



Creativity, Innovation, and Entrepreneurship in China

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ABSTRACT As the largest and fastest growing transition economy in the world, China's entrance onto the global stage has been swift and dramatic. As such, almost every facet of entrepreneurship, from the identification of nascent opportunities to the challenges of managing triple-digit growth to the transformation of firms from dying to emerging industries, can be studied as natural experiments. The four papers in this issue are dedicated to exploring entrepreneurial innovation in the Chinese private economy. They include two clinical studies, one on the impact of the Beijing Olympics on entrepreneurship, and the other on the co-evolution of *guanxi* networks and entrepreneurial growth. Two studies test theories explaining the organizational drivers of innovation and entrepreneurship. In the best traditions, these four studies offer theoretical insights on the broader implications of entrepreneurship research in the Chinese context. We locate the findings offered by these four papers in the systems, organizational and social contexts of creativity, innovation, and entrepreneurship research. Finally, we offer some suggestions for future research and ways in which advances in the theoretical conversation should proceed.

KEYWORDS creativity, entrepreneurship, *guanxi*, innovation, mega-event

INTRODUCTION

In the business disciplines, research in entrepreneurship distinguishes itself by its concern with the interactions between individuals, processes, and institutions in the emergence of new organizations, and new organizational forms that create economic wealth. This entrepreneurial process is defined as the cycle of value creation involving opportunity recognition, resource acquisition and assembly, and implementation, such as new product introductions and business launches (Gartner, 1990). Entrepreneurship is therefore a multilevel phenomenon that begins with the combination of human creativity, financial resources, and technological capital; fostering the discovery and establishment of new ways to organize production processes and new institutional forms; and leading to such outcomes as venture

growth and new ventures. New venture growth is a defining characteristic of developing economies. This special research forum is devoted to understanding entrepreneurship, innovation, and creativity in a rapidly developing economy, China.

In the 2000s, China reported double-digit annual gross domestic product (GDP) growth, so that by 2007 annualized GDP growth was 11.5 percent (National Bureau of Statistics of the People's Republic of China, 2008: 865). This is up from an annual average of 6 percent between 1975 and 2000 (Romer, 2008). Many papers have been written about the reasons for this growth rate, pointing to the common reason of the market-oriented reforms since 1979 (Fu, 2010). Market-oriented reforms have, over time, included such things as the privatization of the state sector, the establishment and increased enforcement of private property rights, and the relaxation of state control over the movement of private capital. The movement towards market capitalism increases the incentive to accumulate private capital as the returns from risk-taking accrue directly to the capital owner. Since the application of capital to production takes the form of technology, the increase in technological intensity leverages entrepreneurial effort, which in turn allows even greater productivity and the accumulation of more capital. In China, the Central Committee's decision to accelerate investment in innovation to 1.5 percent of GDP in the 10th Five-Year Plan (Central Committee of the People's Republic of China, 2001), a classic application of endogenous growth principals (Romer, 1990), signalled the importance of innovation to the future of the country. Apart from the efficiencies created by the restructuring of the state sector, growth of this nature can also be traced to the increase in entrepreneurial intensity in the private sector (Wong, Ho, & Autio, 2005).

While entrepreneurship as an economic activity has been an important engine of growth of the Chinese economy, entrepreneurship research in China is still in an infancy stage. In a review of the literature from 11 leading English-language journals over 26 years of research, Yang and Li (2008) found 68 articles that focused on entrepreneurship in China. In their review, they found the research divided into macro, firm level, and individual levels of analyses. Not surprisingly, they found that a majority of the research focused on the context in which opportunities emerged. This context drew heavily from the notion of China as an emerging economy, and hence centered on the theme of opportunity as resulting from environmental turbulence. As a result, literature on institutional entrepreneurship has recently emerged, which refers to entrepreneurial actions taken by public sector entities (Child, Lu, & Tsai, 2007; Krug, 2002; Li, Feng, & Jiang, 2006; Luo, Zhou, & Liu, 2005; Nee & Cao, 2005).

Yang and Li (2008) found that only two articles focus on innovation-intensive firms, though many other studies have looked at such aspects of innovation as new product development (Song, Di Benedetto, & Song, 2010), financing and venture capital (Au & Kwan, 2009; Batjargal, 2007a; Ding, Nowak, & Zhang, 2010; Li,

Meng, Wang, & Zhou, 2008; Tan, Zhang, & Xia, 2008; Wright, 2007; Zhang, Souitaris, Soh, & Wong, 2008), organizational learning (Filatotchev, Liu, Buck, & Wright, 2009; Li, Schulze, & Li, 2009), and social networking as a method of resource acquisition (Baron & Tang, 2009; Batjargal, 2007b,c; Fu, Tsui, & Dess, 2006; Li et al., 2008; Siu & Bao, 2008).

