

Impact of Reverse Technology Transfer on Innovation Capabilities: An Econometric Analysis for Mexican Transnational Corporations

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Abstract : Transnational corporations (TNCs) as units in which it is possible technology and knowledge transfer across borders and the potential for generating innovation and contributing in economic development both in home and host countries have been widely acknowledged in the foreign direct investment (FDI) literature. Particularly, the accelerated expansion of emerging countries TNCs in the last decades has guided an uprising research stream that measure the presence of reverse technology transfer, defined as the extent to which emerging countries' TNCs use outward FDI in a host country through certain mechanisms to absorb and transfer knowledge thus improving its technological capabilities in the home country. The objective of this paper is to test empirically the presence of reverse technology transfer and its impact on the innovation capabilities in Mexican transnational corporations (MXTNCs) as a part of the emerging countries TNCs that have successfully entered to industrialized markets. Using a panel dataset of 22 MXTNCs over the period 1994-2015, the results of the econometric model demonstrate that the amount of Mexican outward FDI and the research and development (R&D) expenditure in host developed countries had a positive impact on the innovation capabilities at the firm and industry level. There is also evidence that management of acquired brands and the organizational structure of Mexican subsidiaries improved these capabilities. Implications for internationalization strategies of emerging countries corporations and future research guidelines are discussed.

Keywords : emerging countries, foreign direct investment, innovation capabilities, Mexican transnational corporations, reverse technology transfer

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