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Welcome to the proceedings CD for the ANZIBA 2007.

The 2007 ANZIBA conference is hosted by the Research Institute for Organisational and Institutional Performance, Faculty of Business and Law, University of Newcastle, Australia.

A key feature of the annual meeting of the Australia and New Zealand International Business Academy has been the participation of internationally renowned scholars as keynote speakers. Continuing this tradition, this year's keynote speaker is Udo Zander, (Stockholm School of Economics, Sweden).



We would like to thank the stream chairs and the international panel of reviewers for their efforts in the blind review process, and the authors of papers and panels for the contributions. We also acknowledge the Research Institute for Organisational and Institutional Performance, University of Newcastle, for supporting two sponsored events: The Research Students Colloquium and the Conference Welcome Reception.

Enjoy the conference

Best regards,
Beth

Elizabeth L. Rose
President of ANZIBA
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Resource Acquisition: Effect of Commitment and Social Capital in China

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Abstract

Social capital plays an important role in the growth of firms. However, limited research has been conducted on how the social capital of structural hole contributes to resource acquisition from the perspective of entrepreneurs and how behavioral commitment is related to the effectiveness of social capital. This study examines these issues based on a sample of Chinese firms. The findings indicate that behavioral commitment significantly mediates the relationship between social capital of structural hole and resource acquisition and that social capital of structural hole has positive direct effects on the firm's resource acquisition in the context of China.

Keywords: social capital of structural holes, behavioral commitment, resource acquisition and entrepreneurs.

INTRODUCTION

Recently social capital has been increasingly recognized as an important strategy along this line. Small-medium enterprises (SME) have limited resources and market share to achieve their economic goal, compared with large companies (Golden & Ma, 2003). It is found that social capital facilitates resource acquisition, knowledge transfer, and collaboration in business transaction (Venkatraman & Lee, 2004; Bass et. al., 2004; Burt, 2005).

The social capital of networks is not only in the presence of relationships but is also embedded in the absence of relationships (Brass et al., 1998). In such absence, the brokerage role between two unconnected parties in triad or more than two parties may become significant in networking and social capital generation. A definition of the structural hole in this study is referred to in Burt's (2005) definition, that is, the absence of a link between two actors from different dense social clusters in the networks. The social capital of structural hole presents opportunities for access to new and diverse sources of information and resources for firms, individuals and groups (Burt, 2005). These opportunities have great economic payoffs for firms (Walker, Kogut and Shan, 1997). However, given a chance of opportunism in exchanges of structural hole which is not engaged in mutual obligation, both sides of structural hole need to demonstrate commitment through major transitions (Blau, 1968; Molm, 2000; Healy, 2001). As such, behavioral commitment plays an important role in reducing opportunism of social exchange and guaranteeing positive outcomes through structural holes. Behavioral commitment is defined as *behavioral* patterns of social exchange in which pairs of actors choose to exchange repeatedly with one another rather than with alternative partners (Kollock 1994; Molm et al., 2000).

While there have been an increasing number of studies focusing on social capital embedded in strong ties (Brass et al. 2004), limited research has been conducted on how behavioral commitment is related to effectiveness of the structural-hole social capital in resource acquisition from an entrepreneurial perspective. This study focuses on how behavioral commitment mediates the relationship between social capital of structural hole and resource acquisition by Chinese firms in China. Knowledge gained from this study will contribute to our understanding of the role of social capital of structural hole in resource acquisition within the context of China.

THEORETICAL BACKGROUND AND HYPOTHESES

Social capital of Structural Hole and Resource Acquisition

Through activities of bridging structural holes, entrepreneurs can directly or indirectly create an opportunity for their firm to make a favorite resource transfer. A structural hole is a potentially valuable context for strategic action and brokerage is the network entrepreneurs' action of coordinating across the holes with bridges between people on opposite side of the structural hole (Burt, 2005; Weisinger & Salipante, 2005). The social capital of structural holes, thus, comes from the opportunities that structural holes provide to network entrepreneurs with the flow of additive, non-irrelevant information or resource between people from different social clusters for their firms' survival and growth, instead of sharing common sources in a collective way within the closed network (Putnam, 1993; Burt, 2005; Weisinger & Salipante, 2005). " Value is created by network entrepreneurs strategically moving accurate, ambiguous, or distorted information between people on opposite sides of structural holes in the routine flow of information" (Burt, 2005, pp.18).

