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INNOVATION SPACES IN ASIA

by Maureen McKelvey and Sharmistha Bagchi-Sen



Innovation Spaces in Asia

– a new book to help you analyze global changes

This book explains how and why Asia is changing global innovation and entrepreneurship, at a rapid pace. A key characteristic of the book is the rich empirical understanding of the dynamic processes, involving the strategic decisions of firms and entrepreneurs with the broader socioeconomic environment in terms of institutions, markets, knowledge and innovation systems. Case studies and empirical analysis focus upon the impacts upon large and small firms.

by *Maureen McKelvey and Sharmistha Bagchi-Sen*

Why read this book?

What matters today about Asia is the combination of their growing markets, their new demands for services and goods, their new sources of technical and scientific knowledge – and what global multinational companies as well as locally based entrepreneurs are going to do about these changes.

Our book demonstrates empirically and theoretically why these rapid developments, in markets, sources of technology, and user preferences in Asia are changing how innovation and entrepreneurship are performed around the globe. That is why the full title of the book is: *Innovation Spaces in Asia: Entrepreneurs, Multinational Enterprises and Policy*.

This book argues that we must analyze Asia in terms of three types of innovation spaces: 1) What is going on within Asia in terms of innovation and entrepreneurship; 2) How and why Asian companies and entrepreneurs are acting globally from Asia to affect business conditions elsewhere; and 3) How and why those Western companies which are moving into Asian countries are affected.

There are many stereotypes, or myths, about Asia in the sense of easily assumed ‘truths’ – and anyone who has worked there probably challenges them. Still, the myths are strongly rooted in popular culture. Therefore, we have juxtaposed our contributions as ‘myth-busting’ against four myths about Asia. As detailed below, each chapter in our book provides more interesting empirical and theoretical insights for a richer understanding of how Asia is affecting global innovation and entrepreneurship.

Myth 1:

There is a lot of talk about Asia, but it is only talk. Government policy and national institutions are not supportive of technological development and innovation.

This myth can be stated as follows:

Asian governments may talk about innovation, technology and

knowledge being the key attributes driving the economy, but investments through public policy are minor and Asian institutions of the political economy discourage change.

Chapters 2 through 5 tackle this myth by providing empirical evidence and critical analysis of especially China with some comparison of India. This includes analysis of public policy initiatives, how intellectual property rights systems demonstrate strong links to the rest of the world, the influence of patent pools within specific technology-based industries, and the role of socio-economic conditions and public policy for the explosion of a new technology, electrical bikes.

Table 1: How government policy and national institutions support innovation in Asia

Chapter	Contribution
Chapter 2	Analyzes the uniqueness of the Chinese model of innovation, but questions whether this model will enable China to become a world-class innovator Describes specific characteristics in science and technology and relates this to dynamic effects in the economy
Chapter 3	Explains and analyzes how the intellectual property rights systems in China and India allow us to define the contours of innovators’ global linkages, including specializations and flows Analysis of flows in and out suggests the increasing importance of India and China on the global scene
Chapter 4	Focuses within the Chinese innovation space, by providing a description of the patent system as well as analysis of patent pools Analyzes firms and patent pools within the audio and video technology and the telecommunication sectors
Chapter 5	Explores the development of the electrical bike in China, as a co-evolutionary process Provides insight into the overall development of e-bike industry and diffusion in China as well as the leading company Lyvuan

Myth 2:

Firms from Asia tend not to be entrepreneurial.

This myth makes certain assumptions:

There are a lack of entrepreneurial firms, either due to regional and country conditions, or due to lack of resources like human capital and capital. Entrepreneurship is not expected, and especially not in high tech industries.

Chapters 6 through 9 bust this myth, by demonstrating the power of modern entrepreneurship, with a focus on China and one case from Korea. These chapters focus on the interactions between entrepreneurs and the specific national systems of innovations, as an explanation for how and why ventures can access resources and grow globally. These entrepreneurs are all active in advanced industries, including wind turbine, nanotechnology, IT related to Internet infrastructure and services, health biotechnology, and telecommunication equipment. The entrepreneurs use global linkages both to access advanced knowledge as well as specialized markets.

