The Influencing Factors of Industrial Technological Innovation Ability--Using Bayesian Model Averaging

Mengni Zhang
Shanghai University
(School of Economics)
Shanghai, China
melodyyimeng@163.com

Abstract—Capacity for independent innovation is an important factor to measure the economic strength of a country or a region. Taking industrial enterprises as the research object, this paper analyzes the influencing factors of technological innovative ability. Previous studies only focus on a single field and lack of considering the model uncertainty, leading to an unfaithful conclusion. By abandoning the limitations of single model and synthesizing the different theories about the technological innovation ability at home and abroad, this paper treats the influencing factors as random variables themselves and uses the Bayesian model averaging to measure the uncertainty of model selection. This study found that there are six variables, R&D investment, R&D personnel input, value of import and export, export trade dependence, GDP growth and government S&T input in the 15 possible influence factor, had great influence on the technology innovation ability of industrial enterprises.

Keywords—Bayesian Model Averaging (BMA); Technology innovation ability; Model uncertainty; Industrial enterprises; Learning-by-exporting hypothesis

I. INTRODUCTION

Technical innovation embodies comprehensive national strength and leads enterprises to faster and sustainable development. Industry plays an important role of national economy. It is the main source of China's state revenue and it is the guarantee of the national economic, political independence, and defense modernization. It is meaningful to study the influence factors of industrial company's technology innovation.

Previous studies of the influencing factors of technological innovative ability only focus on a single field. As a result, different research fields have put forward different theories. For instance, "endogenous growth theory" focuses on the relationship between R&D input and output. They usually study the relationship between innovation capacity and R&D input including R&D personnel input and R&D investment, e.g. Cohen(1989), Yeaple (2004) and Xia Zheng (2014). The "regional economic theory" studies the technological externalities arising from industrial agglomeration. Their research indicators are industrial structure and industrial competition, e.g. Lederman and Maloney (2003), Jefferson et al. (2006) and Jianchu Shang (2005). "International trade theory" studies the impact of import trade, export trade and trade dependence rate on technological innovation capabilities. They support "learning-by-exporting effect", e.g. Griffith (2000) and Peiyuan Xu (2012). What's more, the "FDI spillover effect" emphasizes that foreign investment will promote the technology transfer and technology diffusion, thus it can improve the ability of technology innovation, e.g. Hu and Jeffersom (2001), Cheung and Lin (2004). There are also other theories, for example, "institutional economics" e.g. Aghion and Angeletos (2005), "intellectual property theory" e.g. Lederman and Maloney (2003).

Obviously, most of these researches only consider one or several categories of influence factors and lack of considering the model uncertainty. They are prone to get one-sided and biased conclusions. Artificially determining variables and models in advance may lead to systematic deviations. In order to solve the problem of model uncertainty, this paper uses the Bayesian model averaging to improve the accuracy of the model.

II. MODEL UNCERTAINTY AND BMA

A. Model uncertainty

The idea of the Bayesian model averaging method (BMA) was proposed by Draper (1995) to solve the problem of model uncertainty. In the actual process of modeling, due to the complexity and multidisciplinary nature of research issues, the problem of model uncertainty is often encountered. For example, for the established multiple regression model,

$$y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \ldots + \beta_k x_k + \varepsilon$$

Different researchers focus on different variables $x_k$, but researchers actually cannot accurately judge which explanatory variables $x_k$ should be added to the multiple linear regression models. The econometric models established in this way may reach erroneous conclusions and have serious errors in the process of analysis, prediction, and policy evaluation, etc. This is a typical model uncertainty problem. The Bayesian model average problem is a tool for solving such problems.
B. The Bayesian model averaging

The Bayesian model averaging treats the influencing factors as random variables themselves. In other words, the variables themselves are stochastic and follow some kinds of probability distribution. The target model is uncertain. It is derived from the model space \( M = \{M_1, M_2, ..., M_K\} \) which contains all the possible model \( M_k \). Here \( M_k \) represents the \( k \)th model, and we have,

\[
P(\theta|X) = \sum_{j=1}^{K} P(M_j|X)P(\theta|M_j,X),
\]

where \( \theta \) is the parameter vector to be evaluated.

\( X \) is the data sample observed.

\( M_j \) is \( j \)th model from model space \( M \).

\( K \) is the number of models in the model space.

