

THE HONG KONG POLYTECHNIC UNIVERSITY  
DEPARTMENT OF MANAGEMENT & MARKETING  
DEPARTMENTAL RESEARCH SEMINAR

**The Influence of State Ownership on  
Innovation, and the Moderating Role of  
Private-Sector Competition**

By

**Dr Ivy Yang**

Date: Monday, 26 November 2012

Time: 2:30 p.m. - 4:00 p.m.

Venue: M802

All interested are welcome

# **The Influence of State Ownership on Innovation, and the Moderating Role of Private-Sector Competition**

## **Abstract**

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We consider how state ownership influences the innovation process in terms of allocating resources toward searching for new solutions, and converting these efforts into economic value. On one hand, deep pockets of the state provide slack resources that may facilitate risk taking and innovation. On the other hand, soft budgets can create incentive problems and dampen the efficient use of resources. We suggest how accounting for competitive context can disentangle these countervailing forces. Using a sample of over 240,000 Chinese firms we found that when private-sector competition was intense, state-owned firms outspent their private-sector counterparts in searching for innovative solutions through R&D expenditures. However, under similar competitive conditions, private-sector firms were markedly more successful than state-owned firms in converting these expenditures into economic value.