

The Entrepreneurship and Development of Family Enterprises from the Perspective of Economic Sociology-a Case Study Based on The Zjz Family Business

Yilin Zeng

Chongqing Yucai Middle School, Chong Qing, 400039, China

Keywords: Bp neural network, Prediction

Abstract: The macro-level social structure, social relationships, and the entrepreneurial spirit of entrepreneurs at the micro-level have a significant impact on the entrepreneurship and development of family businesses. Based on the findings of this study, this thesis proposes corresponding countermeasures and recommendations for business starters.

1. Introduction

Since the reform and opening up, China's economy has grown at a high rate, with the total GDP reaching 986,515 billion yuan in 2019 and successfully breaking the 100 trillion mark in 2020. And the entity entrepreneurship has made a huge contribution to economic development. By the end of 2017, the number of private enterprises in China exceeded 27 million, and more than 65 million individual industrial and commercial households, with registered capital of more than 165 trillion yuan. The private economy accounts for more than 60% of GDP, holding up "half of China's economy". To encourage entrepreneurship, Premier Keqiang Li issued the call for "mass entrepreneurship and innovation" at the Summer Davos Forum in Tianjin in 2014, which started the national support for small and medium-sized enterprises (SMEs) with the code name of "double creation". With the gradual improvement of the supportive policies, people are more willing to choose entrepreneurship.

The issue of entrepreneurship is a hot topic of research in many disciplines, and existing research has analyzed and interpreted the field of entrepreneurship in a variety of ways. From a microscopic perspective, Hejian Wang argue that self-action is the fundamental force that influences and determines Chinese people's choice to go into start up business rather than employment. Among them, the sense of autonomy derived from egoism is the subjective force of autonomous operation, while the objective force of relational rationality derived from the operation of family and friendships.[1]In addition, entrepreneurship is also the main motivation for studying the entrepreneurship at the micro level. The development of socioemotional wealth theory, family business leadership and decision-making behavior theory, family inheritance theory based on the time dimension, and family science theory were systematically sorted out in the study by Chunxin Li and others.[2] From a macro perspective, Xiao Ying's research considers the constructive role of institutions in life, and through the examination of the complex mechanism of interaction between formal institutional agents and living subjects in institutional practice, it is found that: on the one hand, the actual logic and direction of formal institutional changes in China are analyzed, and on the other hand, the mechanism of changes in public sentiment is searched for, with a view to grasping the overall pulse of entrepreneurship construction in China.[3] Zhou Fangzhao and Wenge Liu's study discusses the differential allocation of entrepreneurship and economic growth in the framework of endogenous technological innovation growth theory, along the temporal lineage of entrepreneurship variables cited in the endogenous economic growth model.[4]

A review of existing research shows that most research findings analyze and explain entrepreneurial motivation from a macro or micro perspective. A comprehensive perspective is lacking. This paper establishes an analytical framework using social change theory, social embeddedness theory, and entrepreneurship theory, and uses them to analyze the specific impact of

each theory on entrepreneurship. The framework is also used to conduct a case study of ZJZ Enterprises to sort out the specific motivations for initiation in the development of a family business. As well as analyzing the factors that facilitate and drive a business forward in the context of post-reform and opening up social development.

2. Theoretical Basis

From the founding of the country to that reform and opening up, and then to the millennium. Family business managers have changed many times, and multiple perspectives of diversified theories have been formed in each different stage of change. This paper selects macro-level social change theory and social embeddedness theory, paired with micro-level entrepreneurship theory, to construct a multidimensional and three-dimensional analytical framework.

2.1 Theory of Social Change

The theory of social change aims to reveal that societies are constantly changing in both structure and function. These changes are usually characterized by socio-economic development, progress, stagnation, and regression. There are various classifications of social change theories: the first is “overall social change” and “local social change,” which aims to explain changes in the overall structural system of society, while local social change is more concerned with the changes in the components of society itself and their interactions and the interactions between them; the second type is “progressive social change” and “regressive social change”, which focuses on the fundamental nature of a social change. Namely, progressive social change contributes to socio-economic growth and the improvement of people's living standards, while retrogressive social change contributes to economic decline; the third type of social change is “unplanned social change” and “planned social change”, the difference between the two is mainly in the main role people play in social change. In unplanned social change, the individual plays the role of a participant and in this case we do not know whether society will change in a benign or malignant direction, while in planned social change people can control the progress of social change in a socially beneficial direction according to the actual situation. These different theories of change also make it necessary to consider the context of social change in the entrepreneurial process, and our study focuses on the impact of social change theory on entrepreneurs.

