

MANAGEMENT INTERNATIONAL REVIEW, vol.45(Spl. Issue 2), pp.121-154, 2005

FOREIGN RESEARCH AND DEVELOPMENT AND HOST COUNTRY ENVIRONMENT: AN EMPIRICAL EXAMINATION OF U.S. INTERNATIONAL R&D

Jonathan P. Doh, Assistant Professor of Management, Villanova University, Pennsylvania, USA.
Email: jonathan.doh@villanova.edu

Gary K. Jones, Assistant Professor of Management, American University, Washington DC, USA.
Email: gkjones@american.edu

* Ram Mudambi, Associate Professor of Strategy, Fox School of Business and Management, Temple University, Philadelphia PA 19122; Reader in International Business, School of Business, University of Reading, RG6 6BA, UK.
Email: ram.mudambi@temple.edu

Hildy Teegen, Associate Professor of International Business, The George Washington University, Washington DC, USA.
Email: teegen@gwu.edu

Abstract

- Multinational corporations (MNCs) are continuing to internationalize their research and development (R&D) activities. Some country environments are more conducive to such investments than others. In this study, we evaluate the influence of host country factors on foreign R&D investment.
- Using the just-released U.S. government 1999 benchmark survey of U.S. MNC activities abroad, and country-level data compiled from a variety of sources, we measure the impact of host country economic, institutional, scientific, and telecommunications infrastructure on U.S. MNC foreign R&D activities.

Key Results

- Our findings reaffirm the centrality of local development factors and scientific output as strong predictors of MNC R&D location decisions.
- To a lesser extent, institutional quality, appropriability regimes, and telecommunications infrastructure are also shown to influence R&D location. The presence of an existing concentration of MNC investment is not found to be a positive factor in R&D investment location.
- Country-level investments that support institutions conducive to economic development and scientific output generate a munificent environment for R&D.
- We conclude that a substantial portion of R&D undertaken in U.S. foreign affiliates is not aimed at the local market, but rather for developing products and processes for regional or even worldwide markets, suggesting that R&D is becoming a truly global activity.

Keywords: research and development; national innovation; technology; telecommunications; foreign direct investment; institutions.

* Corresponding author