Table 2: Why and how entrepreneurship occurs within Asia, with global linkages

Chapter	Contribution
Chapter 6	Develops a theoretical framing of the development of innovation spaces in China Analyzes the development of a entrepreneurial company turning into an emerging market multinational enterprise, which is active in the wind turbine industry
Chapter 7	Applies and further develops the theoretical framing of the relationship between entrepreneurship in China and innovation spaces Analyzes a case study of knowledge intensive entrepreneurship in nanotechnology in South Korea
Chapter 8	Analyzes the interaction between knowledge intensive entrepreneurs and their context in China, linked to international access of knowledge and resources Provides case studies of four firms in nanotechnology in Suzhou, China
Chapter 9	Focuses on the role of returnees to China as entrepreneurs and their ability to access global resources in high tech sectors Examines firms within IT, health biotechnology, and telecommunication equipment

Myth 3:
Large firms from Asia tend not to be innovative. They focus on low cost, and not on investing in resources to compete through technology and innovation.

This myth assumes that there is a particular type of competition that Asian firms engage in:

Large Asian firms are primarily about price competition, especially low cost and low quality products and services, and their main advantage is low cost labor. Large Asian firms are primarily imitative products, generics and reverse engineered existing products.

Chapters 10 through 13 demonstrate how and why multinational enterprises located in Asia are succeeding globally. Some firms keep their home base and use their specific competitive advantages; others combine that strategy with acquisitions abroad and the hiring of skilled technical labour. Trends like mergers and acquisitions are currently accelerating, with early examples given



in the book are Geely's acquisition of Volvo Cars and Huawei hiring of specialized employees from Ericsson. These chapters cover strategies of firms from India, China and Indonesia.

Table 3: Why and how large Asian firms are succeeding in innovation, globally

Chapter	Contribution
Chapter 10	Addresses how Indian pharmaceutical companies are expanding their innovation spaces through partnerships and acquisitions Frames in terms of research on pharmaceutical global value chains and foreign direct investment
Chapter 11	Examines innovation spaces developing in Indonesia, through cases of multinational enterprises, which leverage country-specific advantages Provides case studies of the Indonesian firms Adaro Energy, Mayora, and Astra
Chapter 12	Discusses the challenge and opportunities when Chinese multinational enterprises access knowledge resources in Sweden Provides case studies of two mechanisms for accessing technology from the West, namely acquisition and hiring skilled labour. The companies are in automobiles (Geely / Volvo Car Corporation), respectively telecommunication (Huawei / Ericsson)
Chapter 13	Addresses emerging innovation spaces in India, driven by new types of customer demand and markets, specifically for the poorer segments of the economy

” *What matters today about Asia is the combination of their growing markets, their new demands for services and goods, their new sources of technical and scientific knowledge – and what global multinational companies as well as locally based entrepreneurs are going to do about these changes* ”

Myth 4:

Western firms can easily move to outsource customer development, technological development and research and development to Asia.

This myth focuses on firm strategy and demand for new innovative products and services:

Most Asian customers primarily want low cost products and probably affect low quality. Western firms can move to outsource, develop technology and to innovate in Asia. The shifting of resources into Asia does not change the ‘core’ qualities and structure of the firm found in the West.

Chapters 14 through 16 focus upon what happens when new innovation spaces are created through out-sourcing as well as the impacts upon Western firms when they outsource software and research and development into Asia. The technologies discussed include software and technical engineering, and the Asian countries studied are India and Sri Lanka.

Chapter	Contribution
Chapter 14	Develops an understanding of how emerging innovation spaces as created, by focusing upon problem-solving and tasks in the Indian software industry Describes the global software-outsourcing industry especially the supply platform in Bangalore (India)
Chapter 15	Analyzes how South Asia offers a national innovation system with relevant skilled labor and knowledge assets Provides a study of a Swedish company in software. This company has moved from home based entrepreneurial venture to a multinational enterprise with significant innovation in Sri Lanka
Chapter 16	Addresses an interactive process between headquarters, subsidiary and external conditions Provides a case study of the R&D unit of SKF, a Swedish-based but heavily internationalized, multinational enterprise

How can this book impact decisions by Western companies and policy makers?

Unfortunately, there are no easy answers to remaining competitive – for an entrepreneur, a multinational enterprise or a national policy maker.

The book demonstrates how and why the world is changing rapidly, both at home and in Asia, and the linkages between companies and national innovation systems are creating

new types of innovation spaces, which impact global innovation and entrepreneurship. The two concluding chapters of the book tackle the new understanding provided by this book, both theoretically and practically. Putting together the elements defined here does provide insight into what seems to work better – or worse – to retain competitiveness based upon innovation. ●

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