



## ABSTRACT OF WORKING PAPER 4.29

### PARTICIPATION IN DOMESTIC AND FOREIGN NETWORKS AS A FACTOR DRIVING INNOVATIONS: AN EMPIRICAL ANALYSIS OF RUSSIAN MANUFACTURING FIRMS

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#### Abstract

Russia's increased participation in the global economy since its accession to the WTO not only provides new opportunities but also creates new challenges for Russian firms. To compete internationally, many firms must significantly modernize their technologies and introduce new products. Various channels exist to acquire new knowledge, including investment in a firm's own R&D and innovation, acquisition of new equipment, attraction of FDI, etc. Competition and formal contracts may be important but are not the only mechanisms that facilitate innovations. Foreign and domestic networks may also serve as additional sources of information flows and promote the direct and indirect acquisition of relevant valuable information about foreign markets. In this paper, we present a preliminary empirical analysis of the impact of network participation on the technological upgrading and innovation activities of Russian manufacturing firms. We analyze both the prerequisites for establishing an international/domestic partnership and the impact of such participation on the behaviors and innovation strategies of a firm. We utilize data from two waves of a survey of medium and large Russian manufacturing firms conducted in 2005 and 2009 to evaluate the effects of network participation on the innovation behavior of firms. We find evidence of a positive relationship between participating in both domestic and foreign networks and innovations, but the impact of domestic networking is stronger than that of foreign networking.

**Keywords:** networks, innovations, Russian manufacturing firms

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