This formula shows that the posterior distribution of the parameter vector \( \theta \), conditional on \( X \), is the weighted average of the posterior distribution of the parameter vector \( \theta \), conditional on \( M_j \) and \( X \). The weight is the posterior probability \( P(M_j|X) \).

\[
P(M_j|X) = \frac{P(X|M_j)P(M_j)}{\sum_{j=1}^{K} P(X|M_j)P(M_j)}
\]

Where \( P(X|M_j) \) represents the integral of \( M_j \)’s likelihood function. It can be calculated using following formula

\[
P(X|M_j) = \int P(X|\theta, M_j)P(\theta|M_j)d\theta
\]

Where \( \theta \) represents the parameter vector corresponding to model \( M_j \),

\( P(\theta|M_j) \) is the prior distribution of \( \theta \), corresponding to model \( M_j \),

\( P(X|\theta, M_j) \) is the likelihood function of \( M_j \),

\( P(M_j) \) is the prior distribution of \( M_j \).

We can obtain the posterior mean and posterior variance of parameter vector \( \theta \),

\[
E(\theta|X) = \int_{-\infty}^{+\infty} \theta \left[ \sum_{j=1}^{K} p(M_j|X)p(\theta|M_j,X) \right] d\theta = \sum_{j=1}^{K} \tilde{\theta}_i p(M_j|X)
\]

where \( \tilde{\theta}_i \) is \( E(\theta|X,M_j) \). Similarly, we can get posterior variance,

\[
Var[\theta|X] = \int_{-\infty}^{+\infty} [\theta - E[\theta|X]]^2 \left[ \sum_{j=1}^{K} p(M_j|X)p(\theta|M_j,X) \right] d\theta
\]

\[
= \sum_{j=1}^{K} p(M_j|X) \left( \tilde{\theta}_i - \sum_{j=1}^{K} p(M_j|X) \tilde{\theta}_i \right)^2 + \sum_{j=1}^{K} p(M_j|X)Var(y|X,M_j)
\]

In conclusion, the key point of the Bayesian model averaging is to take a weighted average of the possible single model and the weight is the posterior probability. Then the posterior probability is used as an objective criterion for selecting explanatory variables. Through this process we can solve the problem of model uncertainty in the modeling process. On the other hand, another advantage of the Bayesian model averaging is that it can easily combine subjective information with model information through prior distribution. By contrast, the Bayesian model averaging has higher accuracy than other model prediction methods. Based on these advantages, this paper applies the Bayesian model averaging to the study of technological innovation capabilities.

III. Data

A. Measure of technological innovation capability

For the measurement of technological innovation capability, scholars have proposed different scales. Liu Linlin et al. (2002) believe that innovation capability is the ability to convert knowledge into new products, new processes, and new services. They use the number of patents to measure the city's innovative capability. The studies of Chen Guanghan et al. (2007) and Wang Qingyuan et al. (2010) find that there is a positive correlation between R&D investment and patent output, and they are believed that the number of patents could be used to measure the capacity of innovation output. Huang Zhiyong (2013) proposed that the number of patents only reflects the quantity of innovation and it needs a new variable to reflect the economic value of innovation. He proposed that it should be measured by the sales of new products. This theory has received wide
attention. Cao Yong et al. (2013) selected six indicators including the number of patent applications, the number of patents granted, new product sales, and high-tech industry output value et al. to build a factor model through factor analysis.

Based on these studies, this paper uses the sales revenue of new products as the measure of technological innovation capability. New products refer to the products that have been developed and produced using new technologies, new design concepts, or have significantly improved their structure, materials, and processes in comparison with the original products. Compared to the number of patents, new product sales revenue can reflect the value of technological innovation capabilities instead of quantity.

B. Influencing factors of technological innovation ability

As mentioned before, different researchers have proposed different theories about the influencing factors of large and medium-sized industrial enterprises' technological innovation ability. The variables selected in this article are summarized in Table I. Among them, L&M indicates large and medium-sized industrial enterprises.