In traditional economic development models, increasing the ratio of investment in technological capital to investment in human capital creates the capacity for a community to defer consumption and accumulate capital to increase the scale of production. The innovation that follows forms the basis for Venkataraman's (2004) virtuous cycle of entrepreneurship. The purpose of this special issue was to see if a similar dynamic occurred with respect to questions of creativity, innovation, and entrepreneurship in China. We had expected authors to apply a relatively well-developed body of literature on entrepreneurship in emerging regions to ground their investigation. Yet, what we published is an interesting array of papers that focused on issues such as how *guanxi* influences the entrepreneurship process, innovation surrounding mega-events such as the Beijing Olympics, inward flows of foreign knowledge, and endogenous firm innovation that, taken together, point to the uniqueness of the Chinese economy as a setting for entrepreneurship research.

The fact that China is the largest transition economy in the world (Prasad, 2004) implies that almost every aspect of entrepreneurship, from the identification of nascent technologies to the challenges of managing triple-digit growth firms to the mass exit of firms from dying industries to emerging industries, can be studied as natural experiments in China. This opportunity is seldom replicated anywhere in the world. In addition, the Chinese economy, because of the sharp distinctions between urban and rural areas, cannot be viewed as a homogenous construct. Instead, it is best studied as an agglomeration of regions. Therefore, studies comparing the regions in China could be applied to future studies in free trade zones, and other politically constructed economic clusters such as the European Union. In the latter, the cultural roadblocks hindering the free movement of goods and information, in spite of a political union, are similar to the legal roadblocks hindering the free movement of labour and goods across provinces in China.

The four papers in this issue of *MOR* are dedicated to exploring innovation-driven entrepreneurship in the context of the emerging Chinese private economy. However, in addition to offering a testable theory, in-depth clinical studies, such as those by Dollinger, Li, and Mooney (2010) on mega-events, and Guo and Miller (2010) on *guanxi*, exemplify the appropriate form of research. Their findings offer counterintuitive perspectives on received theory when applied to new phenomena. For example, even in an era of global competition, Dollinger et al. (2010) show that location remains central to competitive success. Because the theories on clusters derive from work done in developed economies, their contribution goes beyond simple notions of clusters to invoke network effects resulting from the relatio-

nal capital generated by institutional and economic shocks typical of emerging economies. In contrast, the papers by Li, Lee, Li, and Liu (2010) and Li, Chen, and Shapiro (2010) take a theory-testing approach to investigating the organizational-level drivers of innovation and entrepreneurship. In the best traditions, these four papers offer rich theoretical insights, as they explore the broader implications of their findings in the Chinese context. Therefore, it would be possible to take their discussion on future research to a non-Chinese context for empirical verification. It is in this spirit that we place the authors' research in the larger extant literature, so that we can offer comments that go beyond the impact on future entrepreneurship, innovation, or creativity research in China.

In the next few sections, we will discuss the three contexts (systems, organizational, and social) of entrepreneurship, as they have been broadly framed in the literature. We embed the discussion of the four papers in this special issue by showing how they relate to and add new knowledge to the literature. Then, we discuss some future research questions and suggest possible research directions, in terms of further studies of entrepreneurship in China with special attention to how such investigations can add to the general literature.

THE THREE CONTEXTS OF ENTREPRENEURSHIP

The Systems Context of Entrepreneurship

Shane and Venkataraman (2000) have argued that theories of the firm that are derived from contracting theory, evolution theory, and the resource-based view do not accurately describe the processes by which new-to-the-world ventures emerge. This is because the theories contemplate existing institutional arrangements with known rules and norms. While extant theories of the firm could be adapted to a theory of the emergent firm (e.g., as a response to market failure), they must explain why firms do not emerge even when conditions allow or do so even when conditions are unfavourable (Shane & Venkataraman, 2000). For example, robust businesses that emerge in war zones provide counterfactual examples to the notion that industrial munificence is a necessary condition for business formation.^[1]

These theories must account for population and idiosyncratic emergence, which means that they must explain the coexistence of established and emergent firms experiencing similar economic and sociological conditions. In highly concentrated markets such as those controlled by state owned enterprises in China, one would not expect a concomitant rise in the population of entrepreneurial firms. Why and how this is happening in China can only be properly understood in terms of innovation in the macroeconomic environment.

