
E-Content for B.Com (Hons.), Sem: II

Paper: Business Environment

Unit IV

Topic: The Multinationals as a Source of Technology

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The Multinationals as a Source of Technology

Multinational Corporations is one that operates in several countries (host countries) and has its headquarters located in one country (home country).

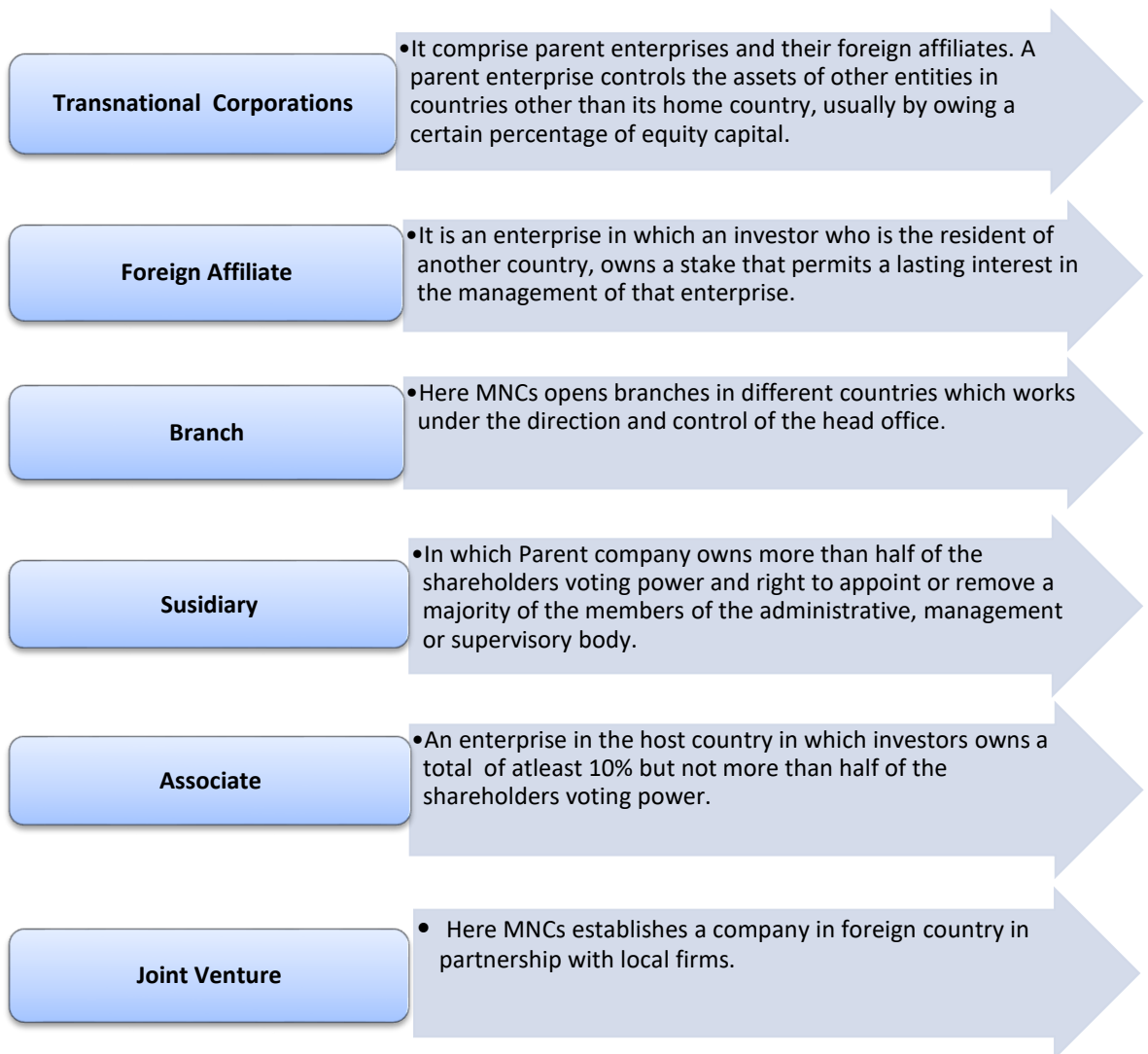
“Multinational corporation is one that (i) operates in many countries (ii) carries out research, development and manufacturing in those countries (iii) has a multinational management (iv) has a multinational stock ownership”

