Andrea Szalavetz

Inter-regional value chains encompassing Latin America and Central and Eastern Europe – Signs of a promising future or ad hoc exceptions to the rule of ‘triadization’ rather than globalization?

This paper was prepared as part of the research Project “Study on Latin America, the Caribbean and Central and Eastern Europe: Potential for Economic Exchange”, EU-LAC Foundation, 2014.
This Study has been financed by the EU-LAC Foundation. The EU-LAC Foundation receives funding from its member States and the European Union. The contents of this case study are the sole responsibility of the authors and can in no way be taken to reflect the views of the EU-LAC Foundation, its member states, or the European Union.

DOI: 10.12858/0514en1f
Introduction and overview

A near-consensus opinion in both theoretical and empirical international business (IB) literature is that the majority of multinational corporations (MNCs) perform their business activities within their home-regional blocks: be it Europe, North America, or Asia (Rugman and Verbeke, 2004.a; b; Rugman, 2005). Both trade and international investment are still regional,¹ rather than global (Dicken, 2011). The ongoing global dispersion of production activities notwithstanding, these assertions have been from time to time reinforced both by economic geography scholars and by representatives of the IB literature (a comprehensive literature overview is provided in Rugman and Oh, 2013; and Sammartino and Osegowitsch, 2013).

Nevertheless, drawing on an influential stream within the IB literature, global strategy literature,² proponents of the globalization school (see e.g. Friedman, 2005) argue that in an era of global value chains, inter-regional economic linkages evolve in tandem with the intra-regional ones (e.g. in the case of Europe: Curran and Zignano, 2010). Companies increasingly organize their supply chains at a global level. Nevertheless, due to the liability of foreignness (Hymer, 1976), i.e. to the fact that costs increase as a function of (geographic, cultural, institutional, political) distance, MNCs’ inter-regional expansion proceeds more slowly than the pace at which they unbundle and outsource various activities within their home regions, which accounts for the prevailing, still home region-based pattern of internationalization. Moreover, falling transportation costs and all the opportunities granted by the information and communication revolution notwithstanding, transaction and coordination costs may become prohibitively high above a certain level of internationalization. This claim is well-demonstrated by Contractor et al.’s (2003) S-curve hypothesis. According to this hypothesis, following the initial positive performance implications of internationalization, the curve depicting the performance of companies as function of their internationalization turns negative (performance begins to fall once they become over-internationalized).³

This paper contributes to the perennial globalization-`triadization` debate by investigating the features of the value chains that span Latin American (LAC) and Central European countries (CEE). Based on empirical investigations of LAC MNCs’ Hungarian subsidiaries, we try to uncover some of their characteristics. More specifically, we inquire about LAC investors’ motivations to enter the ‘distant, uncharted regions’ of the CEE, and try to make predictions about the perspectives of this kind of inter-regional co-operation. Are the surveyed corporate cases “the first signs of a promising future evolutionary trend”, as it is emphasized during the rapidly multiplying CEE-LAC economic diplomacy events? Or, are they simply ad hoc, ‘exotic’ examples of some MNCs’ global expansion, which does not signal any future trend?

The rest of this paper is structured in four sections. Section 2 provides a short summary of the conceptual background: it surveys the related academic literature. Section 3 presents the methodology of our investigations and describes the sample of the surveyed companies. The results of our interviews are summarized in section 4. Section 5 contains the discussion and conclusion.

¹ Note that in this paper “region” refers to the broad Triad regions, but we use an extended version of the “Triad”, we consider four regions instead of three: Europe, North America, Asia and the Pacific region.
² A classical reference of the global strategy theory is Bartlett and Ghoshal, 1989.
³ See also Contractor, 2012 about other possible evolutionary patterns of the linkage between internationalization and performance.
Conceptual background

Our research is related to three distinct streams in the literature. Above and beyond the first stream: the globalization–triadization debate, expounded in the introduction. The second stream it is closely related to is the rapidly growing research on global value chains (GVCs): a methodological approach and a framework to be used in the analyses of a wide range of topics. The third related strand in the literature is concerned with emerging market (or latecomer) multinationals: a recently rediscovered (new-old) phenomenon of the world economy.