The macroeconomic environment is characterized by what Schumpeter (1934: 67) calls gales of creative destruction, in which the entrepreneur 'reforms or revolutionizes the pattern of production . . . and re-organize[s] an industry'.

These reorganizations, according to Schumpeter (1934), are driven by some type of exogenous technological or institutional shock that makes entire industries obsolete while simultaneously creating new communities of firms. This happens because the basis on which economic rents is created has changed. Yet, entrepreneurship research typically relies on standard linear models and is less able to deal with notions of path dependence, and recursive interactions (Phan, 2004).

Venkataraman (2004) explains how the institutional and resource endowment conditions in a defined geographic area create the market opportunities that form the basis for new firm formation. These opportunities can manifest as rent streams that increase the value of the asset endowments (real estate, transportation networks, natural resource pools, or information) in an area or new ways of organizing existing productive assets. As a consequence, starting conditions determine the prospects for sustainable economic growth in a region.

However, this paradigm needs to be further explicated. For example, anyone who knows the USA well knows that one united state does not exist, but rather substantially different states united under one central government. Likewise, there exists only one central Chinese government that unites provinces that differ substantially from one another. So that comparing the condition for entrepreneurial innovation in Shanghai and Beijing, for instance, is likely to reveal very different patterns of development and change (Liu & White, 2001). The problems of geographic and temporal heterogeneity are particularly important because in China entrepreneurial innovation itself has begun to occur at different rates, in different forms, and within different parts of China. Put differently, the research on entrepreneurial innovation in China has gone beyond such work as Lin's (1992) research on the diffusion of innovative hybrid rice, which completely ignores the high likelihood that diffusion rates might differ substantially in time periods or different parts of China.

Venkataraman's (2004) 'virtuous cycle' does not explain what happens when the economic and social relationships that characterize exchange in a region become destabilized because of an exogenous shock. Dollinger et al.'s (2010) paper attempts to discuss this possibility. The authors consider the circumstances that can drive innovation and entrepreneurship as a result of new relationships, alliances, and networks from a mega-event, the Beijing Olympics. The authors argue that the properties of mega-events, namely, periodicity, location, governance structure, media coverage, network connectivity, and membership rules hold special lessons for those studying how Schumpeterian shocks impact innovation.

It turns out that shocks do not in themselves create the rents that encourage risk-taking and innovation. Instead, a mega-event reorganizes the basis for network relationships and increases the value of existing relational capital and the incentives to innovate. They argue that in spite of the monopoly power of the International Olympic Committee (IOC) to set prices and quantity for services and products,

entrepreneurs still find rent-creating opportunities because of the pre-existing relationships they may have with the local organizing committee. In their model, after an opportunity has been identified, the entrepreneurial process is not about the assembly of resources but the building of relationships to become included as a preferred vendor to the IOC. Once in the network, their exchange relationship becomes a bilateral monopoly.

The authors highlight the importance of relational capital for the entrepreneur by assuming the asymmetric bargaining power of the IOC over service and product providers in the network. Using the resource-based view of the firm, the authors conjecture that relational capital is a form of isolating mechanisms that increases the value of the entrepreneur's resource bundles by conferring preferred access to the IOC. However, the value of this capital rapidly diminishes as scarcity, due to piracy and copyright violations, and time compression increases nearer to the events.

The fact that this study focused on the Beijing Olympics begs the question whether similar conclusions can be drawn about other Olympic events or mega-events in general. The political significance of the event as a 'coming out' party for China may have something to do with the tight coupling between the local Olympic Committee and the service providers, conferring more of an 'insider' status to those with more relational capital. Having said this, the study is one example in which the findings inductively derived from an event in China may generalize quite well to events around the world. Systems of social exchange exist in all economies and the theoretical framework provided by this study to understand the role of the entrepreneur in such milieu, represents a good advance in the literature.