<table>
<thead>
<tr>
<th>No.</th>
<th>Variables</th>
<th>Variable name</th>
<th>Theory</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>R&amp;D investment</td>
<td>RDis</td>
<td>Endogenous growth theory</td>
<td>Capital influence of L&amp;M</td>
</tr>
<tr>
<td>2</td>
<td>R&amp;D personnel input</td>
<td>RDI</td>
<td></td>
<td>Human resources influence of L&amp;M</td>
</tr>
<tr>
<td>3</td>
<td>GDP</td>
<td>GDP</td>
<td>Macro-economic situation</td>
<td>Market scale</td>
</tr>
<tr>
<td>4</td>
<td>GDP growth rate</td>
<td>RGDP</td>
<td>Economic growth rate</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Rate of interest</td>
<td>IRATE</td>
<td>The level of finance development</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Exchange rate</td>
<td>ERATE</td>
<td>The monetary cost of innovation investment</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>The proportion of secondary industry in GDP</td>
<td>Industry1</td>
<td>Regional economic theory</td>
<td>Reflect the influence of industrial structure</td>
</tr>
<tr>
<td>8</td>
<td>The proportion of tertiary industry in GDP</td>
<td>Industry2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Enterprise scale</td>
<td>SIZE</td>
<td>Company characteristics</td>
<td>The company number of L&amp;M</td>
</tr>
<tr>
<td>10</td>
<td>Foreign investment</td>
<td>FDI</td>
<td>FDI spillover effect</td>
<td>Foreign capital of L&amp;M</td>
</tr>
<tr>
<td>11</td>
<td>Import amount</td>
<td>IM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Imports trade dependence</td>
<td>IM/GDP</td>
<td>International trade theory</td>
<td>“Learning-by-exporting effect” hypothesis</td>
</tr>
<tr>
<td>13</td>
<td>Export amount</td>
<td>EX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Export trade dependence</td>
<td>EX/GDP</td>
<td>Government policy support</td>
<td>The impact of government policy</td>
</tr>
<tr>
<td>15</td>
<td>Government S&amp;T input</td>
<td>Subsidy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: These fifteen variables represent different theories of the influencing factors of industrial technological innovation ability. The fourth column lists the corresponding theory. The fifth column shows additional information.

IV. EMPIRICAL STRATEGY

A. Empirical model

If we have \( p \) explanatory variables \( \{x_1, x_2, ..., x_p\} \), and \( X_k \) is the subset of the whole set which contains one or several factors of \( \{x_1, x_2, ..., x_p\} \). Then we can construct the model:

\[
M_k: y = X_k\beta_k + \epsilon
\]

Where \( X_k \) is the matrix of the explanatory variable we consider

\( \beta_k \) is the matrix of corresponding regression coefficient

\( \epsilon \) is the error matrix, generally assumed as \( \epsilon \sim N_q(0, \sigma^2 I) \)

B. Prior Distributions

To obtain the posterior distribution, we first need to make assumptions about prior distribution of the models and parameters. Firstly, for the prior probability of the model, this paper sets it as a uniform probability distribution. In other words, this means that there is no prejudice between every models and the prior probability of a single model is \( P(M_i) = 1/K \).

Next, we need to think about the prior distribution of parameters \( p(\theta_k|M_k) \). The most common way to set the prior distribution of parameters is Zellner's g prior. Zellner's g prior is a common prior for coefficients in the linear regression model due to its computational speed of analytic solutions for posterior.

For the multiple regression model we discussed,

\[
M_k: y = X_k\beta_k + \epsilon
\]

Zellner's g prior generally assumes that \( \sigma^2 \) have a noninformative prior distribution, then prior distribution of \( \beta_k \), conditional on \( \sigma^2 \) is subjected to multivariate normal distribution with mean \( \beta^0 \) and covariance matrix \( g\sigma^2(X_k'X_k)^{-1} \).

It can be expressed as follows:

\[
p(\beta_k|\sigma^2) = N(\beta^0, g\sigma^2(X_k'X_k)^{-1})
\]
\[ p(\sigma^2) \propto \frac{1}{\sigma^2} \]

And the joint posterior density is

\[ p(\beta_k, \sigma^2 | X) \propto p(\beta_k | X, \sigma^2) p(\sigma^2 | X) \]

We generally set the mean \( \beta^0 \) to 0, so we only need to specify the hyper-parameter \( g \).

This paper use R Studio to handle details.

C. Computation of marginal likelihood function

For the marginal likelihood function, it usually involves to compute high dimensional complex integrand. There is no doubt that this is a big challenge. This is the major reason why Bayesian statistics have not developed over a long period of time. And the proposition of MCMC (Markov Chain Monte Carlo) has been a key step in making it possible to compute large hierarchical models that require integrations over hundreds or even thousands of unknown parameters.

The MCMC method is to construct an appropriate Markov chain for sampling and use the Monte Carlo integration method to do integral operation. By constructing a Markov chain that has the desired distribution as its equilibrium distribution, that is to say, the equilibrium distribution is the model posterior distribution \( g(M) = P(\sigma | M, X) \). It means that one can obtain a sample of the desired distribution by observing the chain after a number of steps. The more steps there are, the more closely the distribution of the sample matches the actual desired distribution.

