

How can China innovate better? Corporate finance, governance and innovations in China

Developing into the stage of new normal, the Chinese Government works on changing the growth pattern from the catching-up into the innovation-driven development strategy. Indeed, innovations are difficult to happen with central planning, but they often work through market activities, which require the major force of innovations to be firms. However, we argue that the foundation of successful corporate innovations requires well-managed corporate finance and solid corporate governance. In these regular issues, we discuss the research progress of corporate finance, governance, decision-makings and innovations with some cases.

Surveying about a hundred papers, [Lan et al. \(2019\)](#) suggest that corporate finance has gone through the formative stage, traditional stage, modern stage and the post-modern stages. In the recent period, the relationship between firm's financial management and national institutions has aroused extensive interests from researchers and becomes the number one issue in this field. On this basis, the authors point out the shortcomings of existing research and opportunities for future research. By reviewing historical development of research in corporate finance, this paper proposes 16 key research topics in China context.

Working on corporate studies always demand data. Are there fresh data available? [Lu et al. \(2019\)](#) bring about one of the most enduring large-scale nationwide sample surveys in China, which is the Chinese Private Enterprise Survey. This survey provides firm-level data for understanding and studying the development of Chinese enterprises and entrepreneurs over the past 26 years. This paper debriefs the structures and usages of this survey with presenting what has been done.

The Chinese firms can do better on innovations with the new-generation corporate owners with oversea training experience. [Lyu et al. \(2019\)](#) study the effect of second-generation involvement on corporate innovation in Chinese family firms. They find a positive relationship between second-generation involvement and corporate innovation. This effect is more pronounced among the firms appointing second-generation family members with overseas training experience and firms with weak external monitoring. Further analysis shows that the curtailment of related party transactions and the improvement of accounting information quality are important channels.

Indeed, corporate governance matters in China. The existence of controlling shareholders creates a remarkable difference between the corporate governance structures of Chinese firms and those of western firms, which can play the “tunneling” roles or the “governance” roles. [Sun et al. \(2019\)](#) find that controlling shareholders get involved in firm management by appointing executive directors to strengthen the supervision and incentives of managers. The authors also find that firms exhibit a lower level of earnings management and enhance and higher pay-performance sensitivity after controlling shareholders appoint executive directors to the top management team.

Besides the influence of the executive director on corporate governance, [Pan et al. \(2019\)](#) find that the managerial psychological bias increases the premium of mergers and acquisitions. Further study shows that debt capacity can strengthen the relationship between managerial overconfidence and M&A premium.

The managerial behaviors play a big role on corporate decisions. [Koseoglu et al. \(2019\)](#) provide an extensive analysis of contributions to scholarly research on decision tools. It is



found that the study of decision tools is classified into four macro clusters: conceptualizing and defining decision tools, exploring the implementation of decision tools, understanding the relationship between decision tools and other disciplines/approaches/initiatives and discovering the outcomes of decision tools. Furthermore, the framework proposed in this paper will help scholars identify issues that merit additional theory-building and/or theory-testing research.

Luo *et al.* (2019) explore the effects of review group's content-related and environment-associated attributes on information adoption intention of information readers. They use a structured online survey to collect data from an online store and a third party forum in China. They validate the significant moderating role of website attributes in readers' information processing. Information readers use distinct criteria to evaluate the received review information. They find that the effects of information persuasiveness, information comprehensiveness, website reputation, information consistency and information quantity on information readers' information adoption intention is weaker in online stores than in third party forums.

The above papers show that China can innovate, but it requires a fair and transparent market. Actually, corporate governance needs the financial pressure to get improved. With good corporate governance, China can develop well with the young generation, if they have the global version.

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