The Organizational Context of Entrepreneurship

Micro-level theories of entrepreneurship look for systematic psychological differences between individuals to explain why some are more likely to engage in entrepreneurship. This perspective assumes relatively stable environments such that when entrepreneurial activity is observed, individual agency is implicated (Eckhardt & Shane, 2003). Hence, for example, we find that those individuals who are less bothered by uncertainty (Khilstrom & Laffont, 1979) or possess higher locus of control (Baron, 2000) exhibit a greater tendency towards entrepreneurship. Yet, we now know from decades of research that individual differences explain only a small fraction of the observed entrepreneurial intensity in economies (cf. Baron, 2000; Carroll & Mosakowski, 1987). Instead, it is the *interactions* between individual differences and the environmental context in which individuals and groups find themselves that better explain the incidences of entrepreneurship (Baron & Tang, 2009). Such interactions are then posited to drive the genesis and identification of opportunities, so that entrepreneurship is more properly defined as those activities occurring at the intersection of individual differences and the

environment: the processes of discovery, evaluation, and exploitation of opportunities (Venkataraman, 1997).

In entrepreneurship therefore discovery is the formation of beliefs and perceptions of means–ends relationships yet to be realized in the marketplace (Eckhardt & Shane, 2003). These relationships hint at the reorganization of production with the potential to increase economic welfare. The individual capacity to combine ideas has been a main focus of psychologists in their attempts to understand creative impulses (Ward, 2004). Novel ideas do not occur fully formed in the brains of individuals but are rooted in existing knowledge bases. The process of conceptual recombination, where existing ideas and concepts are mentally merged to derive new insights or mental models appears to be fundamental to creativity (Rothenberg, 1979). Creativity, as the cognitive process of discovering new patterns or combinations from familiar ideas, routines, and mental models (Amabile, 1997) is thus the engine that drives entrepreneurial discovery. The search for these patterns when induced by market discontinuities can form the basis of new ways of production that foster organizational emergence. Creativity researchers are aware that the ways problems are formulated can influence the creative process (Ward, 2004).

Organizational creativity refers to the production of novel and useful ideas concerning virtually all aspects of the formation and operation of an organization, such as products, services, work processes, management methods, and business models. This definition implies that organizational creativity has two essential elements. First, in business settings, different from artistic creativity, both novelty and usefulness are necessary conditions for an idea to be considered as creative. An idea that is novel but has little value or practicality would not be judged as creative. Second, conceptually, creativity is different from innovation, although these two concepts are related. Whereas creativity focuses on idea production, innovation focuses on implementation of new and useful ideas. Thus, creativity is often a starting point for innovation (Amabile, 1988; Oldham & Cummings, 1996). Creativity has been examined primarily at the individual level (Amabile, 1988; Gong, Huang, & Farh, 2009) and the group level (Maddux & Galinsky, 2009), although it is also possible, and may even be desirable, to investigate it at the organizational level (Shalley, Zhou, & Oldham, 2004; Woodman, Sawyer, & Griffin, 1993).

The research on organizational creativity has a fairly rich history, which has been reviewed elsewhere. For example, Zhou and Shalley (2003) published one of the most comprehensive reviews to date, which contains three aspects of creativity research: theories, research methods, and empirical studies. It also presents important research questions that are not yet well understood in the creativity literature. Shalley et al. (2004) not only offer a review and critique of the extant literature, but also devote considerable attention to highlighting directions for future research. Anderson, De Dreu, and Nijstad (2004) provide a review and critique that challenges the routinization of creativity and innovation research. They introduce an

alternative conceptual framework to re-direct and guide future research. Zhou and Shalley (2003) organize extant creativity literature into three categories, each with its unique emphasis on one broad aspect of psychological mechanisms for creativity: affective, cognitive, and motivational approaches. Hennessey and Amabile (2010) review psychological research on creativity from a broad, interdisciplinary perspective (e.g., from the neurological basis of creativity to the societal influences on creativity), instead of solely focusing on the organizational creativity literature. Yet, specific research on creativity in China is still lacking. In this special issue, while creativity does not appear explicitly in the models and theorizing, it is implied in the two papers dealing with innovation. These two papers investigate the core ingredients for creative innovation, which is the knowledge base of the firm and its organizational structure fostering exploitation (as distinct from exploration) within the firm.

