

Letter to the Editor

Emerging Agenda of Chinese Innovation and Entrepreneurship Research

Dear Editor-in-Chief,

The Second MOR Research Frontiers Conference explored knowledge creation and innovation capacity of SMEs on the economic development of transforming economies. The theme echoed the new trend in China that the economy has entered the ‘new normal’ (*xinchangtai*) stage and entrepreneurship and innovation have been regarded as the ‘twin engines’ for future growth. The majority of the conference papers paid attention to the entrepreneurial potential and innovation capacity of China’s rising private sector, and pointed out for me an emerging research agenda on innovation and entrepreneurship studies in China.

First, some original innovation forms have emerged in Chinese firms and call for scholarly attention. In contrast to intensive focus on technological innovation, there is a paucity of research on China’s managerial innovation. Managerial innovation refers to new organizational structures, administrative systems, management practices, processes, and techniques that could create value for the organization (Birkinshaw, Hamel, & Mol, 2008), yet its generation and adoption process has rarely been probed (Damanpour & Aravind, 2012). Luckily, the ongoing wave of mass innovation and entrepreneurship in China provides a natural laboratory to observe the emergence and diffusion of corporate managerial innovation.

For example, Professor Changqi Wu presented his observation of Haier’s organization restructuring. As a leading player in home appliance business, Haier recently reduces its administrative layers while introduces self-managed operating unit system. The aim is to transform Haier into an interactive platform, which provides resources for self-managed operating units and external entrepreneurs. Highly autonomous self-managed operating units indeed function as micro firms and comprise the main operating body of Haier. Besides its implication for managerial innovation, Haier’s example also impels us to rethink the boundary and connectivity between SMEs’ and large firms’ innovation.

Second, the SME ecology is increasingly investigated in a fine-grained approach within regional contexts, while the exploration of contextual influence still need to go deeper. Several researchers situated their analyses in specific regional settings, and encountered the puzzle of accounting for ecological specialization of a region. For example, Professors Xiaobo Wu and Linan Lei discovered that hidden champions of Chinese private firms are mainly located in Zhejiang, Jiangsu, and Shandong provinces. Moreover, Zhejiang encompasses far more hidden champions than the other two provinces, but the underlying cause remains unsolved. Another presentation by Professor Peter Murmann compared the sector growth in Hangzhou and in Shenzhen, and found that the ecologies and dynamics of Shenzhen and Hangzhou are contrastingly different. But why?

Clearly the Chinese economy cannot be viewed as a homogenous construct (Phan, Zhou, & Abrahamson, 2010). Large institutional variations, such as marketization and local policy exist in China among different regions, and therefore, call for more explicit interpretation and comparison among regions in future SME ecology and innovation studies. Future research should also look more deeply into the role of cultural values and norms, such as how they impact transaction costs, resources, and cognitive maps of entrepreneurs (Bruton, Ahlstrom, & Obloj, 2008), and also fully recognize the cultural differences within China.

Third, current studies on innovation and entrepreneurship can be mainly divided into macro level, firm level, and individual levels of analyses; and there have been attempts to establish an integrated multi-level framework. The multi-level framework conceives innovation and entrepreneurship as interactive processes of individual agency and firm structures both embedded in complex environment constituted by history, culture, institutional configuration, and stage of economic development of emerging economies. However, a major challenge of a multi-level framework is to reveal the underlying mechanism that cross-level factors jointly affect innovation, and this requires application of interdisciplinary perspectives.

At the conference, Professors Letty Kwan and Angela Leung proposed that belief in negotiable fate is positively associated with grass-root entrepreneurship and successful entrepreneurship outcomes in high constraint environment. Their work inspired my thought that the concept of negotiable fate could potentially contribute to construct a multi-level entrepreneurship model. Negotiable fate is suggested to be more popular in sociocultural contexts where people face many constraints in pursuing their goals (Au, Chiu, Zhang, Mallorie, Chaturvedi, Viswanathan, & Savani, 2012). Thereby, entrepreneurs' belief in negotiable fate could possibly find its origins in historical and cultural traditions in China, and it also interacts with institutional barriers in emerging markets.

In summary, the wave of mass entrepreneurship and innovation in China creates great opportunities for conducting research in the Chinese context. On one hand, novel or even unique management phenomena emerge as new research topics. On the other hand, unsolved research puzzles encourage future research to continue

to shed light on China's institutional and socio-cultural context and to foster multi-level understanding of innovation and entrepreneurship in China.

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