- President, IBM Corporation

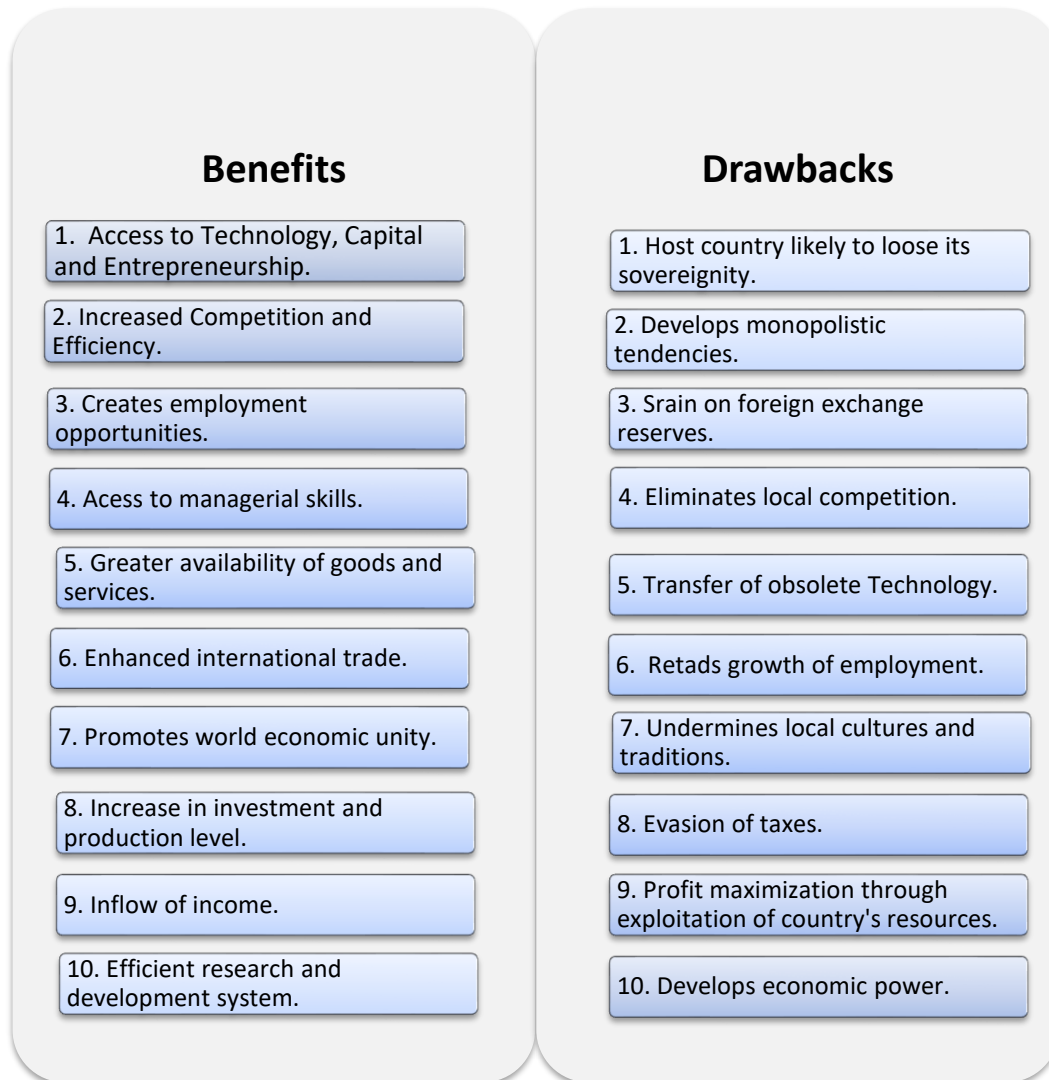
Features of Multinational Corporations

- Functions through Network of Branches
- Huge size and High Turnover
- Control remains with the Head Office
- Operates on Global Scale so exercise greater degree of Economic Dominance
- Uses the Best Technologies Available
- It is Managed by Professionals
- All the Major Decisions taken by the Parent Company
- Enhanced selling and Marketing Strategy

Forms of Multinational Corporation



Benefits and Drawbacks of Multinational Corporations



Multinationals as a Source of Technology

Technology is the knowledge needed to design, create, or implement a production process or the services related to the process. Technology is vital for the economic development of a nation and the multinational corporations are an important source of technology which considered knowledge as a powerful ingredient for growth and modernization. Multinational Corporations (MNCs) qualifies technology as a private property and have the ability to produce innovative technologies. A modern theory of the multinational enterprise is being incorporated called “Appropriability Theory” which defines the behaviour of innovating multinationals in producing advanced and sophisticated technologies. Technology means generating new information which in turn leads to the creation of a new product. Hence, it can be said that multinational

corporations indulge themselves in creating new information so as to move the product through its life cycle.

