



A Study on the Impact of Economic Globalization on Promoting Firm Innovation in Developing Countries

Haotian Wang^{1,*}

¹ *Mingjue Education Consulting Management Co., Ltd., Suzhou 235200, Anhui, China*

**Corresponding author. Email: vincentwang9605@163.com*

ABSTRACT

Corporate globalization has become an important part of the current economic globalization and an important trend in the development of manufacturing companies. Corporate globalization contributes increasingly to the growth of the world economy and has an important impact on the development of firms in the wave of globalization, especially on the promotion of corporate innovation. This paper focuses on exploring whether corporate globalization has an impact on the innovation performance of firms. Through the study and summary of relevant literature at home and abroad, this paper defines the concept of corporate globalization, determines its measurement, proposes research hypotheses based on theoretical analysis and conducts empirical verification.

Keywords: *Corporate Globalization, Corporate Innovation Performance, Economic Globalization, Economies of scale.*

1. INTRODUCTION

1.1 Business Development Theory

Enterprise development theory is the theoretical basis for the global allocation of human resources, procurement, innovation, production and sales operations by multinational companies in the context of globalization in the manufacturing industry [1].

The theory of enterprise development mainly includes the relationship between economic development and growth and enterprise development, the basis of enterprise development strategy and the evaluation of strategic models, and the optimal allocation of resources required for enterprise development (such as capital resources, human resources, technological and information resources, natural resources, environmental resources, etc.). Modern enterprise development theory, which integrates macro-enterprise organization theory and micro-enterprise competitive strategy theory, has achieved innovative compatibility [2]. At present, the "Paddy-Clark trend" is still the main theory for studying the development trend of manufacturing enterprises in a country, and the core driving force for the evolution and upgrading of manufacturing innovation is still the development of science and technology, and the demand-

oriented factor enterprise model has taken initial shape in order to fully utilize and develop limited resources.

1.2 Economies of scale theory

The theory of economies of scale is the theoretical basis for studying the reduction of production unit costs in manufacturing enterprises, and is important for analyzing the scale effect of corporate globalization.

Economies of scale refers to the phenomenon that the production cost of products decreases with the expansion of scale through the sharing of fixed facilities, production materials and information resources in the production process of enterprises, exploring the link between the scale of production and economic efficiency. In this regard, it can be divided into three levels: the first level of economies of scale refers to the expansion of individual enterprises, which share in the use of specialized division of labor, the adoption of advanced technology and management operations, and the purchase of production materials. In addition, large-scale enterprises have more advantages in financing, purchasing and attracting talents; moreover, they can even achieve economies of scale by internalizing external markets through administrative means, saving transaction costs and reducing product costs [3]. The second level is the external, intra-enterprise economies of scale, usually manifested in the same enterprise to a

specific region vantage point, promoting technological innovation exchange and information transfer, while the production technology way of concentrated competition to promote enterprise cost reduction [4]. The third level is the common aggregation of multiple products in the same region, which shares public and convenient transportation and market facilities, bringing down the production costs of enterprises.

1.3 Theory of Economic Globalization.

The theory of economic globalization can provide reliable theoretical support for analyzing the development of globalization of manufacturing industry, and has practical guidance significance for the development of globalization of manufacturing industry [5].

In the past two centuries, many economists have conducted comprehensive and in-depth studies on economic globalization from multiple perspectives and positions. According to the mainstream schools of thought, the theories of economic globalization can be classified into the following categories depending on the period, nature and content: the economic globalization theories of classical Marxist economists, the economic globalization theories of classical or neoclassical economists and the economic globalization theories of contemporary economists. The theory of international division of labor and international value, the theory of comparative cost benefits and the theory of economies of scale are the theoretical foundations of globalization theory. The exploitation of the international division of labor, world market and international value role of economies is the direct cause of promoting economic globalization [6]. The comparative cost theory proposed by Ricardo believes that economic globalization is conducive to the development of each country's own comparative advantage and better economic benefits. The theory of economy of scale believes that multinational enterprises are the carrier of economic globalization, and the reason for their rapid development is to obtain the benefits of economies of scale. Krugman, the pioneer of the "new trade theory", believes that with the advancement of technology, the improvement of transportation conditions and the enhancement of spatial mobility of factors, more economic activities will be free from the original technology and location constraints, so that the development of diversified industries and both the characteristics of increasing returns to scale [7].