We briefly summarize the two latter strands in turn. In a holistic view of value creation, the concept of GVCs refers to all (tangible and intangible) activities – carried out by geographically dispersed, networked economic actors – that contribute to the creation and the sale, or support the end use of a product or service. Thereby, the GVC framework of analysis moves beyond scrutinising merely the distribution of production activities (and the related flows of trade in intermediates) and investigates all the activities in firms’ value chains, including production-related support activities and activities that enhance the intangible value of products (Gereffi and Fernandez-Stark, 2011; Gereffi et. al., 2005.; Kaplinsky and Morris, 2001; Sturgeon, 2008).

The GVC approach allows precise insights into the patterns and dynamics of countries’ specialization. Above and beyond explaining the reasons behind the evolving patterns of trade and specialization, the GVC framework of analysis can be used to investigate a number of issues, ranging from upgrading, technology transfer, industrial development and competitiveness, to coordination and governance issues, and MNC – national government relations.4

The possibility to get integrated into GVCs by specializing and being competitive in certain activities and not necessarily in whole industries (see Lanz, et al. 2011; Whittaker et al., 2010) has opened up tremendous upgrading opportunities for developing countries and for new EU member states alike. Nevertheless, upgrading within “the global factory system” (Buckley, 2009) is not limitless. According to Buckley, the existence of a global factory system constrains the development options of catching-up countries, making it immensely difficult for them to break into the system. Local firms cannot withstand MNCs’ competition since MNCs possess internationally recognized brand names and control global marketing and distribution networks. They have the financial power to acquire potential local competitors in host countries. Moreover, MNCs’ purchasing power is used to hold down the prices of inputs purchased in host countries.

There are therefore only two ways to sustain the initial modernization push, provided by GVC-integration: continuous quality upgrading within global value chains and the development of catching-up countries’ own multinational companies, own global players.5

This latter option is the focus of the third related strand in the literature, on emerging economy multinationals (EEMNCs). Outward foreign direct investment (OFDI) by emerging economy actors is in fact not a new phenomenon (Lall, 1983; Yeung, 1994), but scholars have rediscovered this issue due to the rapidly increasing OFDI flows and stocks, driven mainly by BRIC countries since the mid 1990s (Mathews, 2002; 2006; Narula, 2010). The referred recent stream in the literature revisits the theses of the earlier “third world multinationals”-literature, according to which EEMNCs have specific features that do not correspond to advanced economies’ conventional MNCs. Scholars discuss, whether these

---

4 A near comprehensive listing of the GVC literature is provided at www.globalvaluechains.org
5 The two options may become interrelated at a certain point of time when further upgrading (above a certain threshold level) within GVCs, will necessitate decoupling and recoupling: i.e. restructuring (in some cases breaking) previous GVC linkages and creating new, often regional GVCs (cf. South-South trade), which [under some very specific circumstances] may lead to more sustainable positive development outcomes (Horner, 2013; Yang, 2013).
specifics (smaller-than-average-MNC size, relatively lower technology level, intra-regional orientation etc.) still apply, or whether EEMNCs have the same characteristics and behave just like advanced economy MNCs.6

One specific segment of this literature discusses the rapid expansion of Latin American multinationals, the so-called multilatinas (Cuervo-Cazurra, 2010; Santiso, 2008; Olaya et al., 2012; Ramsey et al. 2010). These scholars examine whether multilatinas have any common features: ones that distinguish them from other EEMNCs and/or from conventional MNCs. Scholars point to common patterns such as family ownership, or focus on the bottom end of the market: a niche that is relatively neglected by conventional MNCs. The internationalization pattern of multilatinas corresponds to the Uppsala internationalization process model (Johansson and Vahlne, 1977), according to which internationalization proceeds in stages: from neighboring economies progressively to more distant ones, in line with investors’ systemic learning during this gradual expansion process. The drivers and motivations of multilatinas’ internationalization are also specific: they include limited domestic markets and import barriers (that explain their entry in North-American markets). Multilatinas have accumulated management and coordination capabilities and resources in difficult home environments (e.g. deficiently functioning institutions, volatile economic and political environment, unstable financial system, underdeveloped infrastructure), but they can benefit from domestic low-cost labor and resources as well as from policy support that facilitates their international expansion. Given that they are accustomed to operate in turbulent markets and can creatively adapt to changes in the external environment, multilatinas have managed to overcome the recent global crisis and could further expand their international assets overseas.