Monte Carlo integration refers to that we can compute an approximation of the integration by the law of large numbers, which can be made arbitrarily close to the integral we want. Suppose we have been able to obtain a sample \( \theta^{(1)}, \theta^{(2)}, \ldots, \theta^{(M)} \) from \( p(\theta | y) \). The value

\[ \bar{g}(\theta) = \frac{1}{M} \sum_{m=1}^{M} g(\theta^{(m)}) \]

can be shown to converge to \( E(g(\theta) | X) \) as \( M \) goes to infinity.

D. Model selection

As we assume there are 15 influencing factors, we can obtain at most \( 2^{15} \) models. It is computationally impossible to calculate every posterior probability and marginal likelihood on every model, so effective screening is very important. We can select the effective models to constitute a subset of the model space, and then do Bayesian model averaging on this subset. There are two main approaches at present. The first is the Occam’s window method and the second is MC³ (Markov Chain Monte Carlo Model Composition). We use the Occam’s window method here.

Occam’s window method is proposed by Madigan and Raftery. Although the number of models is large, there are only a few models supported by the data actually. Occam’s window method argues that when the number of variable \( K \) and the number of models are large, it is true that the posterior probability of most models is much smaller than that of the best model. Therefore, only those models whose posterior probability exceeds a fixed value need to be considered, and other models with low posterior probability could be ignored, improving efficiency. We can write:

\[ M^* = \{ M^*_j : \max_i \frac{\Pr(M^*_j | X)}{\Pr(M^*_j | X)} \leq C \} \]

Here \( C \) is a threshold chosen by the investigator and \( M^* \) represents the model space selected. \( \max_i \Pr(M^*_i | X) \) represents the model with maximum posterior probability. If the ratio of \( \max_i \Pr(M^*_i | X) \) to \( \Pr(M^*_j | X) \) less than threshold \( C \), we accept this model and not conversely.

V. RESULTS

A. Result of postprob, postmean and postsd

As we mentioned above, faced with the complexity of the enterprise systems, the influencing factors of technological innovation ability are very extensive. We should not ignore the influence of any field on innovation ability in the study. Most of the previous researches only consider one or several categories of influence factors. However, the use of Bayesian average model method can effectively deal with this uncertainty.

Taking large and medium-sized industrial enterprises as the samples during 1990-2017, this article chooses the sales revenue of new products as the explanatory variable and the fifteen influencing factors as the explained variables. The research data during 1990-2017 comes from the National Statistical Yearbook and the National Statistical Yearbook of Science and Technology.

The results analyzed by R studio are as follows. All variables have been standardized.
The secondary and tertiary industry in GDP, etc. The following figure gives a more direct reflection of the above results. In addition, this signaling effect of government investment in science and technology is also conducive to improving the power for technological innovation capabilities. These factors include GDP growth rate, foreign investment, the proportion of imports trade dependence, and government S&T input in the 15 possible influence factor, have great influence on the technology innovation ability of industrial enterprises. Among them, except for R&D personnel input and imports volumes, the other four variables are positively correlated.

Not surprisingly, the highest posterior probability of variables is R&D investment. There is no doubt that R&D investment is an important factor of technological innovation ability, because R&D investment is the fundamental guarantee for enterprises to carry out innovation activities. This is consistent with the conclusions of most studies.

The relationship between innovation capacity and the number of R&D personnel is negatively correlated. This may be due to the fact that the excessive input of R&D personnel in China has caused the unreasonable allocation of resources, causing waste of public resources. According to statistics, the number of R&D personnel in China in 2011 was 1.76 times that of the United States, but the number of R&D personnel in actual employment is only 14% of the United States.

At the same time, the factors include both the amount of imports and exports. This shows that the technological innovation capabilities of large and medium-sized industrial enterprises are very relevant to international trade. The results of the export amount and export trade dependence have high posterior probability support the “learning-by-exporting hypothesis”. Competition and exposure to a superior foreign market can speed up technological acquisition and lead to capability promotion.

Government investment in science and technology has a positive impact on technological innovation capability. The government investment in science and technology conveys the information of the country's policy orientation and government support for large and medium-sized industrial enterprises. It guides the active entry of financial capital and social capital and effectively alleviate the financing constraints of the enterprise, reflecting the prospect of industrial development. It also can guide the capital inflow of financial capital and social capital, effectively alleviating the financing constraints of enterprises. In addition, this signaling effect of government investment in science and technology is also conducive to improving the acceptance of products by the market and customers.

