

A Scientific Approach to Entrepreneurial Decision-making: An Introduction and Potential Extension in China

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Abstract: We illustrate the scientific approach to entrepreneurial decision-making, which is an approach that begins with formulating problems clearly, developing theories about the implications of actions, and testing these theories using existing data or data drawn from well-defined experimental designs. After describing the mechanism through which the scientific approach to entrepreneurial decision-making operates, that is a more effective process to form, test, and update beliefs about the worth of entrepreneurial ideas, we elaborate on the effects of the scientific approach on three key entrepreneurial outcomes: idea termination, pivoting, and performance. We then refer to the emerging theoretical, empirical, and practitioner-oriented literature on the scientific approach to decision-making, articulating its potential developments. We discuss the potential benefits and challenges of applying the scientific approach to the Chinese entrepreneurial context.

Key Words: entrepreneurship; start-up; scientific approach; business experimentation; pivot

“Bold Conjecture, Scientific Verification” :
*Comments on A Scientific Approach to
Entrepreneurial Decision-making :
An Introduction and Potential Extension in China*

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Abstract: Camuffo, Ding and Gambardella (2022) illustrated a scientific approach to entrepreneurial decision making from its theoretical foundation, concept and components. In addition, they addressed its great value to research and practice in the Chinese context. Based on their points, this paper discusses the science of entrepreneurship, and how a scientific approach to entrepreneurial decision making can contribute to entrepreneurial activities. Building on the authors' research conducted in China in collaboration with Professor Camuffo and Professor Gambardella from Bocconi University, this paper gives the initial feedback on a scientific approach to entrepreneurial decision making from Chinese entrepreneurs. This paper also discusses the limitation of this approach, and the way of leveraging scientific approach scientifically.

Key Words: entrepreneurship; entrepreneurial decision-making; scientific approach; science; art



A Scientific Approach to Entrepreneurial Decision-making: An Extension of Antecedents

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Abstract: There has been an increasing amount of research on the entrepreneurial decision-making in recent years. The paper by Camuffo et al. (2022) theoretically illustrates the scientific approach to entrepreneurial decision-making, and points to the potential benefits and challenges of applying the scientific approach to the Chinese entrepreneurial context. Following their theoretical discussion, this article discusses the antecedents of applying the scientific approach in entrepreneurial decision-making, and suggests some research implications for future research on this topic in the Chinese context.

Key Words: entrepreneurial decision-making; uncertainty; scientific approach

Application and Reflection of Scientific Approach to Entrepreneurial Decision-making in the Chinese Context

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Abstract: Camuffo et al. (2022) systematically elaborated entrepreneurs should take both “action and thought” into account in the entrepreneurship, which depends not only on their knowledge and ability to identify entrepreneurial opportunities, but also on the method they used to identify the opportunity. Therefore, they summarized the antecedents, components, structured steps and performance of scientific approach to entrepreneurial decision-making, and further analyzed the reasons why scientific approach improve entrepreneurial decision-making, entrepreneurial performance, and China’s entrepreneurial ecosystem. In this paper, based on a systematic review of the structured steps of scientific approach to entrepreneurial decision making (theory – hypothesis – evidence – evaluation – decision), we explain the impact of different schools of thought (“unknown unknowns”, pragmatism, intuitive decision making, decision logic) on the scientific approach. Finally, based on the Chinese context, we point out that scientific approach faces three major development opportunities: relationalization, digitalization, and platformization, which inspire Chinese scholars to enrich and improve the research related to entrepreneurial decision-making and improve the entrepreneurial ecosystem in China.

Key Words: entrepreneurial decision-making; scientific approach; Chinese context; digitalization



Overseas Market Entry Strategy of Emerging Market Multinational Enterprises

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Abstract:

Purpose: The purpose of this article is to explore the driving mechanisms of the overseas market entry strategy of emerging market multinational enterprises (MNEs). Compared with developed country MNEs, emerging market MNEs seem to be more risk-seeking in their overseas market entry strategy, as reflected in the tendency to choose high equity control. Though IB scholars have provided different theoretical explanations from the institutional and resource perspectives to understand this unique phenomenon, there is no consensus on the driving mechanisms of the overseas market entry strategy of emerging market MNEs. In other words, we still lack a comprehensive understanding of the driving mechanisms of the overseas market entry strategy of emerging market MNEs.

