How does research and development investment affect market value?

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Abstract

In recent decades, studies on the performance of investment in research and development (R&D) have received more attention. This paper aims to identify the cause-and-effect relationships among R&D investment, R&D capability, financial performance, and company market value for companies in different life cycle stages. From the empirical findings, there is a basic difference across stages, specifically on the mediating role of financial performance. In spite of this difference, there are also important similarities across the three stages. That is, four of the five paths are significant and are in the hypothesized direction for the three stages: (1) the effect of R&D investment on financial performance, (2) the effect of R&D investment on R&D capability, (3) the effect of R&D capability on financial performance, and (4) the effect of R&D capability on company market value.

Keywords and phrases: R&D investment, market value, life cycle.

1. Introduction

In recent decades, studies on the performance of investment in research and development (R&D) have received more attention. Since

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