Foreign vs. domestic: What determines the origin of Chinese firms’ inward technology licensing? - DTU Orbit (27/10/2019)

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The increasing prominence of cross-border technology sourcing urges us to ask a question: what factors and conditions may influence firms’ decisions of sourcing technology domestically or internationally? Research on this topic is scattered in the literature but a comprehensive understanding of these factors and conditions on this issue is still lacking. The aim of this paper thus is to establish a comprehensive framework that integrates factors affecting a firm’s propensity to make technology sourcing decisions regarding foreign or domestic origins of technologies. We identify four distinct categories of factors that are relevant in this respect: (1) technology supplier’s characteristics; (2) technology seeker’s characteristics; (3) features of technology itself; and (4) external contextual factors. We test our hypotheses based on Chinese firms’ inward technology licensing. We found well-established incumbent firms that are export-, and high-tech-oriented with strong absorptive capacity are more likely to in-license foreign technology rather than domestic ones if the in-sourced technology is mature, the technology suppliers have strong desorative capacity, and the external knowledge environment is innovative.

General information
Publication status: Published
Organisations: DTU Executive School of Business
Contributors: Li-Ying, J., Wang, Y.
Number of pages: 37
Publication date: 2012

Host publication information
Title of host publication: 2012 Academy of International Business Conference proceedings
Keywords: Technology sourcing, Technology license, External knowledge acquisition, China
Electronic versions:
22122011.pdf
Source: dtu
Source ID: u::4506
Research output: Chapter in Book/Report/Conference proceeding › Book chapter – Annual report year: 2012 › Research › peer-review