Design/methodology/approach: This paper analyzes the foreign direct investments of 1275 Chinese MNEs during 2009–2018, using a fuzzy-set qualitative comparative analysis (fsQCA) method to explore the interaction effects of six factors on the Chinese MNEs' overseas market entry strategy from the institutional and resource perspectives. These six factors include host country institutional environment, institutional distance, cultural distance, international experience, political resources and R&D capability.

Findings: This paper has four main research findings. First, this paper identifies five patterns, including institutional escape–resource exploration (springboard), political capacity exploitation, institutional escape–experience and R&D exploitation, R&D and experience exploitation, and institutional support. Secondly, the availability of firm ownership advantage is not a necessary factor affecting the choice of overseas market entry mode for all emerging market MNEs, and MNEs lacking ownership advantage may also choose the wholly-owned overseas market entry mode. Thirdly, ownership advantage is not only derived from the firm's market competitive advantages (such as technology, brand, management, etc.), but also from the firm's non-market competitive advantages (such as the home country–related political affiliation with the home country or political capacity with the host country, etc.), and the influence of these two types of ownership advantages on the choice of overseas market entry mode of emerging market MNEs is quite different. Specifically, firms' market competitive advantages are more helpful for MNEs to adopt wholly-owned overseas market entry mode in host countries with high institutional quality or small institutional distance, while firms' non-market competitive advantages prompt MNEs to adopt wholly-owned overseas market entry mode in host countries with poor institutional quality and large cultural distance. Last but not the least, in order to quickly gain competitive market advantage or regional competitive advantage, the emerging market MNEs lacking ownership advantages are more inclined to adopt wholly-owned overseas market entry mode at the early stage of internationalization. With the accumulation of internationalization experience and market competi-

tive advantage, emerging market MNEs aiming to gain market competitive advantage are more inclined to choose the wholly-owned overseas market entry mode in host countries with small institutional and cultural distance to their home countries.

Originality/value: The research contributions of this paper are threefold. First, this paper identifies five driving mechanisms of overseas market entry strategies of emerging market MNEs from both institutional and firm resource perspectives, which provide a comprehensive understanding of the driving mechanisms of the overseas market entry strategy of emerging market MNEs. Secondly, this paper discusses the boundary conditions of different theoretical perspectives on overseas market entry strategy of emerging market MNEs by constructing a theoretical analysis framework from two dimensions: institutional and firm resources. In particular, the paper argues that emerging market MNEs should not be considered as a whole that is completely different from developed country MNEs, and the internationalization process of MNEs from emerging economies is diverse. Thirdly, this paper provides new research insights to extend the OLI paradigm and the Uppsala model from three aspects: the source and boundary of ownership advantage, and the internationalization process, thus promoting the development of related theories in IB.

Implications/research limitations/suggestions for future research: There are four main limitations of this paper, which also provide opportunities for future research. First, this paper focuses on the equity-based entry strategies of emerging market MNEs, and researchers can further examine other overseas entry strategies, such as greenfield or merger and acquisition. Secondly, this paper focus on the antecedents of overseas market entry strategies of emerging market MNEs, and future research can explore the overseas market entry strategies of emerging market MNEs, such as firm performance. Thirdly, the data of this paper is from Chinese MNEs, and researchers can also use data from other emerging economy MNCs to test the findings of this paper. Finally, this paper shed light on the three importance factors from resources perspectives—international experience, political resources and R&D capability, and future research can explore other factors, such as corporate management capabilities and brand reputation.

Key Words: emerging market multinational enterprises (MNEs); market entry mode; fuzzy-set qualitative comparative analysis (fsQCA); institution; firm resources; Chinese enterprises

Media Coverage and Family Firm Value during Intergenerational Succession

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Abstract: Intergenerational successions in family firms are usually challengeable. One of the key reasons is that family firms likely lose external supports after later-generation members taking over key managerial positions. In Singapore, Chinese Hong Kong and Chinese Taiwan, the value of family firms can fall by about 60 percent in a 5-year period before and after intra-family succession (Bennedsen et al., 2015).

