The springboard network: multinationals in Latin America

Federico Quesada Chaves
Department of Economics, Costa Rica Open University, UNED Costa Rica, Sabanilla, Costa Rica

Abstract
Purpose – The purpose of this paper is to provide empirical evidence regarding the springboard regionalization strategy implemented by multinationals entering Latin America and the organizational networks developed to serve this end.

Design/methodology/approach – Using the organizational network approach, a typology is developed to explain the Springboard network. Quantitative analysis is used, in the form of logistic binary regression, to study these networks composition.

Findings – From a sample of 154 subsidiaries extracted from the AMADEUS intelligent database, three categories for multinational’s networks are created, with the Spanish subsidiary acting as the leader: strategic centers (SCs), administrative centers (ACs) and regional headquaters (RHQs). Findings provide evidence of cultural features, industry behavior and the multinational’s size and entry mode influence these networks organization.

Research limitations/implications – It is proposed that culture and historical ties have evolved together and management scholars should be aware of this phenomenon. Specific limitation that this study exhibits is the data provided by AMADEUS and the fact that R&D information for both the Spanish and the Latin American subsidiary were not available.

Practical implications – Staffing composition and expatriate corporate policy should consider the springboard effect to manage springboard networks.

Social implications – Industries and authorities in all countries involved should be aware of their role in MNC strategies for regional expansion.

Keywords Multinational-firm, Latin America, Subsidiary, Regionalization, Networks

Paper type Research paper

1. Introduction
FDI toward cultural and institutional distant regions does not always follow a straight line. A multinational could choose to enter these new markets in a stage process, establishing FDI in a country that already has some type of previous relationship with the target region and is also linked with the FDI’s country of origin. From this learning process, FDI can overcome the complexity implicit in these foreign markets and the cultural and institutional hazard present when entering those new environments (Khanna et al., 2005; Rottig, 2016).

This phenomenon is identified and theorized as the springboard effect and is present in business relationships among countries and regions that also mediates multinational subsidiaries and strategies (Pla-Barber and Camps, 2012). Subsidiaries established in a springboard country will develop a particular knowledge that will enhance the results of implementing regional business strategies. In fact, the German Chamber of Commerce for Spain (AHK) reported, in 2010, that “[…] the secondary purpose for establishing new subsidiaries in Spain was to use these resources as a springboard toward third markets, particularly Latin America […].” These subsidiaries, as business units, evolved into regional headquarters (RHs) (Bouquet and Birkinshaw, 2008) and developed strategic networks (Gulati et al., 2000) as part of their regional strategy to control and manage new growth.

Although the springboard effect is presented and proven, there is a research gap regarding the relationships between the springboard subsidiary and the inner
networks of subsidiaries created with the target region. In the literature related to this phenomenon (Pla-Barber et al., 2014), it is mentioned that larger more experienced multinationals tend to accumulate a higher number of subsidiaries in the target region, however, there is no empirical evidence regarding the nature of the relationship between the springboard subsidiary and the subsidiaries in the target region, and mostly what determines its conformation. This is particularly relevant for like Latin America, where Spanish Subsidiaries that originated from multinationals from other European, Asian or North American countries, own at least one subsidiary in this region and have presence in all these countries, from the north Mexican border to the Patagonia.

A typology for springboard subsidiaries is theorized in Pla-Barber et al. (2010), and in order to provide support for this scheme, the main purpose of this paper is to identify a network of subsidiaries in Latin America and the regional strategy for expansion implemented, where the Spanish subsidiary would be acting in the center as the leader, and the factors that determine this network conformation. This paper is structured as follows: the present introduction, followed by a theoretical framework that introduces the MNC phenomenon as a network configuration. Results are presented with the culture of the country of origin, the MNC’s size and industry determining network organization, and these are followed by implications, conclusions and limitations.

