Benefits of technology contribution to developing countries

In such fast growing economies, multinational companies are relying heavily on technology to maintain their competitive position in the global platform. To do so, multinational companies constantly expand into new markets and hence their success is partly determined by their ability to transfer technology to local companies (Chen (1996), Chung (2001)). Transfer of technology is a foremost strategy initiated by the multinational companies during their international expansion. Technology transfer is defined as " the transmission of know-how to suit local environments, with effective absorption and diffusion both within and across countries (CHung (2001) and Tihanyi & Roath (2002). Transfer of technology is not as simple as it looks it involves a series of complex procedures starting from the multinational companies capability of teaching, the local companies capacity of learning and the complex integration between the two companies (Griffith, Kiessling and Dabic, 2005). Technology gives companies the competitive edge to strive and compete in the global world. It is integrated with every value adding activity of the company and helps in achieving these activities (Porter, 1980). Technology helps in improving and maintaining quality levels and competitive edge of the products. It also helps in reducing the productions cost and increase manufacturing productivity by improving efficiency (Gisselquist & Grether, 2000).

Every country (developing and developed) spends large amount of funds to attract foreign investments. This investment can be in terms of foreign direct investments in stocks of local companies or in terms of investing in the country's properties real estate or opening up a manufacturing plant in the country. The reasons noted for such behavior by the governments of developing and developed country is to strengthen their economy and technology sophistication and upgradation. When a multinational company is operating in foreign (developing) country, it happens to brings in new technologies and ways of working to the local country. Thus helping the country to upgrade its technological know-how. In this paper, the author will first highlight the importance of technology contribution by multinationals and later evaluates the factors that will determine the whether or not the transferred technology provides benefits or is a disadvantage to the host country.

The role of multinational companies as an agent of technology transfer for economic development of less developed countries is potential and very important (Bruce Peters, 1979).

FOR MNCS:

Keeping aside few instances that have taken place and the points noted against the multinational companies in less developing countries. We cannot ignore the fact that these multinational companies have played a vital role in technological and overall development of developing countries. Starting from transfer of technology to bringing new ways of managing business to improving productivity to making local business competitive in comparison to the world. The contribution of the multinational companies in less developed countries is noteworthy (Aswathappa, 2008). Multinational companies and developing countries have different goals, hence they should try to come together and find mutual goals and benefits. This could be in terms of resource identification, technology selection and advancement. It is known that the world is dependent on each other for few or more things. It is the developing countries that are dependent on multinational companies from developed countries for help in term of technological development and stronger economies. Similarly, the multinational companies are dependent on these developing countries for cheap labor and land. Their goal is mutual and hence by working together can realize benefits for each other.

Against MNCS:

There are many cases and instances which show that the multinationals technology contribution to developing countries is hardly suitable. Multinational companies develop technologies that are highly capital intensive whereas the technologies needed by the developing countries are labor intensive. Thus this makes the technology contribution as less suitable, also multinational companies charge heavily in the forms of fees, duties and royalties for the usage of their technology. Thus making the technology very expensive for the developing countries. On several occasions it has been noted that that multinational companies or foreign companies operating in developing countries are dumping technologies by using obsolete technology with the help of turnkey projects. It is also noted that multinational companies try to make local companies dependent on their technology and expertise and thus making revenues by contributing obsolete technologies. For example: Indian government did its best to attract foreign companies and investment with a hope that these multinational companies would help reach its goal of having best technology around the globe and strong export hub. This goal of India is not yet been realized with the exports falling and the global financial crisis still showing some of its effect in India. Likewise, other developing countries have been disappointed at many occasions. Today the word green is associated with the global warming; many companies have gone green meaning they have taken the initiative to use eco – friendly methods to minimize their impact on the environments. Developing countries attracted multinational companies with the hope of setting up Greenfield projects which would in turn help to maximize their manufacturing capacity. The goal is yet to be achieved. government of developing countries attract foreign companies in order to bring new technologies to country but these foreign companies in turn either acquire local companies or merge with them, thus keeping the country away from new technology and manufacturing abilities. Many less developed countries have now kept environment on their first priority. Countries are now becoming more concerned about the impact that multinationals create on the environment due to certain technologies that they use (Aswathappa, 2008).

POTENTIAL FACTORS:

It is also very important to note the factors that will determine whether the technology transferred will be of benefit to the developing country or not. Griffith et al., (2006) uses an environment – strategy – performance framework to identify the role of market (i. e. competitive intensity and market dynamics) and cultural environmental (national cultural distance and organizational cultural distance) factors on international technology transfer to developing countries. During a survey conducted to find out the direct efforts of market and cultural environmental factors on transfer of technology with 131 managers working in a subsidiary of multinational company. It was found that market dynamism factors were more influential market environmental factor than competitive intensity. Whereas national cultural distance was less influential cultural environment factor than organizational cultural distance. The report also highlighted a very important and pivotal relationship between transfer of technology and subsidiary performance (Griffith et al., 2006)

Summary

Multinational companies are businesses that carry out operations across globe. They are the most active players in the world of international business they have been often charged on several grounds like taking advantage of poor countries, their interests override the interests of developing nations and they have a tendency to bribe the less developed country government to make policies and regulations favorable to them. It is widely known that each coin have two sides, there are pros and then there are cons, there is opportunity and then there is risk. multinational companies are very important in terms of technology contribution but then there are risks of obsolete technology, technology dumping, impact on environment etc. thus developing country′s government should list few factors that would help them to determine whether the technology contribution by multinationals is benefit to the host country or not.

A research conducted by Gibson and Smilor suggests that there are four variables i. e. communication interactivity, cultural and geographical distance, technology equivocally and personal motivation play very important role in technology transfer within and between companies (Gibson and Smilor, 1991). In another research conducted by Rebentisch and Ferretti (1995), they found that four categories, Transfer Scope, Transfer Method, Knowledge Architecture, and Organizational Adaptive Ability, describe important elements of the transfer process. Transfer Scope describes the extent of embodied information being transferred. Transfer Method describes the approaches used to transfer the technology. Knowledge Architecture describes the structure and the interdependencies between the firm's knowledge assets. Organizational Adaptive Ability describes an organization's ability to change its knowledge architecture over time.