How capital market evaluate family firm value during succession? Up to date, fragmentary evidence suggests that investors evaluate family firm succession mainly based on the successor's competence such as education level. However, to our surprise, though a large number of studies indicate family dynamic can predict family firm behavior and outcomes during succession, it is still unexplored whether investors would search for family dynamic information and integrate them into family firm valuation.

In this study, we respond to the above questions by focusing on media news related with key family members. As there is not presupposed theme and format in media, investors can access to family dynamic through multiple forms of media reports—family business news, commentary articles or even romantic gossips. Therefore, comparing with other sources, media report becomes as a main information channel of family-related issues. Then, we build our theory based on two perspectives. First, media reports on family issue reduce investors' perception of information asymmetry, which in turn increase stock liquidity and market value. Second, media tone can be interpreted as the extent of social approval that certain family members may receive. Investors would thus evaluate the quality of family succession by combining these observable social approval clues together and comparing it with prototypical family renewal mode defined by family logic.

We then examine the model using listed-firm sample in China A-share market during 2003 and 2017. We identify family firms by the following criteria: (a) 20 percent or more beneficial (voting) ownership is held by a single person or multiple persons from one family and (b) at least two persons from this family serve as board director and/or top manager in the firm. After that, we manually check intergenerational CEO succession cases from the full family firm sample. Finally, we find 108 intergenerational succession cases which generate 411 firm-year observations (i.e., time window is limited to the first 6 years after succession for each case). Fixed effect model is used to analyze panel data, and the endogenous problems are dealt with under 2sls setting.

The findings are as follows: first, the greater volume of media familial coverage related with heir CEO, the higher the firm value; this main effect is strengthened by the volume of media familial coverage related with the founder. Second, the more positive the tone of media familial coverage related with heir CEO, the higher the firm value; this main effect is the strongest when the tone of media familial coverage related with the founder is neutral rather than positive or negative.

This study makes contributions in the following aspects. First, we advance the study of capital market responses to CEO succession. Our findings suggest that capital market regards the intergenerational CEO succession in family firms as a unique CEO suc-

cession pattern. They thus attempt to embed this succession into the context of family for more precise understanding, and use the legitimacy template corresponding with family logic for valuations. This can be seen in the following: When investors notice that CEO succession happens in family context, they see family dynamics as an important aspect of market valuation and try to infer family dynamics indirectly through the combination of multiple media signals. The above findings further reflect the theoretical particularity of the capital market's evaluation towards the intergenerational succession process in family firms.

Second, the study adds to the discussion about the side-effects of positive media tones. Like other types of social approving assets, positive media tone has long been considered an undisputed organizational asset. The findings of this study challenge the above view to some extent: positive media coverage helps some organization members gain social support, enabling them to go against the decisions of core leaders, and thus destabilizing the organization. For highly opaque organizations, it is difficult for capital markets to exactly know whether such concerns will occur, so they are more inclined to price them in as a risk. Thus, the positive media reports of the other members of the organization become a burden on the organizational-level. Specifically, to our research, in the highly opaque intergenerational succession, the capital market concern more that the founder with positive media coverage will use this social asset to hinder successor's power in decision-making. As a result, they tend to favor founders who receive neutral rather than positive media coverage.

Key Words: family firm; intergenerational succession; media coverage



Confucian Culture, Implicit Norms and Corporate Aggressive Strategic Choice

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Abstract: Corporate strategy aggressiveness mainly reflects the difference of the company's investment in competition scope, market expansion and product renewal. Previous studies have examined the impact of institutional environment, enterprise attributes, individual characteristics of executives, corporate governance and other factors on corporate strategy aggressiveness, which ignores the unique role that cultural factors may play in strategic decision-making. According to the theory of new institutional economics, organizational behavior is not only a follower and responder of formal institutions, but also potentially affected by informal institutions such as culture, customs and social norms. The "culture and finance" literature also shows that, in addition to formal institutions, informal institutions also exert an important impact on corporate behavior. For Chinese society, Confucian culture is one of the most extensive and far-reaching informal institutions, which has been the moral norm and action guide generally respected by individuals and organizations.