2. Literature review

Multinational enterprises as an organizational network and the new subsidiary role

Doz and Prahalad (1991) argued that a new research paradigm is needed to explain the complexity of social, cultural and institutional differences across countries and regions that MNCs face. A particular body of literature about multinational’s strategies have centered on subsidiary behavior, using the network approach (Bartlett and Ghoshal, 1989, 1993; Ghoshall and Barlett, 1990), as it is easier to determine the particular roles of this business unit from an strategic point of view (Jarillo and Martinez, 1990). The network approach applied to MNCs acknowledges the existing social relations between groups of individuals and their objectives by using the Warren (1967) proposal, in which these groups will act toward particular aligned goals. According to this typology, MNCs interact in the contexts where groups of individuals display decision-making, recognize hierarchy, and use the division of labor and high norms of commitment to achieve goals. This particular type of network rests in between unitary and federative structures. Unitary organizations will display a higher degree of hierarchy, and therefore, higher commitment norms as well. On the other hand, a federative structure displays a lesser degree in these dimensions, hence, individuals focus in the search of particular goals.

This approach predicts that MNCs units (subsidiaries) can have a higher or lesser degree of power according to the accumulation of relations with other subsidiaries, and this will be the result of subsidiaries, adopting goals of their own and achieving certain degree of autonomy within the multinational, resembling a federative structure. Further research has confirmed that the subsidiary autonomy can lead to a new enriched role, shifting from being technology deposits and implementation units, to strategy formulators and added value creators (Birkinshaw et al., 1998). Autonomy will also be triggered by the subsidiary’s ability to interact on global networks, or to create its own network of relations, and this interaction will prove to be of strategic value to the MNC (Gulati et al., 2000). As subsidiaries grow more specialized using their talents and skills, a higher degree within the MNC can be achieved, up to the point of decision making. Subsidiaries achieving higher hierarchy levels may even become RHs, when they gain influence in both internal and external networks of interest for the MNCs (Bouquet and Birkinshaw, 2008).
**The springboard phenomenon**

According to FDI literature as well as empirical evidence, there is a negative association between FDI performance and cultural and institutional distance (Rottig, 2017). Springboard subsidiary theorists sustain that a springboard country as a host for FDI enables a capability build-up in the subsidiary, which is used by the multinational organization to avoid cultural and institutional hazards present in the emerging economies (Khanna et al., 2005; Rottig, 2016). This theory suggests that the knowledge acquired by the subsidiary in the springboard country is similar to that of the traditional internationalization stage process (Johanson and Vahlne, 1977; Johansson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1990), and from then, it is possible to enter different cultural and institutional markets. Identifying Spain as a springboard country is a given (Pla-Barber et al., 2010), and from that premise, several multinationals, whose country of origin is located in different regions across the world, can use Spain as a springboard country and therefore, coordinate an expansion to the Latin Americas, however, new research is required to identify other countries and subsidiaries displaying this particular behavior in other regions. In the particular case of this document, we assume Spain as a springboard country, and some Spanish subsidiaries owning assets in Latin Americas, as Springboard subsidiaries.

Depending on the capabilities and other variables that will be further discussed, a springboard subsidiary could undertake tasks related to their influence in the multinational network. Pla-Barber et al. (2010) maintain that this particular business could adapt the typology proposed by Surlemont (1998). According to this author, subsidiaries achieve recognition, because of their influence within the multinational, and this phenomenon can be measured by using the scope and domain present in the particular subsidiary. Domain is understood as the degree of influence over other multinational network units achieved by a particular subsidiary due to the number of activities it is managing for other groups of companies (Surlemont, 1998). On the other hand, scope refers to the ability that a subsidiary has to be in charge of managing through coordination and control (Idem). An administrative center (AC) coordinates and manages a limited number of activities for a large group of subsidiaries and it has limited domain over those. A strategic center of excellence (SCEs), influences a lesser number of subsidiaries, but has a particular expertise over a certain number of activities. Finally, a global or RHs will have accumulated both the distinctive features, high scope and domain.

