ABSTRACT

In fact, [new] economic sociology is a meeting place for economists and sociologists. It is a rejection of the maximization hypothesis of orthodox economic theory. Thus its approach regarding new venture creation might be controversial. This paper attempts to connect these two areas, following a qualitative approach. Findings show that three main elements, i.e. (i) social action, (ii) embeddedness, and (iii) social relations, affect new venture creation. These elements are elaborated in this research and three main propositions are proposed.

Keywords: Economic Sociology, New Venture Creation, Entrepreneurship
1. INTRODUCTION

Economic sociology, *per se*, is no longer a novel idea; however its importance and new domains in which this concept is developed are to be taken into account. Developed in the late 19th century and redefined in the 1970s, it has produced a long run of exciting studies and promising leads.

As the century turned, it was timely to look beyond our accumulation of important empirical studies and reassess what theoretical agenda a structural economic sociology might pursue, and where this agenda fits with the main concerns of sociology and economics (GRANOVETTER, 2000).

In fact, economic sociology is a way to explain the economy with a sociological lens. It deals with the multiple and complex relations between economy and society. More specifically, it focuses on the impact of social, political and cultural factors on economic behavior (BECKERT; ZAFIROVSKI, 2013). The main point is that, while economic sociology deals with economically oriented action as well as with economic action, economic theory only deals with the latter (SWEDBERG, 1998).

Granovetter (2000) challenged the view that, with modernization, economies and societies become detached and that "economic transaction [is] defined no longer by the social and kinship obligation but by individual gains". He reintroduced the concept of embeddedness to bring out the importance of concrete personal relationships and networks of relationships in standard market economic systems (PEREDO; CHRISMAN, 2006).

New economic sociology covers many of the substantive areas of old economic sociology. But there are also a number of new directions. Their theoretical approaches are fundamentally eclectic and pluralistic. No single perspective is dominant. The influence of Weber and Parsons can be seen, also that of Polanyi.

Some representatives of NES are attracted by the critique of capitalism like Mintz and Schwartz. More interesting, however, is the concept of "embeddedness" as used by Granovetter in the sense that “economic action takes place within the networks of social relations that make up the social structure.” DiMaggio adds that economic action is embedded not only in social structure but also in culture.
Points of interest are the sociology of markets, the sociology of the firm and
industrial organization with topics like investor capitalism; the critique of transaction
cost economics, the sociology of industrial regions (RICHTER, 2015).

Max Weber is without doubt the most important figure in early economic
sociology. He was uniquely trained to launch a project such as economic sociology
since he had worked both as an economist and as an economic historian before he
turned to sociology. Of the founders of sociology, he was also the only one who tried
to lay a systematic theoretical foundation for economic sociology.

Like the works of the other classic writers in economic sociology, that of
Weber is still much in need of study. Economic sociology came to something of a
standstill after 1920 and would not come back to life again until the mid-1980s. Still,
some important work was done during the period after the classics—especially by
Schumpeter, Parsons, and Polanyi. The current generation of economic sociologists
has singled out Polanyi among these three thinkers.

Polanyi coined the term "embeddedness" and also supplied some other useful
conceptual tools, such as the three forms of integration. The works of Schumpeter
and Parsons have, on the other hand, more or less been ignored. While the value of
Parsons's economic sociology can be debated, it is clear that Schumpeter's work is
of much relevance to contemporary economic sociology. Of Schumpeter's many
contributions, especially his theory of entrepreneurship and the analysis of the
economy in Capitalism, Socialism and Democracy deserve to become part of
contemporary economic sociology (SWEDBERG, 2009).

This approach is widely used in different domains; however, it is nascent in
some other domains such as new venture creation (e.g. see ZANJANI et al., 2013;
SALAMZADEH; KAWAMORITA KESIM, 2015). In its business sense, economic
sociology is a vibrant area of research, investigating how social structures, power
allocations, and cultural understandings shape the production, consumption,
distribution, and exchange of goods and services (BANDELJ, 2009).