Nevertheless, as Olaya et al. (2012) emphasize, the observed commonalities should not suggest any homogeneity in the internationalization paths of multilatinas: there are a number of different trajectories multilatinas follow, and a variety of entry modes can be observed. Moreover, the phenomenon of parallel internationalization in neighboring countries and in other continents increasingly applies to multilatinas.

These theoretical and empirical findings frame the context of our investigations of the characteristic features of multilatinas in CEE – based on the example of their Hungarian subsidiaries. Although the presence of multilatinas in Hungary is limited both in terms of the number of investors and the stock of FDI originating from Latin America, we believe that the variety of industries and types of linkages we have surveyed in Hungary substantiate our conclusions with respect to the features of inter-regional value chains encompassing LAC and CEE actors.

**Research method and sample**

Our research is based on five field interviews carried out at local subsidiaries of LAC-investors in Hungary. We used semi-structured questionnaires that contained mostly open-ended questions about investors’ motivations and the perceived specific features of Latin American investors. We inquired also about the characteristics of the local activities and about the performance of the local subsidiaries.

---

6 A bunch of papers examine whether emerging economies’ OFDI corresponds to the established theories of FDI, e.g. to Dunning’s (1993) OLI paradigm or Dunning’s (1981; 1986) investment development path hypothesis, or whether new theories are necessary to describe a totally new phenomenon. For space limitations we do not discuss the findings of this literature here: the interested reader is referred to Mathews, 2002; 2006; Narula, 2010; Ramsey et al., 2010.
A group of questions addressed the organization of intra-value chain linkages. The interviewed managers were asked also about the investors’ local embeddedness, i.e. about the given subsidiary’s linkages with local actors. Finally, we also inquired about future perspectives at the level of the subsidiary, i.e. about any additional investment plans by the owner, e.g. plans to relocate the production of further products to the Hungarian subsidiary; about the subsidiaries’ potential functional upgrading into research and development or into other relatively high-skill activities and business functions.

The Box below contains the interview protocol, i.e. the key topics along which we structured our interviews. If certain topics were considered irrelevant, we simply omitted them, and did the same, if the interviewed manager did not want to disclose any information about a specific issue. On the other hand, in the case of topics considered important by the interviewed managers, the applied structure gave sufficient liberty to the interviewer to elaborate on them and ask additional questions.

We conducted phone interviews with the CEOs or assistant CEOs of the firms (four cases), or with an IT-manager (one case).

In order to validate our data, interview information has been complemented in the case of each firm with written documents, newspaper articles, the firms’ information brochures, publicly available balance sheet and profit and loss statements, as well as with the official ‘notes to the financial statement’.

As the interviewed firms required anonymity, their names will not be disclosed. The companies in our sample have been selected on the basis of databases of professional associations including the Hungarian Investment and Trade Agency, and the Latin American department of the Hungarian Chamber of Commerce, as well as drawing on information from newspaper articles (Table 1).

We have deliberately selected firms from a variety of industries: pharmaceutical, automotive, food and business services. The size of the interviewed firms also features substantial heterogeneity, ranging from small (5 employees) to large (784 employees) in 2012. Export orientation varies from 25 % of net sales up to 100 %.

In order to complement the information we have gained from the interviews, we conducted desk research with respect to a couple of other Hungarian firms, subsidiaries of LAC-investors, which have not been selected to be interviewed. Since these finding are interesting we shortly summarize them below.

