Multinational corporations and domestic company's development: Evidence from Nigeria

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Abstract
This research study looks at assessing, and reviewing how multinational corporations spurred up economic development, particularly in Nigeria to an extent. Multinational Corporations (MNCs) involves having operations in more than one Nation with its head office at their home country. They are subject to changes in international exchange rates, tariffs, duties, and restrictions on trade. Majority of the successful ones' targets production points where labour is cheaper, with affordable transportation so as to deliver to their markets. The research used scholarly journals, articles, and textbooks to review the activities of MNCs in Nigeria's economic development, as it relates to growth, technology transfers and policy issues. Based on the literature, the research discovered that multinational corporations have contributed to the Nigeria's economic development, which varies. Meanwhile, the technology internalization as well as transfers is still a mirage. Although, some MNCs still engage in unethical business practices that soils their name, and their image of Nigeria. This research study recommends other things including that representatives of all stakeholders-employees, customers, society, government should be appointed as members of the Board of Directors of various corporations, to ensure direct representation, and as well as participation in the decision-making process. More so, polycentric model of staff selection should be imposed by government on these MNCs which will be stated under the terms of agreement with all the multinational corporations operating within Nigeria. This will improve skill acquisition as well as adequate transfer of technology.

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Introduction

Multinational Companies have become the central institution of developing nations in this 21st Century. A remarkable number of MNCs begun their operations in developing Nations in 1990s. Effects of their operations in developing Nations can now be assessed to be quite different from what was done in the past. MNCs are major beneficiaries of cheap labour costs as well as grants given by the government of developing countries in order to attract these MNCs (Akanegbu, 2014; Awolusi, 2012) [2, 4]. More so, lower tax rates or tax exemptions are often given to MNCs for a period in the developing countries to encourage their operations.

Conversely, these developing countries equally gain from the investment made by MNCs. Multinationals help to reducing poverty, drive economic activities and growth, creates jobs which utilizes local people, increase employment standards through payment of higher wages than local firms. In addition, they assist to boosting economic development by transfer of technology as well as knowledge, improve or build up infrastructure, raise people's standard of living. Since World War II, the dimensions of multinational corporations have enlarged and spread with phenomenal speed. The international petroleum industry, however, predates this more recent development (Akanegbu, 2014) [2]. A typical multinational company normally functions with the headquarters based in home country, while other facilities are based in locations in other countries.

In some circles, a multinational corporation is referred to as a multinational enterprise or a transnational corporation (Tatum,

2010) [23]. They enter host countries in different ways with varying strategies. Some enter by exporting their products to test the market and to find whether their existing products can gain sizeable market share. For such firms, they rely on export agents. These foreign sales branches or assembly operations are established to save transport costs because there is a limit to what foreign exports can achieve for a firm owing mainly to tariff barriers and quotas and also owing to logistics or cost of transportation. To meet the growing demands in the foreign countries, the firm considers other options such as licensing or foreign direct investment which are critical steps. Some continue with export even when they have settled for the foreign direct investment option. Every step takes strategic planning and is motivated by profit through sales growth (Osuagwu and Ezie, 2013) [17]. It is interesting to know that, many African (Nigeria inclusive) countries still do not allow free entry of multinational firms and often express preferences with regard to the type of FDI; unfortunately, there is little in the literature that helps to understand such policies, other than the standard argument that certain industries are able to secure greater protection for themselves than others, perhaps it may also be the case that positive spillovers to the local economy are perceived to be higher under certain types of FDI than others. However, despite the subtle policy interventions outlined above, Saggi maintained that, when measured by a broad yardstick, overall government policy has become more liberal across the world, with intense competition for strategic trade and FDI from developed and ‘emerging nations’ by most developing countries. Due to the perceived benefits associated with them, political and economic decisions by elected governments are increasingly made to provide favorable environments for the investment and marketing needs of multinational corporations.