Within the same supply circle in their industry, SMEs often end up with a shortage of supply and customers when competing with large companies, which may cause the firm to be unable to operate at full capacity(Uizz, 1997). Creating and nurturing the social capital of structural hole has been consciously or unconsciously taken as a strategy for business survival and growth by entrepreneurs (Burt, 2005). Social capital of structural hole in this study therefore is defined as relational resources inherent in weak social connections which facilitate collective actions for mutual benefits through brokerage of individuals, groups or industries from different social clusters. An effect of the social capital of structural hole is evident within the context of China's transitional economy (Peng, 2000; Wang, 2007). Culturally and historically doing business in China is *guanxi* oriented, which stresses developing social networks wherever possible and with whoever possible (Wang et al. 2003; Wellman, Chen & Weizhen, 2001). SMEs have emerged at an unprecedented pace in China and quickly taken their position in various niche markets for the past two decades. However, the rapid growth in the number of SMEs creates a serious problem of shortage of resource for the normal operation of these enterprises. Many Chinese entrepreneurs employ *guanxi*, a form of social capital, as a strategy to find a way out. Instead of only keeping strong relationships with suppliers in a closure all the time, the strategy employed by Chinese entrepreneurs of SMEs is to reach people who are outside their industrial circle, but who are in a position to know a source of resource or to influence the distribution of resource (Peng and Luo, 2000). Through these connections, they are

likely to increase their opportunities to gain scarce resource or secure the chance of the resource to which they are entitled. Accordingly a hypothesis thus is proposed that

Hypothesis 1: Social capital of structural hole is positively related to resource acquisition.

The Mediating effect of behavioral commitment on social capital and acquisition of resources

It may be risky for entrepreneurs to initiate and develop the social capital of structural hole with people from other social clusters, as structural hole is a territory in which people usually do not know each other well and do not have obligations to each other in running their business. The level of engagement between groups or individuals in the exchange relationships of structural hole is entirely based on self-interest (Bass et al., 2004). Given such less bounded relations, there is a risk of no reciprocity from one side of the absent linkage. It is argued while the structural hole provides opportunities to bridge the parties to connect with various social clusters, it also provides the possibility of unethical conduct (Bass et al., 1998; Uzzi & Spiro, 2005). Practically and theoretically, the more risk is involved, the more critical commitment between two sides of exchange will be expected (Burt, 2005). Clearly, behavioral commitment is a key issue for the effectiveness of social capital of structural holes. As such, entrepreneurs need to develop the commitment relationship with social clusters outside their own circle, which are able to directly or indirectly supply resources for their firm operation, such as financial, material, land or other resources.

The Mediating Effect of Behavioral Commitment

Behavioral Commitment and Structural Holes

The reciprocal exchange of social capital requires that both the involved sides are willing to contribute to each other to make benefits and costs in the transactions with equilibrium in the long run. The frequency of interaction is another important component indicating the quality of social capital (Leana, 1999). As defined above, behavioral commitment is repeated exchanges between the same actors in their social connections (Molm et al., 2000). The availability to help each other in the relations not only depends on the ability of both sides to assist, but also relies on their willingness to assist in reciprocal exchanges. Behavioral commitment reflects the willingness to involve and to readily help in the social exchange.