This approach supports the idea that the behavior of firms is socially
embedded. In this regard, a firm's decision to embark on a major new venture could
be considered as an important case (SALINETTI, 2013). The concept of
embeddedness, which is extensively used in the literature of entrepreneurship and
new venture creation, seems to be entangled with such topics (e.g. see MARQUIS; LOUNSBURY, 2007; DIMOV, 2007; STEIER et al., 2009).

For instance, research on economic sociology has highlighted the importance of social networks in economic actions (DE CLERQ; ARENIUS, 2002). Yet, still there is a considerable gap to define new venture creation based on economic sociology. This paper tries to fill this gap. Therefore, in this paper, the literature is reviewed and then research methodology is discussed. Then, findings are presented and finally the paper concludes with some concluding remarks.

2. NEW ECONOMIC SOCIOLOGY: A CRITICAL REVIEW

New Economic Sociology, which after decades of slump is suddenly booming, is a little more than three decades old and has its roots in some works that appeared in the early 1980s (SWEDBERG, 1990, 1997).

The subfield of economic sociology is partly built on analysis of the types of embeddedness, which is a major issue to be taken into account (GRANOVETTER, 2005). However, there are several topics on which this approach concentrates. For instance, the way Weber conceptualized economic action and attempted to elaborate it using this theory (SWEDBERG, 2000).

As Convert and Heilbron (2007) argue, like all new research fields, the new economic sociology was produced by the redeployment of relatively diverse researchers under a single academic label. Academic entrepreneurs in the second half of the 1980s took up the traditional term of the European “founding fathers” claiming they were renewing the discipline while distinguishing themselves from, (i) the old denomination economy and society, (ii) anti-disciplinary currents, and (iii) interdisciplinary movements.

As to theory, it appears that the embeddedness approach is still the most popular approach – but it is also increasingly criticized and a few other theoretical alternatives exist today (JAGD, 2007). The three topics of networks, markets and firms continue to be central, and some important advances have been made during the last decade (ASPKRS, 1999).

New topics include finance, law, stratification and comparative-historical studies. New economic sociology is still suspicious of mainstream economics but
has good relations with the other social sciences as well as with other subfields in sociology (SWEDBERG, 2004; SMELSER, 2013).

In fact, the goal of economic sociology is to show that this world of market rationality is restrained (Mitchell, 2008). On the other hand, in this context, economic sociology is by implication an "inquiry into the social relations of the economy (ZAFIROVSKI, 1999). Thus, in this study, instead of focusing on economic sociology as a whole, the focus will be on the main topics in this domain.

3. RESEARCH METHODOLOGY

The qualitative researchers might aim at induction, in the sense of development of theory from data (MALTERUD, 2001). As Miller (1986) notes, "Qualitative research is an empirical, socially located phenomenon, defined by its own history, not simply a residual grab-bag comprising all things that are not quantitative". This is a conceptual paper which puts forward a conceptual model for showing how economic sociology affects new venture creation activities. In particular, the discussion presented here uses data from:

(i) Interview sessions: 7 face-to-face interviews with experts in the field of new economic sociology and entrepreneurship were conducted. The experts had more than three years of relevant experience, and also published a series relevant of books, papers, and reports. As mentioned earlier, the aim of the research was to propose a conceptual model. The interview agenda contained both structured elements, and open questions. It should be mentioned that all the interviews were fully recorded and notes are taken by another person who was at the session. Each interview took between 30 minutes to one hour; and

(ii) Focus group sessions: 2 series of focus groups amongst experts were held which raised a variety of topics, including new venture creation, economic sociology, embeddedness, etc. It should be noted that, these sessions were designed based on Morgan and Spanish (1984) technique. Each focus group session was done in two hours and follow up questions were sent to the attendants after the meeting. All the attendants received the memos and added their ideas and made required justifications.
4. FINDINGS

a. Social actions and new venture creation

“Economic action is seen only as a special, if important, category of social action.” (GRANOVETTER, 2000) Economic relations between two parties can be of different character: implicit or explicit; hierarchical or among equals, mutually binding contractual relations with freely chosen partners\(^1\) or power relationships\(^2\), reciprocal or one-sided, based on trust or burdened by distrust etc.