The impact of Confucian culture on corporate behavior has attracted increasing attention of scholars. However, most of the literature in this field is limited to the impact of Confucian culture on specific corporate behavior such as agency conflict, cash holding, compensation contract and pollution control, but ignores the possible role of Confucian culture in corporate strategy. Generally speaking, corporate behavior is guided by the company's strategy, which is an intuitive embodiment of business strategy. Strategy aggressiveness shapes the overall style and risk tone of corporate behavior. Particularly, the upper-echelon theory highlights that executives' traits and cognitions, which are shaped by environmental and cultural soil, play a crucial role in determining corporate strategic spectra. Therefore, informal institutions, such as culture and social norms, exert important constraints on individual and organizational behavior, and also constitutes the underlying logic for explaining corporate behavior. As is known to all, the cognitive preference and value orientation of Chinese entrepreneurs are generally permeated with Confucianism. Hence one can see that, the Confucian culture may have an important impact on the strategic choice of the company, thus presenting a phenomenon of "pulling the trigger and moving the whole body". Therefore, this paper attempts to investigate the impact of Confucian culture on corporate aggressive strategic.

Based on the informal institution theory and social identity theory, combined with the interpretation of Confucian classics, this paper theoretically explains the mechanism of the influence of Confucian culture on corporate aggressive strategic. We also further discuss the moderating effect of firm's property rights, market competition, resource slack and foreign culture shock on the relationship between Confucian culture and corporate aggressive strategic. And then, We use the data from Chinese A-share listed companies between 2008 and 2017 to conduct empirical test. The data of Confucian culture are manually collected, and other data are obtained from the CSMAR database.

We use the distribution density of Confucian academies recorded in historical documents to measure the intensity of Confucian culture. Specifically, We use the natural logarithm of the number of Confucian academies within the radius of 200km (Confu_200) and 300km (Confu_300) as proxies for the influence of Confucian culture. The more the number of Confucian academies around a firm's registered address, the stronger the influence of Confucian culture on the firm. We employ the measurement model from Bentley et al. (2013) to construct a proxy of business strategy through the following six variables: (1) ratio of R&D expenditure to sales; (2) ratio of SG&A expenditure (calculated by selling, general and administrative expenses) to sales; (3) 1-year growth rate of sales; (4) standard deviation of the number of employees; (5) ratio of the number of employees to sales; and (6) ratio of capital intensity (calculated by net property, plant, and equipment expenditure) to total assets. The grouping scores for six variables are summed as a corporate strategic index for each "firm-year" observation. A higher corporate strategic index means that a company's business strategy is more radical.

The empirical results show that Confucianism inhibits business strategy aggressiveness. Specifically, firms headquartered in regions with stronger Confucianism are more inclined to choose aggressive business strategy than their peers. Further, the Confucian culture reduces business strategy aggressiveness mainly through decreasing managerial risk taking, restraining managerial overconfidence, and strengthening managers' ethics. In addition, the inhibiting effect of Confucianism is more pronounced for private firms, for firms under greater market competition, and for firms with limited snack resources. Finally, foreign cultural influence weakens the inhibiting effect of Confucianism on business strategy aggressiveness. This study enriches our understanding of how business strategy may be contingent on the cultural environment, and extends the theoretical frameworks on business strategy determinants. It also deepens the theoretical understanding of the economic consequences of Confucian culture from the firm-level, and enriches the emerging literature of "culture and enterprise decision-making". The findings of this paper also provide new ideas for exploring the driving force of the rapid growth of Chinese enterprises after the reform and opening up from the perspective of Chinese traditional culture.