It is found that the important role of behavioral commitments is influenced by the structure of power, particularly when exchanges are reciprocal in nature (Lawler & Yoon, 1996; Molm et al. 2000). The imbalance of value brought into exchange through brokerage creates the imbalance of power in relationships and exerts a determining role in the benefits balance in social capital of structural hole. The reciprocity requires that both sides of structural hole develop confidence in commitment to each other. Given a prior unequal distribution of power in access to resources, the less dependent side's use of its social capital can considerably enhance its dominance by providing the more dependent entrepreneur's firm with exclusive resources for gaining their desired return (Burt, 2005). However, with more power of exchange, the dominant side of structural holes is able to neglect reciprocal norms in the existing relationship exchange by doing nothing in return, or turning to other relations for better benefits. The quality of reciprocal exchanges and the expectation of continued interaction are shaped by this imbalanced power (Molm et al., 2000, Warren, 2001). According to resource dependency theory (Pfeffer & Salancik, 2003), dependence creates unbalanced power relations, in which the least dependent party has a power advantage over the others. There is opportunity for the less dependent party to contribute less commitment to the social exchange of structural hole. To mitigate such disadvantage, entrepreneurs need to strategically develop their own behavioral commitment and also cautiously seek the behavioral commitment of other parties, encompassing social reliability.

Behavioral Commitment and Resource Acquisition

In general, behavioral commitment in exchange relations is important for the outcome of social capital (Molm et al., 2000). Behavioral commitment is likely to play a basic role in initiating and repeating the exchange of resources (Kollock, 1994; Lawler & Yoon, 1996; Pildes, 1996; Hyden, 1997; Adler & Kwon, 2002). As noted earlier, there is no mechanism to compel the obligation of parties in structural holes. Social exchanges on these occasions rely on the less dependent side's behavioral commitment, especially in a series of sequentially contingent acts. Behavioral commitment signals the willingness to help with the other side in an on-going manner and reduces the inequality of exchange.

Entrepreneurs of SMEs often fit the role of the more dependent side in structural hole, as they are seeking help with obtaining resource for their firm (Stuart, Ha and Hybels, 1999). The behavioral commitment of other parties

outside the firm would be critical to fulfilling the purpose of the firm's resource acquisition. In the weak ties of structural hole, for example, Party A, a broker with a source or connection for resources, is in a position to choose either to exchange it with an entrepreneur or to have an alternative exchange with the third party. Behavioral commitment of Party A to the entrepreneur will reduce the chance of a corresponding inequality in exchange and increase the chance of providing the entrepreneur with the resource (Brass et al., 1998).

The behavioral commitment of one side to the relations of structural hole leads to a high availability of help when another side of structural hole needs it. The higher availability to help demonstrated by the brokerage side, the more chance there is that the firm as the other dependent side will gain exclusive resources from this structural hole. In China, *guanxi* penetrates the whole business operation. Chinese entrepreneurs from various sectors engage in networking activities all the time as part of their basic personal and business life, which are seen as interplay (Wang et al. 2003). They use every opportunity to try to connect with others for social capital building. However, an entrepreneur's concern is which relations will exert a role to actually bring the benefits to the firm among huge, ambiguous networks (Park and Luo, 2001). There are plenty of cases, with hugely favorite outcomes as well as hoaxes, occurring in social exchanges of structural hole in Chinese business (Xinhu News Agency, 2006). Behavioral commitment to structural-hole connections is likely to be crucial to guarantee outcomes for these Chinese entrepreneurs, the dependent side. Clearly, high behavioral commitment of the less dependent side leads to a high rate of resource transfer between parties (Lawler & Yoon, 1996). The behavioral commitment – the frequency of exchange with a specific party and the exclusion of other alternatives – is more important than the equality of the exchange in the subjects' evaluations of the character of the involved parties (Molm et al., 2000). We thus hypothesize that:

Hypothesis 2a: Behavioral commitment to the relations of structural hole positively relates to resource acquisition.

Hypothesis 2b: Behavioral commitment to the relations of structural hole mediates the relationship between social capital of and resource acquisition.

