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Influence of Chinese entrepreneurial companies' internationalization on independent innovation: Input incentive effect and efficiency improvement effect

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ARTICLE INFO

Article history:

Received 7 September 2015

Accepted 22 May 2017

Available online xxxx

JEL Classifications:

O32

F23

Keywords:

Internationalization

R&D

Patent output

Strategic emerging industries

ABSTRACT

Within the special environment of the ChiNext market, we study how an internationalization strategy affects the independent innovation of Chinese entrepreneurial companies from two dimensions: R&D input and patent output. An internationalization strategy has a significant incentive effect on R&D input and a significant efficiency improvement effect on patent output. Entrepreneurial companies with higher degrees of internationalization have higher R&D inputs and patent outputs. After endogeneity is controlled, these effects still exist. Internationalization strategy has more pronounced effects on independent innovation in strategic emerging industries. The results elucidate the internationalization strategy and independent innovation of Chinese entrepreneurial companies, and have valuable implications for Chinese regulators in making international development policies for strategic emerging industries and independent innovation.

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1. Introduction

In the context of a rapidly growing knowledge economy and increasing economic globalization, independent innovation and internationalization have become inevitable means for many companies to achieve lasting survival and development and a lasting competitive edge. In view of the significance and urgency of indepen-

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<http://dx.doi.org/10.1016/j.cjar.2017.05.001>

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dent innovation and internationalization, China has established a development strategy focused on building an innovative nation and “going global.” Innovation and internationalization are the “new normal” for Chinese companies’ strategic behaviors. However, the mutual influence of the two major strategies, the independent innovation strategy and the internationalization strategy, has not been fully recognized, which is not helpful for implementing them or forming synergies. The core issue is whether internationalization can promote Chinese companies’ independent innovation and improve their capacity for innovation. In the long run, investigating this question may reveal the mechanisms underlying how internationalization affects corporate behavior and firm performance. To become strong in innovation, China must better integrate global resources to deepen and promote Chinese companies’ independent innovation and further accelerate its sustainable development. Therefore, exploring the effects of companies’ internationalized operations on independent innovation not only improves Chinese companies’ capacity for independent innovation using foreign resources, but also facilitates an understanding of the economic consequences of internationalization and evaluates its outcomes. This way, it can guide the implementation of the Chinese going global strategy.

Research on the relations between companies’ internationalized operations and innovation is important in both economics and management sciences. However, no universal conclusion about their relations has been reached. Scholars have various views regarding whether companies’ internationalization can promote independent innovation (Hitt et al., 1997; Von Zedtwitz and Gassmann, 2002; Sanna-Randaccio and Veugelers, 2007; Lileeva and Trefler, 2010; Bustos, 2011; Bratti and Felice, 2012). The empirical evidence has not been converged. In addition, according to recent research, a self-selection effect exists between internationalization and independent innovation (Clerides et al., 1998; Bernard and Jensen, 1999; Melitz, 2003). Independent innovation and internationalization have reverse causality. Innovation-driven competitive edge can promote internationalization and expand overseas markets (Roper and Love, 2002; López and García, 2005; Cassiman and Golovko, 2011; Altomonte et al., 2013). Therefore, the endogeneity problem exists between companies’ internationalization and independent innovation, which causes inconsistent and even opposite conclusions regarding their relations. Controlling endogeneity is a key strategy for identifying the relations between companies’ internationalization and independent innovation.

In China, some scholars have studied the influence of internationalization on productivity from the perspective of exports (Zhang et al., 2008, 2009; Qian et al., 2011) and have provided a preliminary understanding of whether local companies’ internationalization can promote productivity. However, few scholars have focused on the evidence showing that internationalization influences independent innovation. Thus, in-depth research using the actual conditions in China is necessary.

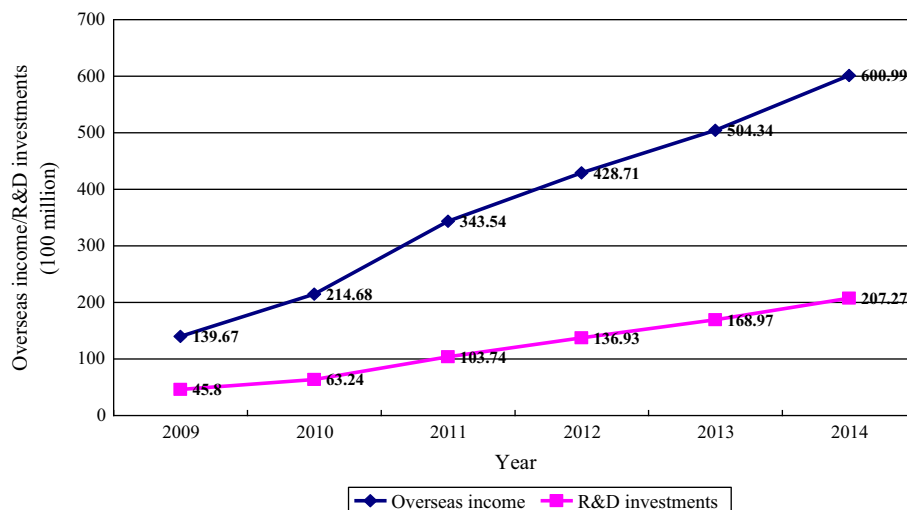


Figure 1. Trend in the overseas income and R&D investments of Chinese ChiNext companies.

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