Consequently, multinational firms are sometimes able to influence the domestic policy outcomes of host developing countries by threatening to move jobs overseas (Abdul-Gafaru, 2006) [1]. Nigeria has played host to multinational corporations long before independence till date. The number and activities of these multinational corporations have grown over time as Nigeria struggles to develop socio-economically as a nation. After over fifty years of nationhood, the economic growth trajectory of Nigeria is at best cheered in spite of the growing presence of these multinational corporations in its core sectors of oil, banking and manufacturing sectors (Awolusi, 2012) [4].

Otokiti (2012) [18] revealed that challenges faced by multinational firms during entry into the Nigerian market include government regulations and policies, geographical location, language barrier, shortage of skilled labour, and low level of technological development. From a technology transfer perspective, weak levels of intellectual property protection in developing countries prevents both down-stream and up-stream technology transfer activities; the fear of the unauthorized use of proprietary knowledge prevents foreign companies from entering into technology transfer activities with local entities (down-stream technology transfer); on the other hand it also deprives local innovators of the opportunity to license their inventions to foreign entities (up-stream technology transfer) (Awolusi, 2012; Awolusi, 2012b;) [4]. According to Iyela (2009), corruption increases the cost of doing business and as such foreign investors would prefer to invest in countries with lower rates of corruption which is believed to derive maximum profits from their investments. He added that the insecurity which manifest in kidnappings, hostage taking and deaths of innocent souls automatically discourage foreign investment. Instead firms will prefer countries with peaceful investment environments.

In addition, firms operating in Nigeria face an acute human capital deficit, particularly at the managerial levels (UNCTAD, 2009) [26]. It has been observed that because of poor governance and inept leadership, corruption has become pandemic in Nigeria. This, according to studies, has prevented the political leaders from giving special attention to investment in human capital development, which provides the knowledge and skills that workers acquire through education, training, and experience (Dike, 2012) [10]. Employers of labour have been complaining that most of the recent university graduates lack employability skills and problem-solving abilities and other competencies which are the main variables that determine an individual worker’s productivity capabilities as well as the ability to contribute meaningfully to national development (Dike, 2012) [10].

In its 2008 Review of World Development, the United Nations Development Programme (UNDP) ranked Nigeria 157 out of 177 in Human Capital Development Index, Nigeria was also among the ‘’Least Livable’’ nations (Dike, 2012) [10]. Consequently, this paper is intended to determine the extent to which multinational firms have spurred up economic development in Nigeria Over the years, the number and activities of Multinational companies (MNCs) have witnessed tremendous growth (Onodugo 2012) [16]. The recorded growth in the number and activities has really not influenced the Small and Medium Scale Enterprises (SMEs); as the nation still struggles to develop socio- economically.

Statement of the problem

Even though Multinational corporations (MNCs) spur economic activities in developing countries, including Nigeria, and provide an opportunity to improve the qualities of life, economic growth, there are still many problems. MNCs operating in Nigeria face acute human deficit, outflows of capitals, prevents autonomous development, exploit workers, environmental pollution, tax evasion, organized crime, health and safety hazards caused by the proliferation of substandard counterfeit medicines, and asystematic way of restricting the Nigerian entrepreneurs access to technology with their presence. Based on this challenges, the study is undertaken to review the operations of MNCs in Nigeria over the years.

Objective of the study

1. To assess the domestic operations of MNCs development in Nigeria

Literature Review

Conceptual Framework

Udu (2016) defines Multinational companies are businesses that have operations in multiple countries around the world. Creativity, innovativeness, strong capital bases, technical ability, strong brands, a desire to lead in many markets around the world, and an insatiable desire for profit maximization are some of their most outstanding characteristics that serve as their driving force. Hill (2005) [12] defines multinational corporation (MNCs) as any business that has productive activities in two or more countries. Certain characteristics of multinational corporations should be identified at the start since they serve, in part, as their defining features. Often referred to as "multinational enterprises," and in some early documents of the United Nations they are called "transnational organizations," multinational corporations are usually very large corporate entities that while having their base of operations in one nation - the "home nation"-carry out and conduct business in at least one other, but usually many nations, in what are called the "host nations." Multinational corporations are usually very large entities having a global presence and reach (Kim, 2000). Tadaro (1999) [22] cited in Ileoma (2010) see multinational corporations as enterprises that conduct and control productive activities in more than one country.