METHOD

Sampling and Procedure

The aim of this study was to understand the behavior of entrepreneurs concerning social capital at the firm level. A sample was drawn entrepreneurs who undertake and operated a venture and assumed accountability for the inherent risks and involved in firm's strategy and administrative activities. The survey was conducted between 2004 and 2006 across different locations in China, including Shanghai, Beijing, Changsha, Nanning and Suzhou. Participants in these places were given questionnaires on the first day of class and asked to return them on the last day of the course, yielding a sample for this study of 104 top management people (81 males and 23 females) who represent 104 firms. Respondents represented a variety of industries. To test the social capital of structural hole, a social group who has monopoly power in business in the government system is chosen to be the other cluster with which the entrepreneurs try to link. This group is in a position that is able to help a firm directly or indirectly with resource acquisition. They are not part of the industry within strong ties and are in a position to link firms from different social or industrial clusters to connect. This enables them to broker a perceived high value of social capital in exchange relations. The exchanges between them are characterized as one side, the group of officials with less dependence and the firm, as the other side, with more dependence. The participants are asked whether and how they have relationships with people of this group and their perceptions of the behavioral commitment of this group.

Measures

The survey instrument was developed from the literature and from preliminary pilot interviews, since there was no existing one. Specifically, first, based on the literature, a questionnaire was designed and developed. Second, a pilot investigation was conducted with a questionnaire survey. This was followed by interviews with eight participants to obtain feedback on the instrument. The questionnaire was then modified based on the feedback. Finally, the revised questionnaire was distributed at appropriate opportunities during 2004 and 2006. The subjects were asked to express their level of agreement with a given statement via a five-point Likert scale – ranging from 'Strongly Agree' to 'Strongly Disagree'.

Dependent variables

Resources acquisition. The variables of resource acquisition tested the extent to which a firm obtains the resources through networking and establishing relationships with the brokerage side. The variable of resource acquisition was tested by a scale composed of two items, which were that 'my firm is able to gain critical financial resources through networks' and 'my firm can get other critical resources for operation through those people with monopoly power in business based on government'.

Independent variables

The social capital of structural hole measure tested the extent to which a firm possesses the networks with the official group for their business. This construct is composed of three items. For example, "my firm always networks with people who have a position in government that allows them to influence decisions about what assistance is given to business firms".

A scale for measuring *behavioral commitment* was developed to gauge the extent to which a firm can gain constant help with business from government officials with the official group, when being placed in a dependent position in the dyadic tie. Three items composed the scale to test the variable: for example, "my firm can get help from officials in government in anytime when it is needed".

Control variables

Since benefits of social capital are aggregated for the firm, two control variables at the firm level are included in the analysis. The firm size is a measure of the number of employees in the firm as previous research suggests that a firm's size is negatively related to the need for social ties for survival and prosperity in China (Yeung & Tung, 1996; Peng & Luo, 2000). The smaller the firm is, the more the firm will rely on social capital for business security and success. The firm year measures the length of the firm's existence since it was established. The entrepreneurs' years of work in the current company is also controlled for in the hierarchical regression analysis. Social relations and their benefits always reflect the firm's long-term strategies. It often

takes time for entrepreneurs to see the effect of social capital on the business, which builds up as participants work for long periods in the same company.

Analysis and Reliability

Using scales based on 104 participants, the analysis involved regression on dimensions with variables of strategy of social capital (Cronbach's alpha = 0.70), resource acquisition (Cronbach's alpha = 0.84), and behavioral commitment (Cronbach's alpha = 0.79). Prior to the statistical analysis, the codes of the responses to a number of items were reversed, so that all of the items that were measured with a higher score represented a higher level of preference on the scale. The analysis of mediating effect followed a three-step procedure to test a mediation model proposed by Baron and Kenny (1986). In the hierarchical regression analysis tested the mediating effect on the relationship between social capital and resource acquisition by, behavioral commitment on variables of social capital, the firm size and length of firm establishment (Step 1); resource acquisition on the social capital of structural hole, the firm size and length of firm establishment (Step 2); resource acquisition on behavioral commitment (Step 3).

