
	Marketing	Advertising	Supplies	Public relations	Personnel	Administration	Party	Technical	Planning
Family	0.485	0.501	0.983 [*]	0.633	0.379	0.081	-0.002	-0.281	0.301
Personal/party	0.274	-0.720 [*]	0.001	-0.049	-0.256	-0.03	-0.062	-0.622 ^a	-0.581
Social capital	0.620 [*]	0.594	0.898 [*]	0.377	1.705 ^{**}	0.580 ^a	0.541	0.566	0.654 ^a
Prior status	-0.435	0.074	0.065	-0.448	0.837	0.105	0.351	-0.601	0.351
Experience	0.513	1.115 ^{**}	0.841 ^a	0.773 [*]	0.646	0.483	0.312	0.712	0.391
Dedicate/social	1.102 ^{**}	0.928 [*]	0.920 [*]	1.515 ^{***}	2.687 ^{***}	1.200 ^{**}	1.642 ^{**}	-0.129	1.041 ^{**}
Age/gender	0.231	0.534	0.343	1.016 [*]	0.584	-0.117	-1.164 [*]	0.107	-0.086
Education/party	0.550 ^a	0.701 [*]	0.223	0.506	0.980 ^a	0.466	1.077 [*]	0.836 [*]	0.765 [*]

Note: "production" is the base category.

^{*} $p < 0.05$; ^{**} $p < 0.01$; ^{***} $p < 0.001$.

^a $p < 0.1$.

Table 6. Multinomial Logistic Regression of Positions on Selection Factor Scores: The Joint Ventures (N = 117).

Factor	Position								
	Marketing	Advertising	Supplies	Public relations	Personnel	Administration	Party	Technical	Planning
Family	-1.659**	-0.310	-0.947**	-0.432	-0.671	-0.687 ^a	-0.608	-0.069	-0.771 ^a
Social capital	0.504	0.353	0.275	0.304	0.248	0.191	1.251 ^a	0.505	0.256
Human capital	-0.473	0.907	-0.894**	-0.629	0.003	-0.059	-0.637	0.52	-0.054
Prior status	-0.860*	-0.725	-0.008	0.234	-0.544	-0.766**	-0.330	-0.686	-0.449
Personal/dedicate	0.623	0.635	0.597	0.345	0.250	-0.056	1.197 ^a	0.369	0.318

Note: "production" is the base category.

*p < 0.05; **p < 0.01.

^ap < 0.1.

impossible to speculate on what the negative association inferred. Further research is needed to clarify this association. Family and personal/party considerations had no substantial associations with various positions (in contrast to production positions). Interestingly, prior status, which was significantly associated with a number of positions in the state sector, showed no significance with any positions. That is, prior position and organization rankings had little influence on deploying considerations in the private sector.

Finally, as shown in Table 6, data in the joint-venture sector showed relatively few significant associations between the recruiting factors and deployment to positions. Social capital had only a modest association with party positions, and human capital was significantly but negatively related only to supplies. Prior status was also negatively associated with administrative and marketing positions. Family considerations were also negatively associated with marketing, supplies, administration, and planning. The only other positive association was between the personal dedication factor and being in party positions. In general, there was little evidence to support the differential deployment hypothesis.

A serendipitous finding worth noting is the significance of the "prior status" factor for certain positions in the state sector (i.e., marketing, purchasing/supplies, party, and technical positions), while it showed no significant association with any of the positions in the private sector. Further it was negatively associated with marketing and administrative positions for the joint sector. One interesting speculation may be that previous linkages with high-status organizations and positions play a more critical role in an institutional arrangement where hierarchical structure and positions rather than market mechanisms figure more importantly for organizational survival. Finding and placing employees with such linkages would make strategic sense. We will further explore this issue in the next section.

DISCUSSION

To facilitate the discussion, we summarize the findings in Table 7, where for each sector we identify the significant (at ≤ 0.05 level) associations of social capital, human capital, and prior status on various positions (relative to production positions). Several clarifications deserve mentioning here. The check sign (V) denotes a significant coefficient from the relevant table (e.g., Tables 4, 5, or 6) and the negative sign denotes a negative association. For the private sector, there were two factors each related to social capital and

Table 7. Summary of Findings: Selection Factors and Deploying to Positions in Different Sectors (Reference position: production and significance level ≤ 0.05).

	Social Capital	Human Capital	Prior Status
State sector			
Marketing			V
Purchasing/supplies			V
Administration		V	
Party		V	V
Technical			V
Private sector			
Marketing	V		
Advertising	V	VV	
Purchasing/supplies	VV		
Public relations	V	V	
Personnel	VV		
Administration	V		
Party	V	V	
Technical		V	
Planning	V	V	
Joint sector			
Marketing			-V
Purchasing/supplies		-V	
Administration			-V
Party			

Notes: V, partial regression coefficient significant at <0.05 ; VV, both partial regression coefficients significant at <0.05 where there were two associated factors (e.g., two social capital or human capital factors, see text and Table 5) for the private sector. The negative sign denotes a negative association.

human capital, respectively (see Table 5), so there could be two checks (VV) when both relevant factors were significant for a given position.