2.2 Social Embeddedness Theory

Social embeddedness theory is about the influence of social relationships that individuals have in society on their social behavior, and the root causes or motivations of economic behavior are contributed by various non-economic factors. Among the social embedding theories, three different embedding theories are distinguished: political embedding, cultural embedding and institutional embedding. Political embedding discusses the influence of external institutional frameworks on economic behavior. For example, the political institutions and legal provisions enacted by some governmental bodies, which mainly emphasize the influence of power struggles on the decisions of economic agents; cultural embeddedness focuses on the fact that subjects are usually influenced by the dominant values or culture of the society when making economic behaviors; Structural embedding aims to reveal the ways in which some firms enter into mutually beneficial relationships with other social organizations and the ways in which they form organizational network structures. These embedded influences can be very influential when people start a business, and have a facilitating effect on entrepreneurial motivation.

2.3 Entrepreneurship Theory

Entrepreneurship theory mainly emphasizes several essential elements of an entrepreneur, including Schumpeter's “spirit of innovation”, Max Weber's “Dedication”, and North's “spirit of cooperation”. The spirit of innovation aims to explain the need for an entrepreneur to have the ability to apply innovative knowledge and new technologies and techniques in running a business; to adopt

new production methods and business management models; to improve product quality; to develop and produce new products; to provide new services; to capture markets and realize market value. Dedication means that the entrepreneur should have the attitude to overcome difficulties in the operation of the enterprise. The spirit of cooperation points out that entrepreneurs need to have the ability to seek and cooperate with various beneficial organizations in the social system in order to enhance the interests of the enterprise and promote the development of the enterprise.

Through three theoretical elaborations, this paper constructs a three-dimensional and multidimensional analytical framework. Among them, social change aims to reveal the institutional environment and social context of entrepreneurship; social embeddedness theory aims to analyze the process and means of entrepreneurship and is able to analyze the social resources and connections available to an entrepreneur in the process of entrepreneurship; entrepreneurship theory focuses on analyzing the capabilities and qualities of individuals.

3. Case Analysis

This study uses ZJZ Corporation as a case study to analyze the motivation and development of family entrepreneurship. ZJZ was founded in 1986, mainly through the purchase of leather raw materials from Wenzhou and then operate the company through independent design and sales. ZJZ has a long history of entrepreneurship and has witnessed the changes in local entrepreneurship policies, basically restoring the entrepreneurial environment and the development of small and medium-sized enterprises in China since the reform and opening up.

3.1 Social Change Provides the Institutional Environment Necessary for Entrepreneurship and Gives Opportunities for Entrepreneurship.

From the late 1970s to the mid-1990s, social changes took place in China, with “reform and opening up” as the main driving force, resulting in rapid economic development. ZJZ enterprise is a microcosm of the development of private enterprises in China. Q's father, as the first generation of entrepreneurs, actively responded to the reform and opening-up policy, and in this context Q's father first opened a handmade shoe workshop in 1985. Subsequently, the State Council promulgated in early 1986 “on the deepening of enterprise reform to enhance the vitality of enterprises,” the provisions of “the national ownership of small enterprises can actively try to lease, contract management. Large and medium-sized enterprises under the national ownership should implement various forms of management responsibility system.” This policy created another opportunity for the development of private enterprises. So at the end of 1986, Q's father founded the predecessor of ZJZ. In the 21st century, China joined the World Trade Organization and vigorously developed import and export trade, and our economy took off again. “Reform and opening” and accession to the WTO to create opportunities for the development of the private sector economy, in 1978 the country's self-employed only 140,000 households, by the end of 2020 has grown to 31,053,700 households. In the context of WTO policy influence deepened from coastal areas to internal areas, creating opportunities for the development of foreign trade in Chongqing's footwear industry. After Q took over the company in 2004, we seized the market opportunity to carry out a series of reforms to meet the development needs of the overseas market, and since then ZJZ has embarked on a new journey of continuous innovation and development.

