Innovation in China

A Strategic Management Casebook

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The Chapters

Chapter 1 looks at the historical context of management of innovation in China, a country that fell from the most innovative society on earth for most of the last 2.5 millennia to an also-ran by the turn of the 20th century. Chapter 2 looks at how the Communist Party of China (CPC), from its founding 100 years ago to present, has shaped the modern Chinese approach to innovation and government. Chapter 3 introduces intellectual property (IP): copyright, patents, and trademarks. How IP is defined, developed, stimulated, protected, and shared constitutes a major part of the rules of the game of innovation. Chapter 4 examines the largest, most successful, single, state-engineered acquisition of foreign technology to stimulate innovation in history: China's high-speed rail (HSR) initiative. Incubators are the subject of Chapter 5, which looks at Hong Kong's Science Park. Incubators, developed in the West and embraced by China, are part of a policy to break with Hong Kong Kong's *laissez faire* past. Chapter 6 looks at the US technology company that was briefly the largest company in the world at the turn of the 21st century, Cisco Systems. In the case presented, Cisco seeks to promote its products in China through innovation and co-ordination with Chinese government policy.

Chapters 1 through 6 look primarily at the role of government in management of innovation in China. But the story of the modern Chinese miracle is as much the story of private enterprise as it is of government *dirigisme*. Chapter 7 looks at two private entrepreneurs, Zhang Ruimin and Ren Zhengfei, who used strikingly different philosophies to build from nothing two major industrial enterprises: Haier and Huawei respectively.

Chinese private companies with technology, branding, and comparative advantage can succeed in international markets. Chapter 8 examines how the leading global producer of auto glass, Fuyao, innovates to minimize the distance to the customer in the North American auto producer market. Chapter 9 highlights the regulatory component of innovation, as it describes ofo, one of the two private, dockless, bike-sharing companies founded to solve the last kilometer problem of the urban, public transit commuter.

Artificial intelligence (AI), fed by the mobile revolution's troves of digital data, processed by innovative algorithms and largely unrestrained by a single party state, epitomizes the West's increasingly Orwellian vision of China. Chapter 10 looks at the business model of a private,

profitable unicorn, a leader in Chinese AI, SenseTime. The book concludes with two cases of innovation in finance. Chapter 11 describes a start-up venture capital (VC) company, Redhill Capital and its foray into biotechnology and medical services, raising money for its second fund in the midst of the COVID-19 pandemic. And the final chapter describes how China Merchants Bank's blockchain team, funded by the bank's incubation fund, innovates in cross border payments advice.

Each case can stand alone. The cases are listed on the Richard Ivey and the Harvard Business Schools' case publishing websites, where instructors can access detailed teaching notes. Each case can be used as teaching material for instructors in business school courses. In each, the instructor can ask his or her students to place themselves in the position of the decision maker, to analyze the situation, and to make a strategic decision.

Each case is also a description of how actual managers in China confront issues of innovation. Each case is preceded by a short discussion on how the company and the decision illuminate Chinese management of innovation. Taken together, the cases and the commentaries present a mosaic of innovation, fully understandable to Western managers and academics, yet subtly different. And in the differences lie the food for thought.

In our world, from the simplest life forms to the most complex societies, the only true constant is change. To meet successfully the challenges of our age, we must innovate. I hope that the innovations presented in the book may inspire new approaches that will create value for our future global society.