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**For immediate release**

## **Innovation policies in developing countries must look beyond research and development**

**Study of the Indian automotive industry**

**Innovation policies in developing countries should broaden their focus beyond providing incentives for firms to invest in research and development (R&D), and explore ways of broadening the market base so that firms do not succumb to uncertain demand and limited market opportunities.**

This is one of the main conclusions of a study by Mamata Parhi, a PhD candidate at UNU-MERIT -- a joint research and training centre of United Nations University, and Maastricht University in the Netherlands. Parhi undertook a comprehensive study of the Indian automotive industry and found that the successful adoption of new technologies - and innovation - requires a host of factors in addition to traditional R&D efforts. Parhi will defend her thesis at Maastricht University on 14 December 2006.

Looking specifically at the adoption patterns and dynamics of Advanced Manufacturing Techniques (AMTs) amongst auto firms, Parhi found that successful adoption of the new technology was directly linked to demand by vehicle manufacturers – an indication of the crucial role played by suppliers and buyers in influencing technology choices. The willingness to invest, and the amount that firms invested in innovation were also found to be closely associated with the strength of this relationship, and the geographical distance between the companies in the industry.

The study further confirmed that larger companies adopted sophisticated production techniques much more rapidly than medium and small ones. The quality of human capital (training and skills of personnel), technological level and market base were also important determinants of technology diffusion.

Parhi concludes that governments should look beyond firm-specific factors to foster technological upgrading and innovation. A demand-oriented approach that encourages coordination between knowledge producers and knowledge users and facilitates the circulation of knowledge is the most likely to result in further innovation.

**Mamata Parhi will defend her PhD thesis *Dynamics of new technology diffusion: A study of the Indian automotive industry*, on Thursday 14 December 2006 12.00 hrs at the Aula,**

**News Release**

## Minderbroedersberg 4-6, Maastricht.

A summary of the dissertation is available at:

[http://www.merit.unu.edu/seminars/docs/20061214\\_parhi.pdf](http://www.merit.unu.edu/seminars/docs/20061214_parhi.pdf)

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### About UNU-MERIT

(United Nations University – Maastricht Economic and social Research and training Centre on Innovation and Technology)

[UNU-MERIT](#) is a joint research and training centre of United Nations University, based in Tokyo, Japan, and the University of Maastricht in The Netherlands. It integrates the former UNU-Institute for New Technologies (UNU-INTECH) and the Maastricht Economic Research Institute on Innovation and Technology (MERIT).

UNU-MERIT provides insights into the social, political and economic contexts within which innovation and technological change is created, adapted, selected, diffused, and improved upon. The Institute's research and training programmes address a broad range of relevant policy questions dealing with the national and international governance of innovation, intellectual property protection, and knowledge creation and diffusion.

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[United Nations University](#) (UNU) is an international community of scholars engaged in research, postgraduate training and the dissemination of knowledge aimed at resolving the pressing global problems of human survival, development and welfare, in line with the purposes and principles of the Charter of the United Nations.

Established in 1976, [Universiteit Maastricht](#) (Maastricht University) is the youngest university in the Netherlands. It has gained a reputation at home and abroad for its unique "Problem-based learning" approach. Approximately 12,000 students and 3,250 staff currently study and work within the University's seven faculties.