3.2 Social Embedding Theory Provides a Path to Entrepreneurship

The embedding theory is a more comprehensive explanation of the entrepreneurial process in ZJZ firms. ZJZ companies receive a variety of policy support and benefits from local governments through political embedding. The predecessor of ZJZ Company, which was founded by Q's father in 1986, had a high demand for labor at the beginning of its establishment, and the local government facilitated the recruitment of workers for ZJZ Company in order to support the development of the local economy. For example, the local government supported ZJZ by issuing recruitment orders and broadcasting to help ZJZ recruit workers and by renting and selling storefronts to ZJZ at a lower price.

Chongqing Municipal Economic and Information Technology Commission in 2007 to implement the “standardization of production safety and occupational health incentives” in order to guide to help enterprises to gradually establish a standardized, standardized, scientific production management system, in order to continuously strengthen the protection of employees and reasonably enhance the labor efficiency of human resources. This policy has effectively promoted the optimization of the cognitive and business behavior of ZJZ enterprises, established and improved the corresponding rules and regulations, and promoted the steady development of the enterprise. In 2018, ZJZ was forced to relocate due to the government's need to expropriate the site of the company's old factory for the construction of a fire station. In the process of moving the headquarters from the old site to Jianqiao Industrial Park, ZJZ received strong support from the competent government units to ensure the continuity of production and operation and to fully avoid possible business losses. In the process of building a new headquarters, the company was provided with a subsidy for the development of new industrialization funds according to the standard of 60% of the land premium paid by the company, which greatly relieved the financial pressure. The local government also gave great support to ZJZ after the relocation was completed. Since the new site was relatively remote, the park management committee gave full support to the large-scale promotional activities held by ZJZ twice a year, including providing publicity booths, assisting in the distribution of promotional materials, coordinating activity venues, and maintaining on-site order.

Relational embedding helps ZJZ companies to integrate and acquire resources. First of all, kinship helps ZJZ company to acquire human capital. In 1986, when the predecessor of ZJZ company was founded, the social environment was backward at that time and the retention of accountants was not optimistic in the whole social environment, but Q's mother's sister, who was born in accounting, came to ZJZ company to become an accountant and played an important role in the later development of the company. As of 2021, Q's mother's sister is still working at ZJZ and plays an important leadership role in the financial management of the company. Secondly, kinship is conducive to the stable operation of the company. In 2004, the company was originally run by Q's father, Q and Q's brother. But due to two factors, Q's father needed to retire and Q's brother wanted to get involved in other industries, which led to the company being run by Q alone.

The structural embedding has contributed to the healthy operation of the company. The company is moving forward with the influence of other factors, the two most typical examples are suppliers and competitors. Before 2004, the company was still a manufacturing company with independent production, design and sales. During this period, the raw materials for the company's manufacturing, such as leather, were usually sourced from Wenzhou and Guangzhou, cities with developed leather trade. During the period from 2002 to 2003, with the rise of leather shoe manufacturers in Wenzhou and Guangzhou, the company successfully transformed its business model from a manufacturing enterprise to a marketing enterprise in 2004, adjusting from self-production and self-sales to OEM. It is also important to mention the role of competitors in facilitating the transformation of the company. In 2011, after a long period of homogeneous competition with the local “R Company” in the same field, the company decided to transform to seek a new breakthrough, so the company's sales path was adjusted from single-brand brick-and-mortar stores to brand collection stores + e-commerce, and the product style was changed to fast fashion, focusing on product cost performance. The company chose the online brand platform to build an official flagship store, while trying to build its own online channel. The transformation was successfully completed in 2012, so the company's sales methods were more diverse in subsequent operations. On the one hand, the partnership brings support to the company and plays the role of leading the company forward in its development, providing sufficient protection to the company and reducing the business risks; on the other hand, the competitive relationship brings benign competitive pressure to a company, prompting it to develop and seek changes in the long-term solidified operation mode.