2. IMPACT OF R&D INVESTMENT ON CORPORATE PERFORMANCE

The performance of an enterprise refers to the creation of enterprise revenue and capital appreciation by investing certain financial, human and material resources in the process of its own operation and production.

Therefore, the value performance of a company is the residual profit after subtracting the cost of production inputs from the company's revenue. Usually, the performance is generated during the period when the external factors such as political environment and economic environment in which the enterprise is located will have an impact on it.

From the existing literature research, it is known that there are two main ways to measure the performance of enterprises: first, the financial performance of enterprises, that is, based on the historical production of enterprises, reflecting the capital appreciation of production inputs of enterprises, which is often reflected in financial data with high reliability; second, the market value performance of enterprises, that is, by reflecting the future experience of enterprises, possessing a strong correlation, which can measure the value appreciation of enterprises in the capital market. The second is the enterprise's market value performance, which has a strong relevance and can measure the value appreciation of the enterprise in the capital market and reflect the future development level of the enterprise by reflecting its future experience. Therefore, this paper will analyze both the financial performance and the market value performance of enterprises [8].

Mansfield (1968) compared the chemical, petroleum and steel industries and empirically showed that in the chemical industry only, when the size of the firm is certain its. An increase in R&D investment leads to an over proportional increase in innovation output. Using the input-output model, Wang and Wang (2005) took pharmaceutical manufacturing, chemical products, electronic communication and chemical fiber industries, which have high R&D intensity in China, as the research samples and empirically proved that there is a certain negative correlation between the sales revenue and the percentage growth of R&D investment in the other three industries except the chemical fiber industry [9]. Although some scholars prove that there is a negative correlation between the two, in terms of short-term benefits, government policy support such as tax incentives and R&D subsidies for innovative enterprises can reduce the financial pressure faced by enterprises due to R&D expenditures, and in terms of long-term benefits, enterprise R&D investment can reduce product production costs, improve enterprise profitability, achieve an increase in market share, and ultimately improve enterprise operating profits. investment can significantly improve the level of enterprise financial performance. Although in the short term, corporate R&D investment will increase the pressure of corporate expenses and reduce profits, in the long term, innovation can enhance the competitiveness and profitability of corporate products and send positive corporate signals to the public, thus increasing corporate value. In summary, as shown in Figure 1, this paper concludes that

innovation investment can improve corporate financial performance and market performance.

Hypothesis 1: There is a positive relationship between corporate R&D investment and corporate performance.

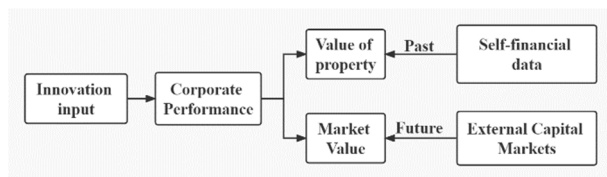


Figure 1 Impact of Innovation Investment on Firm Performance

3. THE IMPACT OF CORPORATE GLOBALIZATION ON THE INNOVATION PERFORMANCE OF FIRMS

According to the previous discussion, the globalization of firms brings many opportunities and challenges to the development of firms. If Hypothesis 1 holds that innovation inputs affect firm performance, does globalization also affect the role of corporate R&D inputs on firm performance? Corporate globalization enables Chinese firms to improve their innovation capabilities through international technology spillovers through inter-firm trade learning, and the innovation benefits of Chinese high-tech firms are influenced by both international technology spillovers and the firms themselves (Buck, 2007). This paper argues that the impact of firm innovation resource investment on firm performance can leverage the window of opportunity for firm globalization to achieve growth. Especially for emerging market firms, corporate globalization can compensate for the disadvantages and constraints of the firm's home environment and access new technological knowledge that is difficult to obtain in the home country (Luo and Rui, 2009), where knowledge-intensive firms and core emerging field businesses, are more likely to gain new technological advantages (Shan and Song, 1997). When firms innovate, the depth of firm globalization plays an important role in the acquisition and transfer of key technologies. The breadth of corporate globalization can reduce the cost of product innovation, increase sales and profits. A high degree of globalization can lead to better market performance through the combined effect of learning from foreign competitors and importing and exporting, but it can also lead to lower market performance due to the lack of competitive ability of firms competing in the global market. A low degree of globalization means that firms lack competitive pressure and scale effects or strong competitors, which can lead to a loss of efficiency and thus reduce firm performance (Makhija, 1997), but it is also possible that in a low competitive market, firms can gain more market share and improve performance [10]. As shown in Figure 2, the degree of firm globalization