Li, Lee, Li, and Liu's (2010) paper illustrates these issues by examining how firms utilize organizational control systems to enhance endogenous innovation. In their paper, types of organizational controls are hypothesized to influence the degree to which knowledge is exploited, which in turn leads to endogenous innovation. They first propose, quite logically, that codifying knowledge, which reduces information noise, enables more efficient exploitation. They find that clan control (control through informal values and norms) moderates the positive relationship between the codification of knowledge and its exploitation but does not impact innovation. Therefore, while employees' basic grasp of a firm's knowledge base is a necessary condition for exploitation, it is not sufficient for innovation. Counterintuitively, they find that the imposition of behaviour controls such as the formalization of work procedures and routines positively impacts the relationship between knowledge exploitation and innovation. Taken together, their findings at the firm level are consistent with that at the individual level by Mumford, Baughman, Maher, Costanza, and Supinski (1997), who find that the outcome of conceptual combination depends on what individuals are instructed to consider. Creativity leads to innovation when creative energies are directed in specific directions. Absent this, creativity is simply chaos (Ward, 2004).

Li, Lee, Li, and Liu's (2010) study suggests that China's continuing economic development, if it is to shift from capital formation due to foreign direct investment to endogenous innovation, can only be sustained if entrepreneurial firms can successfully build and implement the appropriate organizational controls to exploit internal knowledge. This organizational context has so far been missing in much of the creativity–innovation research. This study in the Chinese context offers an important contribution to the general organizational-level innovation–entrepreneurship literature.

Related to Li, Lee, Li, and Liu's (2010) paper, Li, Chen, and Shapiro (2010) investigate the role of exogenous (foreign) knowledge in fostering endogenous product innovation. They look at how the firm's absorptive capacity, built from

investments in R&D and marketing, can enhance exogenous knowledge exploitation. Related to the research work on creativity, Li, Chen, and Shapiro (2010) find that access to knowledge (endogenous or exogenous) is critical for innovation. In their work, a firm's involvement in inward foreign direct investment and exporting activities serves as a conduit for the accumulation of foreign knowledge. Combined with theoretical perspectives from the research on geographic clusters, they find that domestic firms in cities with concentrated foreign innovative activities benefit from knowledge spillovers. They also find that those firms that engage in more exporting learn more quickly about the needs of foreign markets, which guides their innovation initiatives. The firms that engage in more R&D are also more likely to develop the organizational capacity to more efficiently recognize, absorb, and adapt useful foreign knowledge embedded in external channels, such as innovation clusters and from exporting. This study in the Chinese context adds to the literature on knowledge acquisition as a strategy for accelerating innovation.

The Social Context of Entrepreneurship

Entrepreneurs are those 'who identify opportunities and start new companies to develop them' (Baron, 2000: 15), so that simply recognizing new patterns is not sufficient to be an entrepreneur. Indeed, entrepreneurial creativity is 'the generation and implementation of . . . ideas to establish a new venture' (Amabile, 1997: 20). Hence, entrepreneurial creativity is a complex phenomenon that includes cognitive processes, individual motivation, knowledge and personality, individual and team decision making, and social and economic influences (Sternberg & Lubart, 1991). More recently, creativity is best described as a meta-construct consisting of individual differences, social and resource networks, and team dynamics (cf. Zhou & Shalley, 2008). In order for a firm to emerge, the entrepreneur has to convince others that his/her ideas are worth the support of other resource providers. Therefore, for there to be value creation, the results of creativity have to extend into the entrepreneur's social network.

In China, an individual's social network manifests itself in the form of *guanxi* (literally, *closed system of relationships*). Distinct from the Western concept of social ties, *guanxi* is more appropriately viewed as a form of social collateral with value (or bonding social capital) because the set of implied (hence, 'closed' to outsiders) reciprocation rules (hence, 'system') makes it difficult to acquire if one does not understand the rules. The result of *guanxi* is a network of social obligations. This social collateral fosters economic exchange without the need for complicated contingent claims contracts or even mutual trust. Two strangers can have *guanxi* if a third party to whom both owe obligations mediates the relationship. Therefore, an entrepreneur seeking support for his/her creative ideas can exploit *guanxi* to rally resource providers without the need to expend large amounts of energy building personal networks. The literature on *guanxi* in the entrepreneurial context

(e.g., Fu et al., 2006; Li et al., 2008; Tian, Gao, & Cone, 2008) is particularly rich, given that *guanxi* in other contexts has been well-studied.

This quintessential Chinese construct is investigated by Guo and Miller (2010) on its implications for entrepreneurial action. Based on six case studies, Guo and Miller find that *guanxi* networks vary in structure, governance, and content with the evolution of the entrepreneurial process. They find that the usefulness of *guanxi* depends on the stage of the entrepreneurial process and that information can be as valuable a currency of exchange as gifts and favours in knowledge-intensive industries.