Our first screening of the list of LAC-investors’ Hungarian subsidiaries yielded an interesting result, namely that these firms can be classified in two clearly distinct groups. The first group contains real firms (i.e. with real activities). These firms are heterogeneous from the point of view of size, activity, industry and performance. The second group consists of firms that exist only on paper. We have identified seven such firms: they pertain to the groups of the largest multilatinas. They do not have any real manufacturing or business services operations: officially they are trading, asset management or financing companies, but in fact they are the products of their owners’ creative accounting efforts.7

These latter firms have a number of commonalities: minimal number of local employees (zero, two or three, in one case 17), net sales that do not correspond to their local activities (hundreds of millions USD). Most of them document relatively huge losses before tax in their accounts. The direct owners of

7 Tecebim International, pertaining to the Mexican Grupo Bimbo; JBS Hungary, pertaining to the Brazilian food multinational JBS (one of the biggest meat producer in the world); Aracruz Fibria Trading International Ltd. and Fibria Overseas Holding Ltd. pertaining to the Brazilian Fibria (cellulose, pulp and paper) Group, and EKT International Investment Zrt., pertaining to the Mexican Grupo Elektra; Votorantim Europe Ltd. pertaining to the Brazilian Votorantim Metais; Gerdau Hungria Ltd. pertaining to the Brazilian Gerdau Group; Petrobras Hungary (pertaining to the Brazilian Petrobras group).
these Hungarian subsidiaries are in most cases European subsidiaries of the LAC-investors (e.g. from Austria, Switzerland, or from Luxembourg). Some of the Hungarian firms have large (billions of dollars worth) equity ownership in American or in other subsidiaries of their LAC-owners, or they finance (grant loans to) their owners’ subsidiaries. These loans amount to dozens or hundreds of millions of USD. Since the stated numbers are not realistic in a Hungarian context, we have classified these subsidiaries as ones existing only on paper, albeit complying of course with all Hungarian regulations. They have been established for reasons of tax minimization.

Although interesting from the point of view of MNCs’ value chain structuring strategy and business models, for our interviews we have rather selected companies that perform real activities in Hungary.

Table 1

Characteristics of the sample

<table>
<thead>
<tr>
<th>No.</th>
<th>Industry</th>
<th>Home country</th>
<th>Interviewed manager</th>
<th>Number of employees (2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>automotive</td>
<td>Mexico</td>
<td>CEO</td>
<td>784</td>
</tr>
<tr>
<td>2.</td>
<td>automotive</td>
<td>Brazil</td>
<td>assistant CEO</td>
<td>322</td>
</tr>
<tr>
<td>3.</td>
<td>food (trade, distribution)</td>
<td>Brazil</td>
<td>assistant CEO</td>
<td>14</td>
</tr>
<tr>
<td>4.</td>
<td>pharmaceutical</td>
<td>Argentina</td>
<td>CEO</td>
<td>5</td>
</tr>
<tr>
<td>5.</td>
<td>business services</td>
<td>Mexico</td>
<td>IT manager</td>
<td>26</td>
</tr>
</tbody>
</table>

Interview protocol

1. Basic data of the company
   • Activity
   • Investor’s home country
   • Number of employees (last year available)
2. Specifics of the investor: Any LAC-specific characteristics?
3. Linkages with the LAC-headquarters
   • Direct versus indirect control of mother company
   • Linkages with partner subsidiaries worldwide – which partner subsidiary is responsible for which business processes
   • Linkages with partner subsidiaries in CEE
4. Motivations of the investor
5. Local linkages
   • with Hungarian firms
   • with local professional associations, clusters, LAC-Hungary associations, etc.
   • with local universities
6. Future perspectives
   • additional investment and expansion plans
   • looming divestment decision?
   • functional upgrading perspectives
Results

*LAC-investors in Hungary — organization of global value chains*

The first conspicuous feature of the interviewed companies was that their LAC-investors were all perceived by the local managers as if they were ‘indirect owners’, i.e. ‘far away owners’ whom the local subsidiaries have minimal direct relations with. The perceived owners, i.e. the companies whose managers exercised control were usually either the European regional headquarters (HQ) of the multilatina in question, or another European subsidiary of the owner (e.g. in Austria, Germany, Cyprus, Netherlands, or Spain).

