

External Networks and Innovation: Evidence from FDI Embedded Clusters in China

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ABSTRACT This paper investigates the effects of absorptive capability on the relationship between different external networks and independent innovation in China, and explores their underlying mechanisms. It adopts four types of external networks—local business network, local institute network, horizontal spillover network, and vertical spillover network, which were treated as independent variables. Furthermore, the absorptive capability is analyzed as a mediator and moderator variable, and innovation performance is treated as a dependent variable. The findings reinforce that there is a mediating and moderating effect of absorptive capability on the relationship between external networks (local business network and horizontal spillover network) and independent innovation performance.