Social actions are constrained by ongoing social relations and cannot be explained by reference to individual motives alone (GRANOVETTER, 1985, 2005). They are embedded in ongoing networks of personal relationships, economic and non-economic, rather than being carried out by atomized actors. The embeddedness concept can be described by social network analysis (RICHTER, 2015).

Since entrepreneurship is concerned with social actions, some scholars argued that the theories and methods of social psychology seem particularly appropriate to understanding processes such as new venture creation (KOLVEREID; ISAKSEN, 2012). New venture creation opportunities often emerge as a result of collective social action (RATTEN, 2011).

It should be noted that embeddedness approaches prioritize the different conditions within which social action takes place; then these two are somehow entangled (WILLIAMS MIDDLETON, 2011). Moreover, social action has been described as teleological in structure; the end of an action always implies a future state which is dependent on the action of actors, i.e. new venture creation (SALAMZADEH et al., 2013, 2014; GUERRERO et al., 2015; HERMES; MAINELA, 2015).

Interviewees mentioned that "social actions in new venture creation play a significant role, since nothing could be done without such actions". Another interviewee argued that "even at the very early stages of new venture creation, the entrepreneurs could enjoy the benefits of the social actions and movements…, without such actions new ventures might be terminated before birth". All the

\(^1\) according to the principle of freedom of contract

\(^2\) dominance and compliance
interviewees insisted on the social intentions of entrepreneurs in running a new business.

**P1:** Social actions significantly affect new venture creation process (bootstrapping, seed, and creation phases).

### b. Embeddedness and new venture creation

As developed so far, the concepts of the new economic sociology represent a broad programmatic statement in need of further specification. Embeddedness, in this regard, provides a very useful standpoint for criticizing neoclassical models (PORTES; SENSENBRINNER, 1993). Prior research shows that embeddedness is an exchange system with unique opportunities relative to markets and that firms organized in networks have higher survival chances than do firms which maintain arm's-length market relationships (UZZI, 1996).

To some scholars, the concept of social embeddedness is arguably the major contribution of this approach (HINRICHS, 2000). This topic is closely related to social relations. In fact, relational embeddedness is defined by the type of social relationship in which the tie is embedded (HITE, 2005).

Research on new venture creation also considers embeddedness as a critical issue. For instance, research shows that some percentage of family ties (i.e., a moderate level of embeddedness) is likely to have positive effects on new venture growth up to a point (ARREGLE et al., 2015). It is likely to transmit a set of cognitive beliefs (ALMANDOZ, 2012). For example, entrepreneurship and new venture creation scholars would benefit from an embeddedness perspective on new venture creation (ALDRICH; CLIFF, 2003).

Moreover, some scholars highlighted the importance of examining the causes and consequences of embeddedness in the entrepreneurial process, which is a critical issue (HOANG; ANTONCIC, 2003). Research into embeddedness can help to advance understanding of how social structure affects economic life (UZZI, 1996).

Indeed, the new venture creation process is highly affected by social contacts or linkages which in fact form the patterns of social interaction (CARSRUD; JOHNSON, 1989). Social embeddedness is relevant to new venture creation because it helps the entrepreneur identify social resources, an essential step to founding organizations (HOANG; ANTONCIC, 2003).
In addition, being embedded within the social context means access to more support during the new venture creation process but also a likelihood of increased entrepreneurial activity (ALDRICH; CLIFF, 2003).

If new venture creation is embedded in a social context, then it must involve and draw on society. These factors may play a role in the way in which value is, and can be, extracted in terms of resource availability, opportunity perception and shape the new venture creation event. The argument proposed here is that when examining the entrepreneur, the context has to be taken into account, since the social whole is pre-eminent over its individual parts (ALMANDOZ, 2012).