The posterior probabilities of other nine factors are relatively low, indicating that these variables have weak explanatory power for technological innovation capabilities. These factors include GDP growth rate, foreign investment, the proportion of the secondary and tertiary industry in GDP, etc. The following figure gives a more direct reflection of the above results.

The abscissa represents 112 qualified models selected by Occam’s window method. Blue color represents the negative effect of the variables in the relevant model, red color represents the positive influence in the relevant model, and the white represents no significant influence. The lateral lengths of the variables reflect the value of posterior probability.

As you can see from the figure, the six variables mentioned above have the longest x-coordinate length. It means that these are the variables used most in the selected models, having great influence on the technology innovation ability of industrial enterprises.

### Table II: Calculation Result of Postprob, Postmean, and Poststd.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Postprob</th>
<th>Postmean</th>
<th>Postsd</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>100</td>
<td>0.0000</td>
<td>0.0139</td>
<td>1</td>
</tr>
<tr>
<td>R&amp;D investment</td>
<td>100</td>
<td>2.8250</td>
<td>0.8785</td>
<td>1</td>
</tr>
<tr>
<td>R&amp;D personnel input</td>
<td>100</td>
<td>-2.9480</td>
<td>0.4141</td>
<td>1</td>
</tr>
<tr>
<td>Import amount</td>
<td>99.4</td>
<td>-2.6630</td>
<td>0.6522</td>
<td>3</td>
</tr>
<tr>
<td>Export amount</td>
<td>99.4</td>
<td>2.6680</td>
<td>0.0370</td>
<td>3</td>
</tr>
<tr>
<td>Export trade dependence</td>
<td>94.8</td>
<td>0.1932</td>
<td>0.0720</td>
<td>5</td>
</tr>
<tr>
<td>Government S&amp;T input</td>
<td>81.8</td>
<td>0.5400</td>
<td>0.7598</td>
<td>6</td>
</tr>
<tr>
<td>GDP</td>
<td>54.2</td>
<td>0.0207</td>
<td>0.0262</td>
<td>7</td>
</tr>
<tr>
<td>Rate of interest</td>
<td>46.6</td>
<td>0.0228</td>
<td>0.0328</td>
<td>8</td>
</tr>
<tr>
<td>Imports trade dependence</td>
<td>39.9</td>
<td>-0.0351</td>
<td>0.0637</td>
<td>9</td>
</tr>
<tr>
<td>Enterprise scale</td>
<td>23.4</td>
<td>-0.0078</td>
<td>0.0208</td>
<td>10</td>
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<tr>
<td>The proportion of the tertiary industry in GDP</td>
<td>19.6</td>
<td>0.0156</td>
<td>0.0503</td>
<td>11</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>16.6</td>
<td>0.0030</td>
<td>0.0197</td>
<td>12</td>
</tr>
<tr>
<td>The proportion of secondary industry in GDP</td>
<td>13.5</td>
<td>0.0025</td>
<td>0.0159</td>
<td>13</td>
</tr>
<tr>
<td>Foreign investment</td>
<td>11.5</td>
<td>-0.0050</td>
<td>0.0310</td>
<td>14</td>
</tr>
<tr>
<td>GDP growth rate</td>
<td>10.5</td>
<td>-0.0105</td>
<td>0.2293</td>
<td>15</td>
</tr>
</tbody>
</table>

Notes: This table presents the calculation result of postprob, postmean, and postsd. Postprob is the posterior probabilities of the variables selected. Postmean is the posterior mean of each coefficient from model averaging. Postsd is the posterior standard deviation of each coefficient from model averaging.

The result of posterior probability, posterior mean and posterior standard deviation of calculated are given in the table 2. Postprob is the posterior probabilities of the models selected. It shows the explanatory power of the variable to the explained variable. Postmean is the posterior mean of each coefficient from model averaging. Postsd is the posterior standard deviation of each coefficient from model averaging. It is generally believed that only when the posterior probability is more than 60% can the index variable be considered valid.

As can be seen from the charts, There are six variables, R&D investment, R&D personnel input, value of import and export, export trade dependence, and government S&T input in the 15 possible influence factor, have great influence on the technology innovation ability of industrial enterprises. Among them, except for R&D personnel input and imports volumes, the other four variables are positively correlated.

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As you can see from the figure, the six variables mentioned above have the longest x-coordinate length. It means that these are the variables used most in the selected models, having great influence on the technology innovation ability of industrial enterprises.
B. The best five models

The following table lists the best five models selected, the variables they contain, their BIC, $R^2$, and the corresponding posterior probability.