Specific to the Chinese context, the authors find that *guanxi* with government officials is not a necessary condition for entrepreneurial success in knowledge-intensive industries. While this finding is contrary to that of earlier studies (e.g., Tjosvold, Peng, Chen, & Su, 2008), it is not surprising if we accept that the value of *guanxi* is contextual. The key input in knowledge industries is human capital, over which the government has less control, rather than financial, location, or physical capital, over which the government has more control. Therefore, *guanxi* derived from information sharing is less likely to result from relationships with government officials.

Taken together, this study confirms the importance of social exchange in entrepreneurial action. Although their study does not compare China with other emerging economies, it is reasonable to conclude that wherever economic exchange is less enforceable with legal contracts, social collateral can act as a hedge against moral hazard. Their work also adds to the general literature on entrepreneurial teams, in that they demonstrate the importance of coordinated action, via *guanxi* networks, in the creation of new enterprises, and links individual agency to group action.

SUGGESTIONS FOR FUTURE RESEARCH

There are at least three challenges for researchers studying entrepreneurial innovation in China. First, entrepreneurial innovation may be innovative because it is perceived as new to the market or industry or because it actually differs from the state-of-the-art. There are examples of both in China. Therefore, researchers need to carefully define what one means by innovation. Without a common understanding, studies on entrepreneurial innovation in China may not be compared with each other, which limits theory building and the accumulation of knowledge.

Second, entrepreneurial innovation might be efficient or effective, or they may not be so. Defining and measuring the appropriate dependent variable is therefore important. We know that not all innovations are efficient (the increase in the ratio of inputs to outputs) or effective (improvement in some characteristic of the innovation). Yet, the literature on entrepreneurial innovation and innovation diffusion

in China has not contemplated the possibility that not all innovations lead to efficiency or effectiveness. Therefore, we need research on ineffective innovations and their diffusion; research that might highlight the externalities of certain Chinese innovations or the consumer and reputational harm created by innovative toys and food products.

Third, the innovation (process, organizational form, technology, market domain focus, products, services, and so on) that forms the basis for new firm creation may differ by context. This has not been well-explored in China. Entrepreneurial innovation research can focus on managerial (e.g., processes and organizational forms) and non-managerial (e.g., products and services) outcomes. The literature on entrepreneurial innovation in China seems to ignore managerial innovations, as they pertain to entrepreneurial firms. Research on managerial innovations in entrepreneurial firms in India, for instance, reveals entire new ways of managing organizations that are native to India (Dutz, 2007). The research on Chinese managerial innovations needs to be more fully developed.

We also encourage future researchers to aim for paradigmatic, rather than micro-theoretical explanations when inducing theory about entrepreneurship in China. The fact that it is a transition economy provides many opportunities for natural experiments. For example, the adoption of private property rights regimes when none existed previously provides an opportunity to test the relationship between property rights and risk-taking. In the same vein, we urge future researchers to employ temporally oriented empirical techniques such as critical event studies, panel data regression estimations, and repeated treatment experimental designs. These techniques may be particularly useful for research in China, given the many innovations, exploitative or exploratory, in Chinese firms in response to the rapid changes in the industrial, economic, and policy environments. Below, we offer specific suggestions for future research within each of the three contexts of entrepreneurship.

The Systems Context of Entrepreneurship

The findings of the four papers contained in this issue raise a number of questions that merit further research. First, studies of recently emerged entrepreneurial regions from around the world – Taiwan, Ireland, Israel, Korea, and Singapore – have underscored the role of government in establishing the appropriate institutional environment for the creation and exploitation of opportunities. In this set of papers, government is not only absent in the discussions, but Guo and Miller (2010) even imply that, under certain circumstances, it is unimportant. While it is obvious that the role of government tends to decline when the size of the private sector increases (Huang, 2003), there may be deeper implications of this trend. We know that non-state owned enterprise (SOE) managers tend to have fewer government ties than SOE managers (Li et al., 2008). This may represent a

liability to non-SOE firms. However, it may also imply that the role of government in knowledge-intensive industries is not as critical as in, say manufacturing, because the usual reasons that firms interact with the government, e.g., obtaining permits to operate, zoning, etc., tend to be less relevant in knowledge-intensive firms.