As one of the interviewed managers expressed: “We know that the decisions arrive from [are taken in] Brazil and this is what we are told by the Austrian managers who inform us about the new decisions. Nevertheless we tend to regard the Austrian partner as the one who exercises control. To make things even more complicated, the Austrian subsidiary of our owner is not the real European HQ, responsible for Europe, only a kind of shared services center, responsible for administrative issues, for controlling and for some financial business functions. The real regional HQ is located in the Netherlands. Management trainings or workshops are organized from time to time at the regional HQ, and some managers come to visit us from the Netherlands to discuss specific issues. Otherwise we have little contact with them. On the other hand, with respect to IT issues we consult the Brazilian IT-specialist, but in fact this is just because the shared services center of the IT function is in Brazil. If it was located in another country we would have no direct linkages with the owner at all. We neither import from, nor export to Brazil.”

This feature (a very distant owner) was even more exaggerated in the case of another subsidiary (No. 2) whose manager wanted to decline the interview, saying that they “have nothing to do with the Brazilian owner”. Of course everyone knows at the firm that they belong to a large Brazilian group, but they have absolutely no contact with them. Their direct owner is the Brazilian group’s German subsidiary.

A relatively stronger linkage with the LAC-owner was reported by the interviewed manager of the business services firm (No. 5). In their case, a Mexican expatriate is the CEO of the local subsidiary, and he participates from time to time at corporate meetings in Mexico. Nevertheless, even in this case, the company that exercises direct control is the regional HQ of the owner, located in Madrid.

The pharmaceutical company also has relatively strong linkages with its Argentine investor, given that it imports some R&D activities from its owner and pays royalties for it. The activities of the Hungarian subsidiary are financed by the Argentine owner and by its U.S. subsidiary in the form of intra-group loans. The accounts of the Hungarian subsidiary also contain some equity stake in the Argentine ‘owner’ (note that the official owner of the company is a subsidiary in Cyprus) and the Hungarian company has relatively large equity in the U.S. subsidiary of the Argentine owner.

While these latter data are the products of creative accounting and explained by tax minimization reasons, the complexity of value chain organization (as far as real activities and business functions are concerned) was better illustrated by another interviewed CEO. In this case, nearly every single business function within the value chain is allocated to different (though in many cases to several) subsidiaries. For example, a German subsidiary is responsible for procurement (of every kind of inputs except for raw materials). The Spanish subsidiary is assigned the tasks of procurement of raw material. Another German subsidiary is responsible for product development (but the Mexican owner has product development centers in Poland Austria, Canada and of course in the home country as
well). The Hungarian subsidiary is responsible for manufacturing, though the owner has several other manufacturing facilities in Europe (including the CEE: Poland, the Czech Republic and Slovakia) as well as in other continents. The Mexican HQ – specialized in global strategy development, controlling and in the management of intra-MNC financing – retained the decision right with respect to global issues, while it delegated the control of its Hungarian subsidiary (and the related back office functions) to its regional headquarters in Germany.

Several companies in our sample have multiple linkages with their owners’ subsidiaries in other CEE countries (No. 3 and No. 5) as well as with CEE network partners8 (No. 4) within their owners’ global value chains. Two firms provide shared services center-type services to partner subsidiaries in CEE: No. 3 is responsible for CEE-wide distribution and logistics and No. 5 is specialized in IT-specific consulting, software development and IT-outsourcing services.9 In contrast to these firms’ CEE-linkages, the CEE-linkages of No. 1 are not trade-based: here, the Mexican owner operates a system of regular best practice sharing among partner subsidiaries. Manufacturing subsidiaries in other CEE countries are particularly important for the surveyed Hungarian company: managers at various levels (functional officers and CEOs) regularly exchange their experiences, for example with respect to operations management, material testing, quality issues, local suppliers, etc.

The global character of the LAC-owners is reflected by their aggressive expansion to achieve strong global market position. As one of the interviewed managers said: “Every year, new and new partner subsidiaries are added to our owner’s portfolio”. Geographic diversification is considered indispensable by LAC-investors as the different market dynamics in different regions of operation can mitigate revenue volatility. Interestingly, one manager in the sample received “launch management”-type project tasks: he was entrusted with the task of establishing and running up a new subsidiary in Asia (!) and transferring his accumulated experience during the initial months of the operation of the LAC-investor’s new subsidiary.