As we can see from table III, the probability of model 1 is 7.5%, and the probability of model 2 is 7.3%. These two models have the highest probabilities of all $2^{15}$ models. The cumulative posterior probability of the best five models is 30.1%. The high percentage indicates that the Bayesian model averaging method works well.

R.D investment, R.D personnel input, Import amount, Export amount, Export trade dependence, Government S.T input these six variables are included in all five models, and it indicates that these six variables are the most important variables. This is consistent with the conclusion drawn above.

The results of $R^2$ and BIC also show that these models fit well. $R^2$(coefficient of determination) is the goodness-of-fit of a model. It summarizes the discrepancy between observed values and the values expected under the model in question. The closer the goodness-of-fit is to 1, the better the fitting effect of the model. BIC is a criterion for model selection among a finite set of models; the model with the lowest BIC is preferred.

<table>
<thead>
<tr>
<th>Table III: The best five models selected</th>
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</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>Intercept</td>
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<tr>
<td>R.D investment</td>
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<td>R.D personnel input</td>
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<td>GDP growth rate</td>
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<td>Rate of interest</td>
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<tr>
<td>The proportion of secondary industry in GDP</td>
</tr>
<tr>
<td>The proportion of the tertiary industry in GDP</td>
</tr>
<tr>
<td>Enterprise scale</td>
</tr>
<tr>
<td>Imports trade dependence</td>
</tr>
<tr>
<td>Export amount</td>
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<tr>
<td>Export trade dependence</td>
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<td>Government S.T input</td>
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<tr>
<td>nVar</td>
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<tr>
<td>$R^2$</td>
</tr>
<tr>
<td>BIC</td>
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<tr>
<td>post prob</td>
</tr>
</tbody>
</table>

Notes: Statistical result shows that the cumulative posterior probability of the best five models is 30.10%. The high percentage indicates that the Bayesian model averaging method works well. It also can be seen from the table that the variables with high posterior probability selected as mentioned earlier are mostly included in these models. The results of $R^2$ and BIC also show that these models fit well.
VI. CONCLUSION

Because of the complexity of the enterprise systems, different researchers have proposed different theories of the influencing factors of technological innovation ability. Researches focusing on a single field tend to have the problem of model uncertainty. By treating the influencing factors as random variables themselves, this paper uses the Bayesian model averaging problem to solve the problem of model uncertainty.

Taking the new product sales revenue as the explanatory variable and fifteen variables which reflect different innovation theories as the explanatory variables, this paper analyzes the real influencing factors of large and medium-sized industrial enterprises' technological innovative abilities.

In empirical research, we set the prior distribution of parameters as Zellner's g prior, and the prior probability of the model was set as a uniform probability distribution. Besides, we use the MCMC method to compute marginal likelihood, which can solve the difficulty of high dimensional complex integrand calculation. Considering that the sample space is too large, we use the Occam’s window method to select effective models from the model space, filtering out models that have very small posterior probabilities. The results of variables' posterior mean, posterior variance, and corresponding posterior probability are shown in Table 1 and the five best models are listed in Figure 1.

We can see that, there are six variables, R&D investment, R&D personnel input, value of import and export, export trade dependence, and government S&T input Among the 15 possible influence factor, have great influence on the technology innovation ability of industrial enterprises. Except for R&D personnel input and imports volume, the other four variables are positively correlated. The rest nine factors have no significant impact. These results enlighten our relevant policies.

Government and industrial enterprises should pay attention to the resource utilization efficiency of R&D investment. Especially, we should pay attention to the cultivation of practical talents that can be transformed into professional and innovative talents.

The results that export amount and export trade dependence have high posterior probability support the “learning-by-exporting hypothesis”. It indicates that the government needs to improve the trade structure and give attention to the spillover effects of trade technology. For industrial enterprises, on the one hand, they should vigorously develop high-tech export abilities. On the other hand, they need to enhance enterprises' learning ability and make full use of the technology spillovers brought from import trade.

The high posterior probability of government investment in large and medium-sized industrial enterprises reflects that government actions can reflect government support for industrial enterprises. It can guide the active entry of financial capital and social capital, effectively alleviating the financing constraints of industrial enterprise. Government should pay attention to supporting the industry development and give more support to R&D activity of cutting-edge technologies. Meanwhile, it should focus on key technology projects and allocate scientific research funds reasonably, promoting the development of related industries.

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