3.3 Entrepreneurship Provides Fundamental Motivation for Entrepreneurship

In combing through the development of ZJZ, Q's entrepreneurial spirit was an inevitable part of this successful family venture. First of all, the role of dedication is shown in the early years of the

business model, where each company operator had to get better sales stores in the mall by socializing with the mall managers. Q, with the spirit of “if you do something, you do it well,” has been persistent in telling the mall managers over and over again about the benefits ZJZ can bring to the mall and the possibilities for ZJZ's continued growth. Secondly, the spirit of cooperation is demonstrated by the fact that Q once competed with other companies for the same store, and Q signed a cooperation contract with the manager of the mall to guarantee a minimum monthly sales of 100,000 yuan, and finally got the store as he wished. Finally, Q's continuous innovation in running and growing the company has led to progress. This is best demonstrated by the two corporate transformations, which were the result of Q's focused analysis of the real-time national business environment. The entrepreneurial spirit is also evident in Q's ability to innovate, as ZJZ was already facing extremely rapid product changes due to the unique nature of the industry, traveling to first-tier cities such as Wenzhou and Guangzhou every quarter to introduce new styles. Therefore, Q, as the operator of ZJZ, is always keenly observant of new trends, and it is Q's keen observation that has sustained ZJZ's growth for nearly thirty years.

From the first generation of hard work in 1983 to the second generation of Q's entrepreneurial heritage in 2004, the company has made remarkable achievements after years of development, as shown in Table 1, from 2005 to 2019, the number of employees and total profits of ZJZ are growing year by year.

Table 1 Summary of Zjz Company's Operating Data

Year	Number of employees (person)	Number of stores (houses)	Operating area (square meters)	Total annual sales (ten thousand yuan)	Total profit (ten thousand yuan)
2005	132	42	3700	5162	487
2012	277	102	7020	13747	1570
2016	393	203	16000	25861	2703
2019	466	246	33420	29759	3055

4. Conclusions and Recommendations for Countermeasures

Through the analysis of the ZJZ case study, the following conclusions are drawn about the entrepreneurship and development of the family business based on the economic and sociological perspective: First, the external social environment has a facilitating effect on entrepreneurship, especially the entrepreneur should make good use of the government's support policies, which is especially important for the initial stage of the company; Second, from the perspective of embedding theory, kinship, cooperation, political and business relations have a strong role in the development of the enterprise. Thirdly, entrepreneurship is the fundamental guarantee for the entrepreneurship and development of a family business. An entrepreneurial operator will provide decisions and directions for the development of the business, and will be able to lead the business through difficulties.

Based on the findings of the study, the following recommendations are made to existing entrepreneurs: first, grasp the policy opportunities and develop a development strategy based on the policy situation and the actual needs of the enterprise. In starting a business entrepreneurs should choose the industry with the social situation and make good use of the convenience as well as help brought by the national policy to the emerging business. Secondly, focus on a variety of use of social relations (local government, family and friends, the rest of the organization). For different kinds of relationships entrepreneurs should learn to use in different ways, for the government, family and such relationships to learn to get help from them, while for competitors such relationships to put the mind at ease from the rival's way of doing business to gain experience and integrate these experiences into their own business. Finally, entrepreneurs need to have a good entrepreneurial spirit. Whether it is in the operation of the company or in the choice of the industry, it is necessary to have the spirit of innovation, only enough new ways of operation and products can make the company stand out among

many competitors, and entrepreneurs should have the spirit of cooperation in the operation of the company, know how to use the relationship around them to cooperate with others Use the power of the team.

References

- [1] Wang.H.J. Self-action and self-management: Understanding why Chinese people consider self-management as their preferred way to participate in market practices [J]. Society, 2007(06):1-28+206.
- [2] Li X.C., He S.G., Zou L.K. Family business research: theoretical progress and future prospects [J]. Management World, 2020, 36(11):207-229.
- [3] Xiao Y. From “State and Society” to “Institution and Life” : The Transformation of Perspective in the Study of Social Change in China [J]. Social Sciences in China, 2014(09):88-104+204-205.
- [4] Zhou F. Z., Liu W.G. Entrepreneurship Differentiation Allocation and Economic Growth: A Review of Literature [J]. Financial Research, 2013(12):127-139.