In summary, the only LAC-specific feature revealed by our interviews is that control is exercised through the owners’ European subsidiaries: LAC-owners do not directly deal with their Hungarian subsidiaries. This may be explained by LAC-investors’ global strategy, which prompts them to delegate CEE-specific tasks (i.e. tasks related to the operation of peripheral subsidiaries within Europe) to their European (regional) headquarters. Another reason of the “vanishing real owner” may be the relative little importance of the Hungarian subsidiaries. This makes the author of this paper associate to Bouquet and Birkinshaw’s (2008) paper on the importance of headquarters’ attention. Bouquet and Birkinshaw claim that headquarters’ attention is based on the structural positions that subsidiary units occupy within a corporate system, i.e. on the weight of the subsidiary.

**LAC-investors’ motivations**

Answers to the question “What motivated the LAC-investor to establish a facility / a subsidiary in Hungary?” were in line with the wide variety of industries, our sample companies represented. International expansion was a recurring motivation of the establishment of the new Hungarian facility, and in some cases this kind of driver was formulated in a more specific way, as “strengthening the Euro-

---

8 Network partners in a GVC are formally independent firms that have long-standing business relations with the GVC-orchestrator, marked by substantial relationship-specific investment.

9 No. 5 provides these services both within the firm and externally: to its owner’s CEE subsidiaries, to other subsidiaries worldwide and to its owner’s global clientele. This firm has two Mexican owners: the main owner is one of the largest multilatinas (it operates in the construction industry). This multilatina established a subsidiary, a shared services center for IT-services, which in turn has become a global company itself: it is one of the largest IT consulting, systems integration and application outsourcing services provider in the world.
pean presence”. From this point of view, Hungary’s beneficial geographic location is considered an asset.

Otherwise, motivations were rather function of the industries in question and not LAC-specific. In the case of the pharmaceutical company (an R&D services provider) for example, the investor’s motivation was to leverage globally distributed knowledge and access local talent.

Foreign investors’ traditional motivations, including low wage-costs and relatively skilled, reliable workforce apply to the surveyed companies as well, especially to No. 1, 2 and 5. When expounding on this topic, one manager (No. 5) added, that Hungary’s traditional wage advantage has been rapidly eroding for the past couple of years, which jeopardizes the local operations, especially in the light of an increasing competitive pressure from low-wage economies. Note that No. 5 is a firm specialized in business services provision, with only high-skilled white collar workers. This feature is worth being emphasized, since what analysts usually have in mind when warning about foreign investors’ looming divestment and relocation acts that come as a reaction to the increasing wage-level in CEE, are low-skilled activities, requiring blue-collar labor. In contrast, IT-based business services may prove to be even more footloose than manufacturing.

Sample firms’ local linkages in Hungary

Information about local linkages has also substantiated the working hypothesis of this study, namely that most of the analyzed features of the sample companies depend on industry- or technology-specific characteristics rather than on the country/continent of origin of the investors. Linkage-building and local embeddedness has also proved to be industry-specific, rather than LAC-specific. For example, No. 3 tried to intensify its local relations with universities, industry associations, local authorities and NGOs, partly through public relations and corporate social responsibility actions, because the specifics of the food industry (importance of branding) require this type of linkage building. The business services provider (No. 5) on the other hand, had no local linkages except for participation in relevant universities’ career building /matching events. On the other hand this firm expressed its willingness to participate in the newly formulating Latin American section of the Hungarian Chamber of Commerce and Industry.

The local linkages of the interviewed automotive subsidiaries are also industry-specific: they have slowly evolving linkages with local suppliers (the share of local supplies is of a fairly low level though), as well as some linkages with Hungarian automotive clusters. For human resources development purposes, they actively seek contact with related universities and professional secondary educational institutions in the region. No. 4 (specialized in pharmaceutical R&D) is globally rather than locally embedded: according to the interviewed manager the firm has trade-based linkages and contacts only with the owner’s GVC partners, including both subsidiaries (for example in the U.S.) and network partners (in Romania, India, UK, etc.).