The Multinationals acts as a source of technology by providing the provision of technical know-how and technical expertise in the form of feasibility studies, plans, diagrams, models, instructions, guides, formula, basic and detailed engineering designs, specifications equipment for training, services involving technical advisory and managerial personnel and personnel training. Further, it makes provision of technological knowledge necessary to acquire, install and use machinery, equipment, intermediate goods or raw materials which have been acquired by purchase, lease or other means.

The local industry in the host economy can benefit not only from the direct transfer of product and process technologies and managerial and marketing skills from the parent headquarters to the local subsidiary operations, but also from various indirect processes that induce technological development such as spill overs between suppliers and buyers, imitative responses of local competitors, and collaboration with the host country's public research institutions

MNCs offer developing countries mutually beneficial environmentally clean and economical technologies. Some MNCs are pioneering eco-efficient, process-oriented low polluting technologies which are transferred to the developing countries (Chudnovsky and Lopez, 2003). For example, British Petroleum are providing solar energy and upgrading the basic facilities in the remote parts of Philippines. With the help of this technology it is providing the remote parts with energy related infrastructure such as lighting facilities, school equipment, water pumps and many more. Also the company is providing knowledge about the technology through training and community development programs so that the local community members can manage the technology (UNIDO/WBSCD, 2002).

Multinationals as a source of technology, benefits countries, especially developing ones in the following ways:

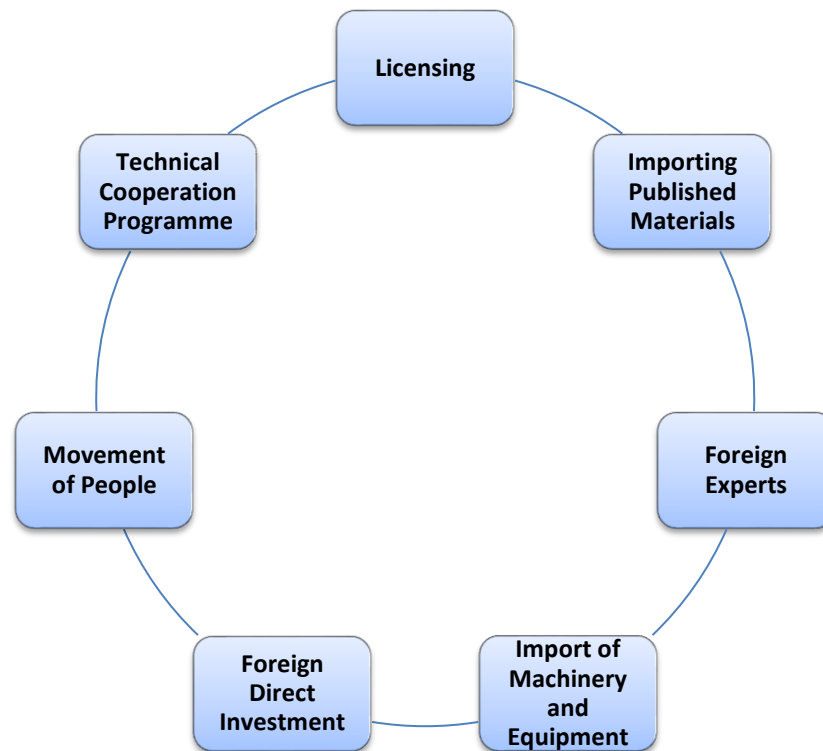
- It augments countries technological capabilities by providing product or process innovations or both.
- It provides better production equipment and production methods.
- It facilitates production of new and improved quality products and services and also improves the quality of the existing ones.
- It leads to up gradation of countries technical ability.
- An innovative technique makes industries more competitive and efficient.
- It enhances the knowledge and skill of the labours.
- A technology minimizes the wastages and cost which in turn generate revenues for the host countries.

- The environment friendly technology leads to sustainable development which in turn ensures quality life and long-term benefits for the present as well as future generations.

And as for the MNCs, their benefit from technology transfer is as follow

- Additional profitable business contracts.
- International growth.
- Enlarged market revenue
- Admission into new economies

Modes of Technology Transfer



Technological transfer involves communication by the transferor of the relevant knowledge to the recipient. James (1994) stated that multinationals transfer technologies to countries they invest by two methods. Firstly, by producing technology locally through R&D and secondly by importing technologies produced elsewhere. Buckley (1985) mentioned a number of transfer mechanisms including wholly-owned facilities, licensing and franchising, and contracting in order to facilitate technology transfer to host firms. Other studies (Shujiro et al., 2006) also endorsed that International technology transfer occurs through various modes including Procuring of technology from overseas in different forms like licensing,

The transfer of technology to any country depends on many factors including:

- Government
 - Its economy
 - Market
 - Research And Development
 - Infrastructure of the country
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