Multinational corporations contribute to 65% of the non-governmental employment opportunities available at any given country of host (Robinson, 2009 cited in Tirimba and Macharia, 2014) [20]. In 2019, multinational corporations had 25 million employees in developing countries and were also responsible for more than 100 million jobs created indirectly through multiplier effects. The economic role of multinational corporations is simply to channel physical and financial capital to countries with capital shortages. As a consequence, wealth is created, which yields new jobs directly and through "crowding-in" effects. In addition, new tax revenues arise from multinational corporations' generated income, allowing developing countries to improve their infrastructures and to strengthen their human capital. By improving the efficiency of capital flows, multinational corporations reduce world poverty levels and provide a positive externality that is consistent with the United Nations' (UN) mission-countries are encouraged to cooperate and to seek peaceful solutions to external and internal conflicts. In all, Multinational corporations (MNCs) can spur economic activities in developing countries and provide an opportunity to improve the qualities of life, economic growth, and regional and global commons.

Methodology

The study used scholarly journals, articles, and textbooks to review the operational activities of multinational corporations domesticated in Nigeria's economic development, as well as technology transfers.

Discussion and Findings

Domestic development and operational activities of multinational companies

Over the years, the Nigerian economy has experienced a series of reforms and restructuring of its various key sectors. Such reforms include the financial, petroleum, power sector, among others. The financial sector has been the most noticeable beneficiary of the reforms as the banks and insurance companies were asked to recapitalize and consolidate in direct investment as evidenced by the increasing numbers and operations of oil multinational corporations in the country (Ilemona, 2010) [10].

Multinational enterprise transfers technology directly to their foreign owned enterprises and indirectly to domestic owned firms in host countries. Spillovers of advanced technology from foreign owned enterprises can take any of these four ways: vertical connection between affiliates and domestic suppliers and consumers, horizontal connection between the affiliates and firms in the same industry in host country, and labour turnover from affiliates to domestic firms as well as internationalization of research and development. The pace of technological change in organizations as a whole depends on the level innovativeness and social capabilities of host countries together with the absorptive capacity of other enterprises within the country (Ayanwale, 2007) [5].

Successful worldwide distribution of goods and services, expansion of employment opportunities especially for the world's poorest people, pronounced economic growth through foreign direct investment; and the creation of pure and practical knowledge through research and development and the global implementation of technological breakthroughs are some of benefits of multinational corporations in host countries' economy (Cundiff, 2000) [9]. Multinational firms increase investment levels and income in the host countries, promote improvement in their immediate environment, create access to high quality managerial skills, improve the balance of payment of host countries by increasing exports and decreasing imports; help to equalize the costs of factors of production. They stimulate domestic production and enhance efficiency and effectiveness in the production process; they stimulate positive responses from local operators (Osuagwu and Ezie, 2013) [17].

Technology Transfers

Based on the relevance of trade, many scholars opined that, international trade can make a decisive contribution to sustainable development by promoting the equitable integration of Nigeria into the global economy, which can significantly boost economic growth; however, trade and investment liberalization will provide maximum benefit to Nigeria when it is operating within a sound supporting domestic policy framework and pursued in tandem with political will" (Mahe, 2005) [15]. Although tariffs provide the Nigerian government with its second largest source of revenue after oil exports, in order to increase the country's technology capabilities, imports policies revision in march 2003, led to the reduction of tariff on strategic imports, mostly raw materials, base metals, and capital equipment, to as low as 2.5 percent; notwithstanding these efforts by Government, the poor level of Intellectual Property Rights (IPR) protection due to poor enforcement of intellectual property laws, has been described as one of the barriers to innovation and technology acquisition in the country (Akinlo, 2004) [3].