Of course, it also has some research limitations. Firstly, It may not be accurate enough to use the historical academy data to measure Confucian intensity. In the future, we can measure CEO's recognition of Confucian culture through questionnaires. Secondly, this study reveals the restraining effect of Confucian culture on corporate strategy aggressiveness, but whether it has a positive or negative impact on corporate performance remains to be further explored.

Key Words: Confucian culture; implicit norms; corporate strategy aggressiveness; informal institutions



Socioemotional Wealth Theory and Family Business Research: A Review

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Abstract: Socioemotional Wealth Theory provides an important theoretical foundation for family business research. After years of development, although Socioemotional Wealth Theory has made great progress in both improving the research framework and enriching the research themes, the existing literature summarizing the stages of Socioemotional Wealth Theory does not fully cover the new academic achievements. These literatures tend to summarize the existing academic results through a retrospective approach, which only elaborates the developmental lineage of one or several aspects of Socioemotional Wealth Theory, resulting in the application and development of Socioemotional Wealth Theory in family business research not being fully demonstrated.

To this end, this paper adopts the method of bibliometrics and appropriately draws on the information visualization function of CiteSpace to analyze and comprehensively demonstrate the application and development of Socioemotional Wealth Theory in family business research. In this paper, the source of foreign literature data is limited to the Social Science Citation Index Database (SSCI), and the source of domestic literature data is limited to the Chinese Social Science Citation Index Database (CSSCI).

This paper finds that the focus of the SSCI literature on Socioemotional Wealth Theory has undergone several iterations, from the initial focus on ownership and control, corporate performance, and other persistent themes in family business research to the recent focus on internationalization, heterogeneity, executive teams, and dynamic capabilities. It is noteworthy that the involvement of family attributes makes “trust”, “reputation” and “gender diversity” also attract the attention of the field of Socioemotional Wealth Theory. Family businesses in emerging economies represented by China, are also attracting increasing attention from the SSCI literature on Socioemotional Wealth Theory due to their unique entrepreneurial activities in the process of market development transition. The research related to Socioemotional Wealth Theory in the CSSCI literature has not only discussed the themes of ownership and control of family businesses, internationalization and corporate performance, but also combined Socioemotional Wealth Theory with elements or variables that reflect the Chinese institutional context such as “institutional environment”, “political affiliation” and “kinship”, which enriches and expands the contextual boundaries of the research related to Socioemotional Wealth Theory. However, the concepts of “trust”, “reputation” and other themes have not been brought into the research frame of CSSCI literature.

This paper also finds that the research on Socioemotional Wealth Theory has not formed a complete systematic framework, but in the large amount of SSCI and CSSCI literature related to Socioemotional Wealth Theory, various research frameworks such as “family governance–corporate governance” framework, “governance–decision making” framework, “governance–performance” framework, “decision making–performance” framework, and “governance–decision making–performance” framework exist in the literature in a scattered or fragmented manner. Environment, governance, decision making, and performance are all important fulcrums and components of a systematic framework for family business research related to Socioemotional Wealth Theory, and com-

pared with other research frameworks, the framework of “governance–decision making–performance” can help scholars build a clearer logic from corporate governance transmission to corporate decision making and then to performance outcomes.

The possible contributions of this paper are as follows. Firstly, This paper summarizes and analyzes the research related to Socioemotional Wealth Theory through keyword word frequency, keyword TimeLine and TimeZone clustering, theoretical embedding literature approach and other bibliometric analysis methods to comprehensively demonstrate the application and development of Socioemotional Wealth Theory in family business research. Secondly, based on the results and assessment of the existing research on Socioemotional Wealth Theory, this paper provides insights and references for further enriching and deepening the foundation system of Socioemotional Wealth Theory, especially for constructing and enriching the research system of Socioemotional Wealth Theory based on the Chinese context.

In the future, scholars can try to build a theoretical model of socioemotional wealth that is more compatible with the actual situation of family businesses and develop a more scientific method to measure socioemotional wealth, so as to promote the deepening and development of Socioemotional Wealth Theory. In particular, Chinese scholars should try to build and enrich the research system of Socioemotional Wealth Theory based on the Chinese context.

Key Words: family business; Socioemotional Wealth Theory; bibliometric analysis