Chapter 10

Patterns of Technology Acquisition: Upstream Linkages Between MNEs and Local Suppliers

António Carrizo Moreira
University of Aveiro, Portugal

ABSTRACT

Although MNEs are important players in the present global world, there has been a debate regarding, on one hand, how MNEs contribute to the development of indigenous firms in host countries, and on the other hand, how indigenous suppliers are able to cope with their international technology demanding clients. This chapter analyzes the patterns of technology acquisition of 40 firms that supply eight multinational firms that belong to four different industries. It is possible to conclude that there are certain differences among foreign and indigenous suppliers as well across the industries they belong to. These differences are the result of a cumulative process over time, which reflect the different performances of the companies and their relationships with the environment.

INTRODUCTION

The erosion of barriers to international flows of goods, knowledge and products brought about new challenges for all firms and for policy makers agendas, namely in developing and sustaining competitive advantages in the international arena.

Studies analyzing foreign direct investment (FDI) and multinational enterprises (MNEs) proliferate as MNEs exercise a crucial role in international business (Ribau,
Moreira, & Raposo, 2015). However, there are still some controversies regarding FDI and its consequences in host counties, and the contribution of MNEs to local economies (e.g., Grimes & Du, 2013; Jiang, Branzei, & Xia, 2016). Those who contend that FDI affects negatively host countries defend that MNEs jeopardize the technological leadership of indigenous firms and drive them out of business (Günther, 2002). Those in favor of FDI argue that it is as a beneficial factor as it is a source of capital, technology and new knowledge (Wang and Yu, 2008), especially for developing countries (D’Amelio, Garrone, & Piscitello, 2016) as MNEs contribute to energy poverty alleviation. However, Gorg and Strobl (2001) and Irsova and Havranek (2013) found that the results are irrelevant.

Although the controversy remains, as MNEs are important players in the present global world, there has been a debate regarding, on one hand, how MNEs contribute to the development of indigenous firms generating endogenous conditions to promote a sustainable economic development in host countries, and, on the other hand, how indigenous suppliers are able to cope with their international technology demanding clients (Moreira, 2008; Perri & Peruffo, 2016; Reis, Heitor, Amaral, & Mendonça, 2016).

If it is clear that both a cooperative behavior is mandatory for suppliers to succeed in supplying their multinational clients, and that local suppliers and foreign MNEs need to interact with each other if local suppliers are to evolve strategically in this relationship (Moreira, 2008). Moreover, as Moreira (2009) claims, knowledge flows between both firms are mandatory for a symbiotic relationship to take place.

What is not known is what the patterns of technology acquisition among SMEs in their relationship with MNEs are. As such, this chapter seeks to analyze the accumulation process among suppliers as a result of the supplier (SME)-client (MNE) interface in the supply chain. It is assumed that the external network of relationships among suppliers is the result of their need to cope with technological change generated by their clients.

Two types of inter-firm relationships are going to be analyzed: informal and formal relationships. The following patterns of technology accumulation are going to be analyzed, based on Ribault, Martinet, and Lebidois (1995): catalogue purchase; specification purchase; capital equipment purchase; outsourcing; technological scanning; reverse engineering; patenting; licensing; spin offs; network of firms; joint venture; strategic alliances; cooperative R&D; and participation in European programs.

This chapter is divided in seven sections. After this introduction, the second section presents the literature review on the importance of FDI, MNEs, and the consequences of FDI for local economies. The third section lays down the research
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