

Accepted Manuscript

Innovation Efficiency, Global Diversification, and Firm Value

Wenlian Gao, Julia Chou

PII: S0929-1199(14)00161-8
DOI: doi: [10.1016/j.jcorpfin.2014.12.009](https://doi.org/10.1016/j.jcorpfin.2014.12.009)
Reference: CORFIN 873

To appear in: *Journal of Corporate Finance*

Received date: 30 September 2013
Revised date: 21 December 2014
Accepted date: 22 December 2014



Please cite this article as: Gao, Wenlian, Chou, Julia, Innovation Efficiency, Global Diversification, and Firm Value, *Journal of Corporate Finance* (2014), doi: [10.1016/j.jcorpfin.2014.12.009](https://doi.org/10.1016/j.jcorpfin.2014.12.009)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Innovation Efficiency, Global Diversification, and Firm Value

Wenlian Gao^{a,*}, Julia Chou^b

*^aChinese Academy of Finance and Development, Central University of
Finance and Economics, Beijing, 100081, P.R.China*

^bCollege of Business, Florida International University, Miami, FL 33199

Abstract

This paper investigates whether multinational firms are less or more efficient in innovation activities than domestic firms. Using patents and citations scaled by R&D expenses and R&D capital as measures of innovation efficiency, we find that multinational firms have lower levels of innovation efficiency than purely domestic firms. This finding has been supported by additional evidence using peer pressure as an exogenous shock to firms' strategy of going internationalization. We also find that information asymmetry and the low cost of capital could be the major channels through which global diversification impacts innovation efficiency adversely. Our results further suggest that innovation efficiency is more valuable to multinational firms that mainly diversify into developed markets or markets with better patent protection.

Keywords: Global Diversification, Innovation Efficiency, Multinational Firms, Firm Value

JEL: F23, F30, G15, G32, O32

1. Introduction

It is widely recognized that multinational firms, with fast-growing R&D expenditures, play a central role in the creation of knowledge capital. In 1999-

*Corresponding author. Tel.: +86(10) 6228-9220.

Email addresses: wenliangao@gmail.com (Wenlian Gao), wchou@fiu.edu (Julia Chou)

Download English Version:

<https://daneshyari.com/en/article/5093342>

Download Persian Version:

<https://daneshyari.com/article/5093342>

[Daneshyari.com](https://daneshyari.com)