**The springboard network**

MNC’s complex network composition and the core activities centered round it will be a strong indicative about the knowledge-seeking behavior and market expansion, however, the literature regarding this issue concludes that MNCs may have a strong participation in trans-border clusters (Rugman and Verbeke, 2003). Clusters according to the literature (Birkinshaw and Solvell, 2000; Porter, 1998) may have different structures according to their historical emergence and indigenous features, and they can also be categorized in relation to their political position or Mintzbergian perspective. The trans-border cluster view states that some may be symmetrical and have a large number of actors with no leadership shape, looking to obtain specific benefits from agglomeration, and according to Rugman and Verbeke (2003), it has a strong “calculative” basis, which means, all firms enter further analysis of costs and benefits from agglomeration participation. According to these authors, a strong federative behavior is identified when these conditions are met with. On the other hand, the existence of asymmetrical clusters is also identified and characterized as a group of firms with a clear leader, coordinating what the authors refer to as co-evolution. Agglomeration core leader or leaders will benefit from capability build-up and knowledge spillovers to the rest of cluster participants, or, what is also known as “relational rents” or inter-organizational competitive advantages. MNCs will seek knowledge, and that will be
one of the reasons to acquire springboard subsidiaries or establish Greenfields in the springboard country (Pla-Barber and Camps, 2012). According to the literature, network development mainly happens through Greenfields, and MNCs will choose to acquire networks already created and knowledge already contained in it if the MNCs exhibit previous FDI experience (Slangen and Hennart, 2008).

Parent business units from the MNC’s country of origin have introduced practices and organizational routines in acquired network of subsidiaries, using parent executive expatriates, or what is called a double-layered acculturation process, which consists of culture-related problem resolution through the introduction of new organizational and managerial practices from the MNCs (Barkema et al., 1996). Practices and organizational routines exchanged between the springboard subsidiary and parent subsidiaries will shape the springboard subsidiary’s regional mandate. Once a collective imagination is created, the springboard subsidiary will exert leadership in the springboard network (Pla-Barber and Camps, 2012).

Springboard theory is centered around the Spanish Subsidiary, as well as the role played as the leader of the multinational regional expansion. In this particular context, the concept of “centre” can explain why some subsidiaries achieve importance (Surlemont, 1998). A “centre” can manage, control, and centralize certain activities (Bartlett and Ghoshal, 1989) (Figure 1).

As part of a larger network that generates competitive advantages, the Spanish and Latin American subsidiaries which shaped the springboard network interact with local networks of the providers, customers, government institutions and competitors or what Bouquet and Birkinshaw (2008) describe as the external embeddedness and the inner

**Figure 1.** Subsidiary typology proposed
network of relations with other subsidiaries inside the multinational or corporate embeddedness. The central argument is that Multinationals always seek resources and competitive advantages, and, as stated by Porter (1998), clusters display these sources of competitiveness. As indicated by Rugman and Verbeke (2003), multinational firms are the core of multinational clusters, or, as these authors called, trans-border clusters, on which firms can benefit from the strong determinants of more than one country. Springboard networks will be active on trans-border clusters, and this will be the incentive for multinationals to design strategies that fit in with this environment.

According to Hennárt (2009), when MNCs face the decision of entering a new market, it will be based on the access to complementary assets and assets services. When the region has imperfect markets for those assets, for the firm itself, and for the ways to implement an efficient Greenfield, then a full acquisition is preferred. Tacit knowledge is one of the reasons why multinationals acquired through full acquisitions or mergers, with assets in Spain, use them as the springboard network to Latin America, as the new firms already have assets in Latin America. So, before the regional mandate is set, MNCs acquires the firm which is already positioned in the target region. After the acquisition or merger takes place, the Spanish subsidiary will become the bridge to the headquarters and the assets already owned in Latin America. In this case, the Spanish subsidiary will undergo a process of resource allocation (Uhlenbruck, 2004). The role played by the Spanish subsidiary and the network already present in Latin America, will depend on the strategy, structure, and culture which is related to the multinational that acquired the assets in Latin America (Figure 2).

**Cultural groups**

To identify the different types of leaderships present in springboard subsidiaries, and therefore, analyze the network configuration, a theoretical background by Hoefstede (1983) and the GLOBE project representatives in the form of Gupta et al. (2002) can be established as a reference about the different types of leader formations, according to the regions from which the Multinational generated. The differences present in the existing springboard networks,
which are the result of merger and acquisitions, can also be influenced by culture. The possibility of growth toward Spain by using mergers and acquisitions can be identified; however, there is a need for a specific theoretical framework to study this particular expansion mode and cultural influence as well, not only motivating this expansion method, but also the network’s strategy and organization. The GLOBE project identified a number of different groups of countries, as a result of the leadership characterization present in their respective cultures. Table I shows these different groups and their respective countries.