RESULTS

The means, standard deviations and Pearson correlations are reported in Table 1. The results of correlations indicate that there is a positive correlation between the social capital and resource acquisition ($r = 0.59$; $p < 0.01$). There is a positive relationship between resource acquisition and behavioral commitment ($r = 0.55$; $p < 0.05$).

Table 1. Means, Standard Deviations, and Pearson Correlations ^a for Variables

	M	SD	1	2	3	4	5	6	7
1. Firm year	7.50	6.01	--						
2. Firm size ^b	4.75	1.21	.46*	--					
3. Work years in Co. ^c	3.50	1.05	.76**	.38*	--				
4. Acquisition of resources	3.7	1.17	.08	-.25	.41	--			
5. Social capital of structural hole	4.21	.58	.25	-.13	.53**	.59**	--		
6. Behavioural Commitment	2.94	.76	-.06	.09	-.05	.55*	.41*	.37*	--

^a $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$ (2-tailed).

^b Firm size was coded as 1= 1-10; 2= 11-30; 3=31-100; 4=101-200; 5=over 200; 6=over 1000

^c Work years in company was coded as: 1=less than 2 years; 2=2-5 years; 3=6-10 years; 4=11-20 years and 5=over 20 years

The results of hierarchical regressions in Table 2 indicate the relationships between social capital of structural hole and resource acquisition. First, social capital of structural hole has positively direct effects on the firm's resource acquisition ($p < 0.01$). Hence, hypothesis 1, stating that social capital of structural hole is positively related to resource acquisition, is supported. Second, behavioral commitment is positively related to resource acquisition ($p < 0.001$). Hypothesis 2a, thus, is supported. Third, behavioral commitment is significantly related to resource acquisition with the social capital of structural hole controlled for in the model ($p < 0.05$) and is significantly related to the social capital of structural hole. Therefore, hypothesis 2b, stating that behavioral commitment to the relations of structural hole mediates the relationship between social capital and resource acquisition, is partially supported.

Table 2. Hierarchical Regression Analysis of Mediating between Social Capital based on Structural Hole and Acquisition of Resources in Chinese Firms

Variable	Acquisition of Resources			
	Model 1	Model 2	Model 3	Model 4
	Cmit.	Reso Acq.	Reso Acq.	Reso Acq.
Step 1 Controls				
Firm year	.003	-.21	-.08	-.25
Firm size	.19	-.09	-.28	-.09
Work year in Co.	-.40	.19	.48*	.09
Step 2 Main Effect				
Social capital of structural hole	.64*	.73**		.49*
Step 3 Mediating				
Behavioral Commitment			.76***	.40*
R ²	.30	.65	.76	.65
Adjust R ²	.21	.54	.61	.75
F	1.27	5.61	5.2	6.45
Observation number (firms)	104		104	104

^a Standardised coefficients are reported.

* $p < .05$; ** $p < .01$; *** $p < .001$

DISCUSSION

This study examined whether the social capital of structural hole is positively associated with a firm's resource acquisition and whether behavioral commitment mediates the relationship between social capital of structural hole and resource acquisition in the context of China's transition economy. Its findings provide insights in these

important issues from both theoretical and practical perspectives and contribute to the literature of entrepreneurship and social capital.

Theoretical implication

The study contributes to the literature of social capital by exploring the function of structural hole from a perspective of entrepreneurship strategy. The findings show the important role that social capital of structural hole plays in resource acquisition of SEMs. Entrepreneurs of SMEs adopt a strategy bridging structural holes to gain resource for their firm's operation and growth.