Multinational Companies management: Nigeria concept

Multinational enterprise management requires a different set of conceptual techniques than in the case of purely domestic firms. In particular, it is important to understand the Fundamental economic, strategic, structural, organizational, and socio -political issues that have Impact on the process of international expansion of the firms, on the linkages between foreign subsidiaries and corporate headquarters in the home country, and on the relationship between the multinational firms and interest groups in the foreign countries, including the government, Labor unions, customers and suppliers. Their employment modes such as polycentric, ethnocentric and geocentric should be seriously taken into consideration in order to achieve effectiveness and efficiency in their managerial process. Bernadine (2003:26) identifies four possible models. These models include:

Ethnocentric model: This model works within the assumption that management and human resource practices are critical core competence to a firm's competitive advantage and as such should not be trifled with nor compromised (Bird *et al*,

1998) [8]. Under this model, the foreign subsidiaries tend to have little autonomy and operations and decisions are typically centralized at the headquarters. The bulk of the management staff is usually sent from the headquarters and comprises mainly the Parent Company Nationals. Most Japanese and American organizations are known to use this approach in recruiting and deploying their staff.

Polycentric Model: This model handles subsidiary as a distinct entity with some level of decision making authority. Under this model both the management and the supporting staff are usually selected competitively from the local labour market. The only challenge is that in most cases, these local personnel are hardly ever promoted to work outside their local environment either in other countries where the company has subsidiaries. This model is cheaper in addition to being more adaptable to local conditions.

Geocentric Model: This model tries to remove the boundaries and separating lines between the parent company and the subsidiaries scattered all over the globe. It strives to integrate its businesses with the relationships based on collaboration and mutual reciprocity. Under this model, the organization begin to see itself as having a global workforce that can be deployed and utilized in a variety of ways throughout the world. Key positions tend to be filled by the most qualified individuals regardless of nationality, race or colour. Staff remunerations in companies that are geocentric are generally based on global market rates and standards. Pay and work considerations are solely based on individual contributions to the organization rather than country of origin. It is important to note that within the contextual needs of developing countries any model chosen must strike a balance between maximizing its huge labour potential and providing opportunities for technology transfer. A critical look at the models enumerated above, one can suggest that, for multinational corporations to thrive in Nigeria, polycentric and geocentric.

Models or approaches to staff selection be adopted. They increase the chances of technology transfer. The best strategy again is for developing countries like Nigeria to initiate standard policies that will be binding on the operations of multinational corporations in Nigeria.

Effect of MNCS on domestics firms development in Nigeria

Multinational corporations have spurred up economic activities in Nigeria. Multinational firms transfer technology directly to their foreign-owned subsidiaries and indirectly to their domestic enterprises in host countries. They create employment opportunities and improve the standard of living in host countries. Most citizens of host countries who were recruited and trained by foreign firms acquire the knowledge and skills used to work in these firms and to start their own business.

Through the presence of foreign direct investment in host countries, host countries have witnessed improved balance of payment and increased financial and capital resources. Also, the Nigerian government have been able to expand their tax base through the generated income of multinational firms. Tax paid by foreign firms has been used to provide infrastructures and boost up the economy of the nation. Nigeria has benefitted from foreign direct investment than any other country in West Africa because it is major recipient of foreign direct investment in the region.

To reap the full benefits of Multinational corporations, nations should understand the magnitude of technology transfer, and its impact on economic development; hence, host governments should strategize their existing policies and institutions, rather than merely attracting FDI, and should focus additionally on effective transfer of technology, which includes the diffusion and generation of technology locally (Lee and Tan, 2006) [14]. It is important for policy makers to know that, contrary to expectations, FDI may not lead to growth, rather, may increase both markets and economic risks; however, adequate provision should be made for all risks associated with FDI from MNCs, since increases risk premium, discourages investment, as well as lower capacity of domestic firms, as a result of enhanced and unbalanced competition in the new 'globalised world' (Awolusi, 2012; Awolusi, 2012b) [4].