Yet, the government in China continues to be omnipresent from the village to the State level (Acs & Dana, 2001; Li et al., 2008; Tian et al., 2008; Tjosvold et al., 2008). Future research should therefore aim for dynamic models that can demonstrate the co-evolution of the role of government and the market economy (Sun, Wright, & Mellahi, 2010). Similar to endogenous growth models in the developmental economics literature (cf. Romer, 2008), these approaches are particularly powerful in explaining the role of entrepreneurship in the sustainability of an economic system. We know that strong educational institutions, good physical infrastructure, a supportive financial services industry, and favourable cultural attitudes towards entrepreneurship tend to render the role of government as advocate of entrepreneurship less critical. Hence, we should expect that the development of the Chinese institutional context would accompany a decline in political influence in the market economy. Yet, in the case of China, because the government is concerned about social stability as much as it is about economic growth, the booms and busts that characterize a entrepreneurially intensive economy may provide unique opportunities to study the interactions between political and economic systems that are interdependent and yet can produce conflicting social and economic outcomes.

We know that in traditional models of entrepreneurial development, the government's role is to provide the initial resources to trigger sector development, which then becomes attractive for private capital accumulation. More recently, institutional models discuss the need for robust intellectual property regimes to foster innovation. These points of view have to be reconciled so that future studies should examine the role of village and provincial government influences, perhaps employing an evolutionary approach to account for the varying degrees of involvement over the stage of development of a region.

Concomitant with further study on the role of government in entrepreneurship, we urge more research on the problem of social welfare and entrepreneurship. There is a wealth of literature on entrepreneurship that tries to understand the relationship between entrepreneurship and social welfare in emerging economies (Acs & Dana, 2001; Baumol, 1990; Chow, Fung, & Ngo, 2001; Djankov, Qian, Roland, & Zhuravskaya, 2006; Nee & Cao, 2005; Pistrui, Huang, Oksoy, Zhao, & Welsch, 2001; Tan, 2008). In China, the question is both relevant and important because the emergence of entrepreneurship in the private economy, and competition for capital with the state sector, will impact economic development, social welfare, and individual choices to engage in risk-taking. Such research in China may yield important contributions to this literature.

Another area of potentially fruitful research is to study entrepreneurship and innovation in rural areas. What are the entrepreneurial capacity-building initiatives taking place to endow farmers and rural artisans with the skills they need to innovate and found sustainable businesses? Research can also analyze the role of technology in fostering innovation, such as the impact on rural entrepreneurship with the dramatic increase in wireless telecommunication penetration.

The Organizational Context of Entrepreneurship

The two papers investigating knowledge exploitation discuss the importance of absorptive capacity for innovation success. However, absorptive capacity can be a stock, an endowment property of a firm, or a flow, which is the result of continual investments in human and technological capital (Khilstrom & Laffont, 1979; Romer, 1990). We suggest that future studies focus on the conditions under which entrepreneurial firms are incentivized to create absorptive capacity (flow) since an entrepreneur with a shortened investment horizon, particularly in emerging economies, will likely under-invest in assets that are unlikely to yield benefits in the time frame of the entrepreneur's tenure.^[2] Therefore, potential dependent variables in such studies could be firm survival beyond the start-up stage, the sustainability of the initial business model, or the evolution of business models as firms grow and develop.

To date, only a small number of studies (e.g., Chen & Aryee, 2007; Zhang & Bartol, 2010) have been conducted to examine what factors promote or inhibit employee or team creativity in Chinese organizations. Therefore, this is an exciting area for future research, because many opportunities remain for significant conceptual breakthroughs and rigorous empirical investigation. However, the use of surveys is unlikely to add insight to studies on human creativity. Instead, such studies can only be properly conducted with controlled experiments. In such research designs, subjects are placed under various conditions (such as social conformity, cognitive dissonance, physical stress, and so on) and observed as they perform tasks with varying degrees of creative challenge. In the USA, this has been a major research paradigm (Mumford, 2003). Similar work should be done in China, given that the different cultural context in which creativity is expressed may yield insights that could contribute to the development of a theory of creativity that may be more relevant to Chinese employees and teams (Barney & Zhang, 2009; Tsui, 2009). At the individual level of analysis, we call for a comprehensive embrace of experimental research methodologies in studying creativity among Chinese employees and in Chinese workgroups.

At the organizational level, Zhou and Shalley (2008) have suggested several avenues to broaden the research. These include multilevel models and cross-cultural research. More robust theorizing is likely to result by pooling the extant insights from the research in entrepreneurship, human resource management,

innovation, and strategy. We encourage more research on organizational creativity and innovation in China. Such research provides us the opportunity to theorize about the causes and impact of innovation at the organizational level, and hence adds to our understanding of the entrepreneurial phenomenon in general and in China. Studies on the relationship between creativity at the individual level and entrepreneurship at the societal level (Ward, 2004; Zhou, 2008) will also make a valuable contribution to the general literature on entrepreneurship.