This study also contributes to the literature of commitment by proving the previously untested argument that behavioral commitment plays a part in the situation of imbalanced structural power in the context of structural hole, with empirical evidence. Behavioral commitment reduces the opportunity cost in the networks of structural hole and increases the chance of resource acquisition for the more dependent side: Entrepreneurs of SMEs in our case. The findings indicate that behavioral commitment partially, significantly mediates the relationship between social capital of structural hole and resource acquisition in China. When contributions of the involved sides to the exchange through structural hole are separately performed, it would be difficult for entrepreneurs to predict reciprocal benefits from the dominant side of exchange without a perception of behavioral commitment. In a typical case of structural-hole connection, the entrepreneur initiates exchanges, by performing a beneficial act for another in a structural-hole connection, without knowing whether, when, or to what extent the other side will reciprocate in the resource acquisition in the sequence. Behavioral commitment under this circumstance is not only a key to cultivating the social capital of structural hole, but also provides a real chance for the firm to get resource. Whether structural hole can be utilized as social capital doing a favor for the entrepreneurs significantly depends on the willingness of the brokerage side. Uncertainty associated with a sequent performance and imbalanced power are two factors that require behavioral commitment in the social exchange of structural hole.

Practical Implication

The findings of this study indicate that bridging structural holes is an effective means of obtaining scarce resources. This suggests that in a broad practice, the government in charge of small business and the business

associations may consider to take a positive role in assisting SMEs with bridging the linkage across industry clusters. Additionally, entrepreneurs should employ strategies to engage behavioural commitment of the dominant side as an essential condition to gain social capital, when involving in structural-hole exchange.

In China, connections are always believed to be crucial for doing business in a broad scope. The findings of this study provide an explanation of how a mechanism works in such connections to help entrepreneurs gain benefits for a firm. Bridging structural holes is an effective way to gain resources and should be adopted as a strategy for Chinese entrepreneurs, in the acute competition for gaining resources.

LIMITATIONS AND FUTURE RESEARCH

Limitations

Although the study develops an insight into the social capital of structural hole, there are limitations that should be noted. While social capital of structural hole has been linked with a firm's gain in resources through behavioral commitment, in practice the functions of social capital of structural hole to generate benefits are complex. The results of this study only reflect some of the factors in these relationships. More elements need to be explored empirically in order to fully understand this complex and dynamic exchange. For example, affective trust and affective commitment may be important to the development of network for social capital reasons (Lawler & Yoon, 1996; Molm et al., 2000). However, this study does not examine their role in the relationship between social capital of structural hole and resource acquisition.

The current study does not examine group social capital of structural hole, which may directly bring benefits to the parties' affiliations. Further research in this area may provide explanations of the moderating effect on the relationship between social capital of structural hole and resource acquisition. Additionally, selection of the connected side of structural hole, which may be another factor impacting on the effectiveness of social exchange, was not included in this study.

Finally, scales of the measurement developed in the study has a high inter-correlation rate, it needs further modification and tested. Case studies and more participants' involvement in the pilot study might be helpful to develop the measurement.

Future research

This study has examined the factors of structural hole as structural embeddedness, behavioral commitment for the outcome of networking. The strategic alliance theory suggests that not only relationship or willingness to ally, but also partners' characteristics affect the alliance outcome (Saxton, 1997). Future research may like to examine the influence of selection of structural hole on the firm's resource acquisition to comprehensively picture how social capital works in this regard.

Another avenue of research in the future is to link entrepreneurs' personality and the development and utilization of structural hole as the firm's strategies. It is argued that characteristics typical of a successful entrepreneur are the ability to take risks, innovativeness, and the readiness to grasp profitable opportunities (Littunen, 2000).

Whether the personalities of entrepreneurs have an impact on ways of building such risk-taking connections and how they eventually lead to effectiveness of social capital of structural hole need to be examined. Finally, the research is conducted in the context of China, where *guanxi* has been a dominant element historically in doing business. It would be necessary to test the relations of commitment with structural hole in other countries for the purpose of generalization.

In conclusion, this study has explored the mediating effect of behavioral commitment on the relationships between the social capital of structural hole and benefit gain. Despite the limitations in this research, the obtained understanding of these linkages is important for developing further research on how networks of structural hole evolve and function, especially for firms operating within China's transition economy.

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