In sum, research on the mechanisms that control the entrepreneur’s personal networks mainly addresses the role of embeddedness in new venture creation (e.g. see ALDRICH; CLIFF, 2003; SALAMZADEH, 2015). Different dimensions of embeddedness can be found in the extant literature. These dimensions refer to the structure of the overall network of relationships, the extent to which economic actions are affected by the quality of personal relationships and the extent to which network ties contain valuable resources for the entrepreneur (ARREGLE et al., 2015).

Interviewees also addressed that "entrepreneurs use embeddedness as their exchange system to reach new markets". They also believed that "new ventures with use such embeddedness might make the rate of success higher for startups and new ventures". Moreover, new ventures which are embedded in an appropriate context might be more productive in their views.

**P2**: Embeddedness significantly affects new venture creation process (bootstrapping, seed, and creation phases).

c. Social relations and new venture creation

How behavior and institutions are affected by social relations is one of the classic questions of social theories, and more specifically economic sociology (GRANOVETTER, 1985). Granovetter (1985) also believes that disorder and malfeasance do of course occur also when social relations are absent.

This possibility is already entailed in his earlier claim that the presence of such relations inhibits malfeasance. He concludes that “Instead of the economy being embedded in social relations, social relations are embedded in economy”. It should be noted that social relations are the fundamental unit of analysis, rather than
ontological actors, frozen in space and time and isolated from social and cultural context (AGUILERA; JACKSON, 2003).

In fact, there is a close relation between embeddedness and social relations. Embeddedness refers to the process by which social relations shape economic action in ways that some mainstream economic schemes overlook or miss-specify when they assume that social ties affect economic behavior only minimally (UZZI, 1996). In economic sociology, contrary to rational choice theory, the mechanism of exchange is not interactions between individuals, it is embeddedness in a web of social relations, or social context (RUTTEN; BOEKEMA, 2007). In other words, social relations are the context in which economic activity is embedded (GRANOVETTER, 1985).

Social capital is the goodwill created through social relations that can be mobilized to facilitate the attainment of needed resources, influence, and sponsorship in any new venture creation process (DE CAROLIS et al., 2009). To some scholars, all economic activity is embedded in social relations and that such relations influence the establishment of businesses and the art of new venture creation (ULHØI, 2005).

Entrepreneurs use external social relations to get information, obtain financial, physical, and human resources, and gain legitimacy in new venture creation (CHANG et al., 2009). In sum, networks and social relations also affect the discovery of business opportunities (KLOFSTEN, 2005).

"An entrepreneur is as normal and routine as a typical guy, if he/she does not have good social relationships with different people", one of interviewees mentioned. Another interviewee added that "social relation is an integral part of any entrepreneur, especially in new venture creation process".

P3: Social relations significantly affect new venture creation process (bootstrapping, seed, and creation phases).

5. CONCLUSION

Based on the extant literature and three main pillars of new economic sociology approach, and according to new venture creation stages a model is proposed, using a qualitative research method. According to this model, social action is considered as a fundamental concept (e.g. see GRANOVETTER 1985, 2005; RATTEN, 2011;
Any social action, as a primary phenomenon in this model, includes embeddedness (PORTES; SENSENBRENNER, 1993; UZZI, 1996; HINRICHS, 2000; ARREGLE et al., 2015) and social relations (GRANOVETTER, 1985; AGUILERA; JACKSON, 2003; RUTTEN; BOEKEMA, 2007; DE CAROLIS et al., 2009; CHANG et al., 2009).

This social action is also a main pillar for any new venture creation activity, which includes the following phases: (i) bootstrapping, (ii) seed, and (iii) creation (SALAMZADEH; KAWAMORITA KESIM, 2015; SALAMZADEH, 2015). In this sense, the following model is proposed.

![Diagram](http://example.com/diagram.png)

**Figure 1:** New Venture Creation: and main elements of New Economic Sociology

This model illustrates the key elements which affect new venture creation process, based on the new economic sociology approach. In fact there are several elements which might affect, but most of the other elements were not considered as effective elements in this research. The future researchers might also consider those elements and test the hypotheses accordingly. One of the main implications of this research is that it connects two seemingly separate domains which could be considered as a whole.

**REFERENCES**