The first conclusion is that social capital figured strongly in the differential deployment of employees to various key internal positions (personnel, administration, party, technical, and planning) in the private sector. Certain positions were given consideration of both social and human capital, such as advertising, public relations, party, and planning positions. Social capital figured significantly in deploying employers to other important internal (administration and personnel) and edge (marketing and purchasing-supplies) positions. Prior status played no significant role in the deployment process.

On the other hand, social capital had little significance in differential deployment in the state sector. Human capital was important in assigning employees to key internal (administrative and party) positions. Further, prior status was significantly associated with deployment to certain key internal (party and technical) and edge (marketing and purchasing/supplies) positions.

The contrast between the results from the state sector and the private sector simultaneously provides strong support to both the differential deployment hypothesis (H1) and the institutional contingency hypothesis (H2). Social capital is a major consideration in the recruitment and deployment to key internal and edge positions in enterprises in the more competitive environment, the private sector, but not in the less competitive environment, the state sector. The data, therefore, strongly supports the primary theoretical argument: that organizations, in the more competitive market environment, strategically recruit and deploy employees to certain key positions where social networking capacity and activities are deemed essential.

Findings from the joint-venture sector did not support the differential deployment and institutional contingency hypotheses. We expected that the enterprises in this sector would be in the more competitive market and should show effects of social capital. One possible source of this non-finding may be due to the fact that most of the Chinese enterprises in such joint ventures are in fact state or collective enterprises. We found, for example, that about four in five (81%) of these firms received no materials from private enterprises; over half (52.5%) of the firms received no capital from private enterprises; and four in five (80%) did not receive any funding from private enterprises. It is not surprising, therefore, that many of these firms retained practices and routines similar to those in the state and collective sector.

Nevertheless, the present study advances a theory about the significance of social capital for organizations and provides preliminary data to support the differential recruitment and deployment hypotheses. It urges future research on recruitment, deployment, and staffing to pay attention to the key role of social capital in organizations and how it figures in the functioning and performance of organizations. We should mention that it was not true that the private sector recruited employees with better social and human capital as compared to those in the state sector. In separate analyses, we found that the state sector employees on the average had higher education, more work experience, and more social capital (as measured in a position generator) as compared to those employed in the private sector (the employees in the joint sector seemed to have the best human and social capital, but not much).

Rather, the key was how organizations in the private sector more effectively deployed workers with such capital to key positions.

Further, the study shows that the strategic utility of social capital gains significance for organizations in the more competitive market environment. It refutes the conventional wisdom that informal social relations or *guanxi* would be replaced by more "rational" factors (e.g., human capital) in the more competitive market environment (Guthrie, 1998). What is theorized and demonstrated is that in the more competitive environment, social capital is perhaps even more critical, and of occupants with such capital should be strategically deployed to key internal and edge positions. It also suggests that studies in other capitalistic and more industrialized societies should examine differential recruitment and deployment of social capital for organizations in the more competitive markets (e.g., the manufacturing and private sectors) as compared to the less competitive markets (e.g., bureaucratic organizations; government-sponsored enterprises (GSE), such as Freddie Mac, Fannie Mae, and federal home loan banks; industries closely associated with government – especially defense – agencies; and public sectors). Marsden (2001) has shown, for example, that social networks and social capital are more important for both employees and employers in the private sector in the United States.

Finally, the factor of prior status deserves further theoretical considerations. In the present study, it was significant in differential recruitment and deployment in the state sector, more so than the significance of social and human capital. One possible clue to understanding what it represents is the general knowledge in economic sociology that markets, networks, and hierarchies represent three components of social structure that dictate the functioning of economic activities (Williamson, 1975, 1985; North, 1990; Granovetter, 1985; Powell, 1990). It may well be that prior status in fact captures in part the significance of hierarchical linkages in the state sector. Transactions among bureaucratically linked units are critical to their survival and persistence. The enterprise would indeed benefit from employees who came with such hierarchical capital. It is now possible, we believe, to formulate theoretical propositions regarding the differential recruitment and deployment of the three types of capital (social capital, human capital, and hierarchical capital) in different economic sectors.

These considerations lend support to our contention that strategic recruitment and deployment of social capital has its significance beyond the present-day China. Sectors or variations in institutional arrangements exist in almost all societies. Economic activities engage the three types of capital everywhere. It behooves us to explore their persistent significance and differential variations in all economies and regimes.

The next logical step in the present analysis of social capital in organizations in China is to explore the relative advantages of the recruitment and deployment of social capital for the deployed occupants and the organizations, especially in the more competitive markets. Returns to employees may include appropriate use of talents (e.g., more exchange opportunities in and outside the organization), job satisfaction, and socioeconomic rewards, and returns to organizations may include extensity of markets (e.g., supplies of talents, materials and capital, and reaches of markets beyond local or regional boundaries), sustainability (e.g., international investments and markets, quality and quantity of supplies), and performance (e.g., duration, market shares, and revenues and profits). We are currently undertaking some of these investigations.

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APPENDIX. SAMPLED ORGANIZATIONS AND POSITIONS BY CITY

City	Positions	Organizations
Beijing	78	23
Shanghai	68	46
Guangzhou	68	29
Shenyang	74	22
Xian	48	15
Nanchang, Jiangxi	48	15
Nanchong, Sichuan	28	15
Wendeng, Shandong	28	4
Yuqi, Yunnan	30	9
Tacheng, Xinjiang	28	19
Dandong, Liaoning	28	4
Total	526	194