To facilitate implementation of some of our suggestions on studying creativity in Chinese organizations, researchers may consider three avenues: (i) researchers may investigate antecedents of creativity from a universal perspective as exemplified by the work of Gong et al. (2009), Zhou, Shin, Brass, Choi, and Zhang (2009), and Zhang and Bartol (2010); (ii) researchers may mix cultural-general and cultural-specific approaches as exemplified by the studies of Farmer, Tierney, and Kung-McIntyre (2003) and Chen and Aryee (2007); and (iii) researchers may conduct comparative research contrasting antecedents of creativity in organizational settings in the East vs. those in the West. In the last avenue, we have not found any work in the literature. This represents a green field into which researchers can successfully sow their ideas.

The Social Context of Entrepreneurship

Research in China is already rich in the area of social networks (*guanxi* and other forms of networking), and therefore, meaningful contributions in this line of inquiry may be limited. However, there has now emerged some research on the social responsibility and ethics of Chinese entrepreneurs (Tian et al., 2008; Zu & Song, 2009). Social responsibility is an ethical perspective that views a business as embedded in the social system and therefore the firm must contemplate its non-economic role in the welfare of the communities in which it operates (Tian et al., 2008). Normative conceptions of social responsibility argue that when businesses take a proactive stance to act socially responsible, they pre-empt the role of government as a monitor and hence assure themselves the freedom to operate (Carpenter, Bauer, & Erdogan, 2009). We suggest a more concerted attempt at understanding the emergence and evolution of an entrepreneur's engagement with his/her social environment as a possible avenue for further research. China provides an interesting setting for such questions, because *guanxi* networks tend to be fairly tight, whereas the type of socially responsible actions taken by philanthropists benefits a much broader section of the community. The transition of an entrepreneur's *guanxi* networks to philanthropic (generalized) networks could be a meaningful way to extend the extant research. Perhaps, an entrepreneur's *guanxi* network is impacted by his/her philanthropic network, so that the right approach to theorizing about *guanxi* may be evolutionary rather than static, similar to the study by Guo and Miller published in this issue.

In summary, in this special issue, we have taken a point of view that there are three broad contexts to the phenomenon of entrepreneurship in China. It is not the only way one can organize the extant research or direct future research on entrepreneurship. However, it is a flexible framework. For example, one can embed institutional concerns such as private property rights and the drive to accumulate capital into questions on why and when Chinese entrepreneurs innovate and whether their creative tendencies will lead to positive (new venturing) or negative (corporate malfeasance) outcomes (Baumol, 1990).

More importantly, we must recognize the possibility that China is not just another context in which one can apply theories developed somewhere else. For example, many Chinese proverbs exemplify the dialectic thinking of people in the Chinese culture and these proverbs may shed insight on the potential for creativity in this culture. Take for example, the Chinese words for crisis 'Weiji' (危機). The pairing of the two characters 危 and 機 jointly denote crisis with the former character denoting threat and the later opportunity. Now consider the character pairing for revolution (革命). The first character denotes transformation whereas the second denotes order. Interestingly, Tsou (1986) noted that the blueprint of the Cultural Revolution was based on the order it replaced. Following our earlier discussion on the potential unique contributions of entrepreneurship research in China, we may discover that the Chinese language itself might be generative of constructs with implications for entrepreneurial innovation.

CONCLUSION

The extremely rapid rate of change of entrepreneurial innovation in China creates a concomitant need for optimally timely and relevant scientific business theory and research. The four papers in this special issue are excellent examples of rigorous research at the highest standards of scholarship. They offer new theoretical insights with potential managerial and policy implications. Given the variety of inductive and deductive approaches, the four papers in this special issue illustrate the type of rigorous work to which future researchers can aspire. We hope that this special issue will stimulate future investigations into creativity, innovation, and entrepreneurship in China and beyond.

NOTES

- [1] Not temporary enterprises that arise from arbitrage opportunities ('black market'), since these appropriate, not create economic value. Instead, for example, consider laundry services catering to soldiers.
- [2] Because rapid shifts in the institutional and industrial contexts characterized by emerging economies are likely to make economic models obsolete more quickly than those in developed economies.

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