can have an impact on firm expectations and affect firm innovation when firms innovate in R&D investment. Therefore, this paper argues that the level of firm globalization is an important moderator of the relationship between firm R&D investment and firm performance, and in summary, hypothesis 2 is proposed.

Hypothesis 2: There is an effect of firm globalization on firm innovation performance.

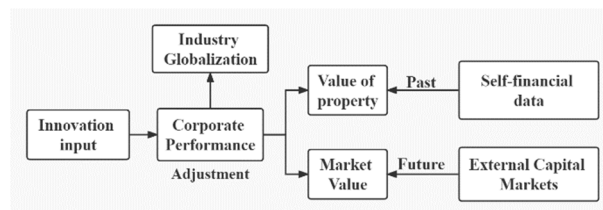


Figure 2 Impact of Industrial Globalization on Firms' Innovation Performance

4. THE IMPACT OF FIRM GLOBALIZATION ON FIRM INNOVATION PERFORMANCE ACROSS FIRM AND EQUITY NATURE

Enterprises make R&D investment to enhance their independent R&D capability, and the ultimate goal is to improve the economic efficiency of enterprises. However, R&D expenditure alone does not directly obtain the improvement of enterprise performance; the key is whether the enterprise R&D expenditure can be effectively utilized to enhance the enterprise innovation capability. In addition to the enterprise's own factors, its ability to allocate and utilize resources is also influenced by the industry environment. Two companies with the same R&D expenditures in different industries may form different innovation capabilities and have different improvements in enterprise performance. From the perspective of industry characteristics, companies in different industries have different focus on innovation, product innovation, technology innovation and business model innovation. Usually pharmaceutical and electronic firms pay more attention to innovative R&D and rely on technological innovation to bring product iterations, while daily consumer goods industries pay more attention to product quality and rely on innovation in product production methods to enhance product competitiveness. research and development by Mansfield (1968) shows that industry characteristics have a significant impact on firms' innovation efficiency. Zhang, Qing and Yu, Xiang (2013), on the other hand, point out that the more competitive the industry is, the smaller the contribution of R&D expenditure to firm growth, and the higher the degree of monopoly, the higher the contribution to firm growth. Accordingly, based on hypothesis 2, this paper proposes hypothesis 3.

Hypothesis 3: The impact of firm globalization on firm innovation performance varies by firm nature.

There is a wealth of current research on the relationship between the nature of equity and firm innovation and performance. pantoni (2004) investigates the relationship between firm ownership and R&D on firm performance in the US and Japan, and the structure shows that different ownership structures have different effects on the contribution of R&D performance. margolis (2002) finds that because the government is the main source of R&D investment in the US energy sector, this results in a The ownership of results is blurred, and the return on R&D investment is low in the long run. Chinese scholars generally agree that the nature of equity is one of the important reasons for the current variation in R&D investment. Chen Xiaoyue et al. (2003) pointed out that the impact of equity nature on corporate performance differs in different industries, and non-state holding companies can operate flexibly and govern efficiently, and have higher corporate value and profitability. Therefore, non-state-owned enterprises can better take advantage of industry globalization and improve corporate performance. Based on the above analysis, this paper proposes hypothesis 4.

Hypothesis 4: The impact of corporate globalization on corporate R&D investment and corporate performance varies by the nature of equity.

5. CONCLUSION

The level of globalization of firms has a boosting effect on innovation performance of firms in different industry properties, but it varies. Due to the different degree of reliance on technology in different industries, the risk and incentive of innovation brought by corporate globalization are different, which manifests itself in different effects on the improvement of technological innovation performance. Therefore, grasping the potential opportunities brought by corporate globalization, adjusting business strategies, and conducting innovation activities at the right time have more obvious effects on productivity improvement.

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