

# **CAN INTERNATIONALIZATION STRATEGY ENHANCE CORPORATE INNOVATION? EVIDENCE FROM CHINESE MANUFACTURING INDUSTRY**

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## **ABSTRACT**

This paper aims to study whether internationalization strategies help increase corporate innovations and empirically investigates this relationship for Chinese manufacturing companies listed on both the Shanghai and Shenzhen Stock Exchanges. We have used the instrumental variable 2SLS method to control model endogeneity issue and the Heckman two-stage model to control sample self-selection problem in the testing. Our empirical testing shows that Chinese manufacturing companies have experienced increases in corporate innovations as measured by both R&D investments and patent filings. It further finds that companies with interlocking directorate board structure exhibit even stronger positive impact on innovations as they expand overseas to increase their relative international presence. The study also finds that companies with relatively higher international exposures face an increased level of litigation risk.

**Keywords:** Board structure, Internationalization; Innovation; R&D investment; Patent