Since the gap in technology intensities from MNCs in Nigeria seemed to be widening despite the recent comparative improvement in FDI inflows into the country, there is urgent need to upgrade learning and capabilities of the local firms in the country, through the formulation of strategic FDI and technology transfer policies to safeguard the possible negative impact of the declining FDI inflow from MNCs. However, to further attract foreign investors, Nigeria should strengthen and broaden policies to facilitate cost effectiveness by reducing tariffs on imported inputs, as well as, improvement in telecommunications and transportation infrastructures, to further attract inward FDI from developed and newly industrialized countries.

Nigeria's low national R&D intensity under the Science and Technology, as compared to other emerging economies, there must be massive increase in R&D expenditure to yield a national R&D intensity of at least 1.0% within the next six years and to exceed 2% by 2018; consequently, as this required increase in R&D intensity cannot be sourced solely from Federal Government annual budgets, there is urgent need to locate extra sources of funding R&D, especially the emerging private sectors (Lee and Tan, 2006) [14].

Capital formation represents an essential economic asset in developing countries. A significant benefit of MNCs is their injection of capital into a developing country, bringing financial resources otherwise unavailable through their own capital and access to international capital markets. An important share of the total capital flow to developing countries comes from MNCs' investments; estimations vary from 14.9% to 51.5% of the total flows to developing countries (UNCTAD, 1994) [25].

Cleaner environment makes FDI through MNCs may help increase the level of overall domestic environment. MNCs are more likely to produce a cleaner rather than a more despoiled natural environment. MNCs from developed countries, preferring to have a single set of rules for all competitors, may consequently prefer that developing countries have environmental standards similar to those in the developed countries (Garcia, 2000) [11].

MNCs are the key to poverty reduction. The multinational corporations encourage people to produce a certain product, and these products make the workers' life improved.

MNCs play a role in creating new kind of jobs and therefore can contribute to employment generation and the increase of quality of life of the employees in developing countries. Those who argue for MNCs, state that MNCs generate employment worldwide. Of the 73 million jobs created through MNCs, only 12 million are located in developing countries amounting to 2% or 3% of the world's workforce. MNCs account for one-fifth of all paid employment in nonagricultural sectors and creates a large number of jobs in the manufacturing industries, especially where technology is concerned (UNRISD, 2010). In addition, MNCs have a positive impact on welfare of the employees. Supporters say that the creation of jobs, the provision of new and better products, and programs to improve health, housing and education for employees and local communities improve the standard of living in the developing countries.

Conclusion and Recommendation

Research over the years show that the effect of MNCs on host States is neither as positive nor as negative. It is true that MNCs play crucial role in the developing Nations. They create reasonable employment opportunities for a large labour force, train them and promote the development of high level skills. More so, MNCs equally assist in increasing GDP growth and capital formation, as well as reduce poverty. However, MNCs are often guilty of environmental hazard or pollution as well as human right abuse. MNCs have been criticized for wanting to reduce their production costs, seek out developing countries with flexible environmental regulations and undertake those countries productive activities which exacerbate both local and global environmental problems. Instead of adhering to either, a positive or negative overview this concept recognizes the costs and advantages of FDI by MNCs which varies from country to country, and also that what constitutes costs and benefits will vary depending on the values of observers. The research work has the following recommendations:

- That those who represent stakeholders of MNCs - employees, customers, society, government should be appointed as Board of Directors members in various corporations, for effective and direct representation and decision- making process involvement.
- That polycentric model concerning staff selection should be brought in by government on these corporations which should be stated under her terms of agreement with the MNCs operating in Nigeria, which would enhance skill acquisition and maximum transferring of technology.
- Both MNCs and stakeholders should be interacting on regular basis for understanding and enhance harmonious business relationship morally.
- That discrimination in employment policies and salaries of workers should stop, and adoption of polycentric and geocentric approach to staff selection should be encouraged to benefit all the citizens
- That technology transfer policy should be formed to bind on every company wishing to do business in Nigeria. This policy will boost our image and prestige thereby ensuring sustained economic growth and development.

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