Future perspectives

Answers to questions with respect to future perspectives were quite heterogeneous: including substantial production expansion and job creation plans; stagnation (no changes); as well as looming downsizing. Automotive firms reported that they have successfully overcome the 2008-2010 crisis and

---

10 Note that No. 1 established also LAC-specific linkages: it is founding member of the newly formulating Mexican–Hungarian Chamber of Commerce.
their owners are planning further capacity expansion (both in Hungary and at production facilities in other continents). No. 1 even informed us about successful upgrading: in addition to its (expanding) core manufacturing operation it specializes in the manufacturing of casting tools, i.e. tools to form moulds. The Hungarian subsidiary will supply these tools also to the owner’s other CEE manufacturing subsidiaries (specialized in manufacturing the same products).

The other extreme was reported by the interviewed manager of the IT-firm (No. 5). In their case, the LAC-investor has started an organizational restructuring process with the aim of cost cutting. Restructuring involves the relocation of some back office services type activities to another CEE-subsidiary, where the local wage level is lower than in Hungary. Although not directly jeopardized by this decision, the interviewed manager is aware of declining sales in their own business line, which is only partly compensated by their ongoing diversification efforts: in addition to intra-group services provision they are increasingly turning to external customers. Nevertheless, the owner’s plans to open an IT-outsourcing centre in Manila (Philippines) may jeopardize the fate of the Hungarian subsidiary.

The interviewed managers had a consensus opinion that owners react quite rapidly to changes in the external environment: both expansion and downsizing are promptly decided and implemented, which is in line with the thesis of the academic literature on the flexibility and creative adaptation of multilatinas (cf. Cuervo-Cazurra, 2010; Santiso, 2008; Olaya et al., 2012; Ramsey et al. 2010).

Discussion and conclusion

Our interviews yield various noteworthy and thought-provoking lessons. The primary objective of our research was to find out whether the surveyed LAC-investors have any LAC-specific commonalities and whether their local activities support the claim that globalization is gradually gaining ground at the expense of triadization. At the same time we also intended to find support for the claims in the academic literature that multilatinas have some special firm-specific assets that facilitates their global expansion in turbulent times.

Our findings suggest that multilatinas, just like the majority of EEMNCs have successfully converged to conventional MNCs and have few specific features (i.e. they have no features that do not exist / would be impossible to identify in a sample of conventional MNCs). The fact, that they flexibly respond to changes in the external environment, or that they are ‘aggressively’ expanding through mergers and acquisitions are not LAC-specific, neither is creative accounting. The complexity of value chain organization and the fact that overseas investors (in this case LAC-investors) delegate the control of their regional peripheral subsidiaries to their regional headquarters is prevalent in advanced economy MNCs as well.

On the other hand, our survey of existing LAC-investors’ activities in Hungary supports the claim of ‘triadization’ scholars, in the sense that they are ad hoc, ‘exotic’ examples of some MNCs’ global expansion. LAC-investors’ presence in Hungary is very limited: it is driven either by the personal Hungarian roots of the owners, or – more frequently – by the global expansion of multilatinas through mergers and acquisitions. This latter entry mode applies to two companies in our sample. A German (No. 2) and a Norwegian company (No. 1) have been acquired by Latin American investors, and thereby their Hungarian subsidiaries became multilatina-owned.

Nevertheless, Hungary’s recently increased commitment to enhance its economic relations with Latin American countries, marked by a multiplication of economic diplomacy actions, is welcome: from a low basis rapid and spectacular improvement can relatively easily be achieved.
References


Cuervo-Cazurra, A. [2010]: Multilatinas. Universia Business Review, Q1


Lall, S. [1983]: The New Multinationals: The Spread of Third World Enterprise. Chichester: Wiley


Yang, C. [2013]: From Strategic Coupling to Recoupling and Decoupling: Restructuring Global Production Networks and Regional Evolution in China, European Planning Studies, Vol. 21., No. 7.
