International vs. domestic technology in-licensing: How do Chinese firms build their technological capabilities?

This paper investigates the different impacts of international and domestic technology in-licensing for Chinese firms as licensees on their technological capability building. The evolution of firms in developing countries and development of their technological capabilities has received increasing attention in the extant literature on both innovation management and international business. However, little has been done to reach a clear understanding on whether Chinese firms can benefit from international or domestic technology in-licensing and improve their own technological capabilities. This study, therefore, pursues this endeavor by using a unique dataset from China State of Intellectual Property Office (SIPO) containing information on large Chinese firms. The findings of this empirical study indicate that firms with international technology in-licensing possess stronger technological innovation capabilities than those who license from domestic technology sources. Furthermore, international technology in-licensing improve licensees’ international innovation capabilities in terms of triadic patent applications.

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