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## Firm Survival and Innovation in Emerging Markets -- The Case of China

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## English Summary

In emerging economies, ongoing institutional transition and market reforms often make the business environment more dynamic, uncertain, and unpredictable. How firms survive, grow, and compete in such environments has attracted an increasing attention in management academia as well as in business practice. However, there is still limited and inconsistent empirical knowledge of when and how firms manipulate internal assets and manage external institutional environments to improve their survival chance and innovation performance in emerging markets. Building on the resource-based view of the firm (RBV), the institutional-based view (IBV), and resource dependence theory (RDT), this dissertation contextualizes China and is designed to narrow down this research gap by addressing the following questions: 1) How does a combined use of internal resources determine Chinese high-tech start-up firms' survival? 2) Under what institutional transition conditions does Chinese firms' innovation benefit from political connections? and 3) How and when do dynamic institutional environments shape Chinese firms' innovation propensity? To address these questions, four independent empirical studies are conducted to deepen the understanding of the mechanisms through which the internal resources and external institutional environments contribute to firm survival and innovation performance in emerging markets.

Building on Chinese empirical data, the results support most of the theoretical predictions. Given that complementary internal resources can lead to synergetic influence to improve firm performance, the results in Chapter 2 validate that the combined use of three internal resources *i.e.* R&D resources, internal financial resources, and scientifically skilled employees, can effectively buffer high-tech start-ups' survival risk. Furthermore, firms' political connections *i.e.* business-government (B-G) ties (Chapter 3) and government affiliations (Chapter 4) are crucial antecedents of firm innovation in emerging markets like China. To be specific, *ceteris paribus*, firms with B-G ties have more product innovation output than firms that have no B-G ties; and, the stronger the B-G ties are, the higher the innovation output will be (Chapter 3). Also, firms that are affiliated with higher-level government perform better in terms of product innovation (Chapter 4). Moreover, this dissertation further establishes a relationship between institutional transition and firm exploratory and exploitative innovation by identifying the innovation motivating effects and innovation depressing effects of institutional transition (Chapter 5). It finds that the scope of institutional transition is positively associated with firms' exploratory and exploitative innovation; and, that the speed of institutional transition is likely to incent exploratory innovation but exerts an inverted U-shaped influence on exploitative innovation. Finally, the

interactions between political connections and institutional transition demonstrate complicated effects on firm innovation (Chapter 3, Chapter 4, and Chapter 5). The results generally suggest that the innovation stimulating effects of political connections will continue in China regardless of the *status quo* of institutional development. Particularly, the findings shed substantial light on innovation management by validating the complementary relationship between political connections and the development of formal institutions — i.e. B-G ties (Chapter 3 and Chapter 5) and government affiliations (Chapter 4) do reinforce firm innovation performance in provinces with more developed formal institutions.

This dissertation contributes to a further understanding of the internal and external determinants of firm survival and innovation in emerging markets, especially in China. It provides substantial theoretical insights in, and empirical evidence on when and how Chinese firms benefit from political connections, institutional transition, and a combined use of internal resources. Scholars can use it as a building block for developing a deeper understanding of firm survival and innovation in emerging markets in China. Managers in China can use the insights flowing from this dissertation to effectively make strategic decisions regarding innovation, competition, and survival in their emerging markets.