Cultural differences, the Springboard subsidiary, and the springboard network
According to Ghoshall and Barlett (1990), developed countries have deep business relations across their networks country-wide, and therefore, face less risks when entering new businesses, which is why the multinationals present in these countries tend to look for markets similar to their own to avoid risk (Hennárt, 2009). Gupta et al. (2002) take into consideration two meta-regions: western and eastern. The western meta-region cultural group are as follows: Nordic, Germanic, Anglo, Latin European and Latin American. On the other hand, the meta-eastern group are the following: Eastern Europe, Confucian, Southern, Arab and Sub-Saharan Africa. The authors point out the similarities present in the leadership among Nordic, Germanic and Anglo groups, especially and more importantly those related to futuristic result-oriented behavior, gender egalitarianism and individualism. These groups are conformed to mainly by developed countries, as shown in Table I, and therefore, among them exists higher-density business networks, unlike that of emerging countries, and thus, the need to develop networks among firms and industries is higher if the target regions are consisting mainly of emerging countries, like Latin America. Anglo, Nordic and Germanic cultures, the business they create, and the leadership exerted in doing so, tend to be result oriented, and their particular subsidiaries center their attention on achieving economies of scale and scope for the whole group (Surlemont, 1998). These influence springboard subsidiary and network behavior, as this does not allow the achievement of a higher influence among other subsidiaries, because the main focus is performance in what Surlemont (1998) calls a high domain, low scope subsidiary. This particular leadership will be transferred to the Springboard Subsidiary through the double acculturation process which has been already explained. Hence:

H1. Strategic Center springboard subsidiaries will likely be the result of FDI flow from a multinational, whose country of origin most likely displays result-oriented cultures.

On the other hand, Hoefstede (1983) indicates that among the Latin-European countries, such as France, Italy, Portugal, and Spain (the rest of the meta-western region, except for Latin American group), there is a tendency to concentrate and coordinate decision-making processes. This distinctive cultural feature is a result of one’s high distance from power, and high individualism. Surlemont (1998) argued that most AC subsidiaries will tend to concentrate on a large number of activities, but did not show a high domain in the activities they coordinated or concentrated upon. In this particular case, Gupta et al. (2002) made it quite clear when they argued that “[…] The Latin European cluster is distinguished by weak practices of perform orientation, institutional collectivism, and humane orientation, indicating the affective autonomy orientation of Latin European societies […]” (the underline is not part of the text). In this particular segment, Hoefstede (1983) argue that the leadership in these countries, particularly France and Belgium, follow this behavior:

[…] In countries with higher Power Distances-such as, many Third World countries, but also France and Belgium-individual subordinates as a rule do not want to participate. It is part of their expectations that leaders lead autocratically, and such subordinates will, in fact, by their own behavior make it difficult for leaders to lead in any other way. There is very little participative leadership in France and Belgium […].
<table>
<thead>
<tr>
<th>Anglo cultures</th>
<th>Latin Europe cultures</th>
<th>Nordic Europe</th>
<th>Germanic Europe</th>
<th>Groups East Europe</th>
<th>Latin American</th>
<th>Africa Sub-Saharan</th>
<th>Arabic</th>
<th>Southern Asia</th>
<th>Confusian Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>Israel</td>
<td>Finland</td>
<td>Austria</td>
<td>Hungary</td>
<td>Costa Rica</td>
<td>Namibia</td>
<td>Qatar</td>
<td>India</td>
<td>Taiwan</td>
</tr>
<tr>
<td>Australia</td>
<td>Italy</td>
<td>Sweden</td>
<td>Switzerland</td>
<td>Russia</td>
<td>Venezuela</td>
<td>Zambia</td>
<td>Morocco</td>
<td>Singapore</td>
<td>South Korea</td>
</tr>
<tr>
<td>South Africa</td>
<td>Portugal</td>
<td>Denmark</td>
<td>The Netherlands</td>
<td>Kazakhstan</td>
<td>Ecuador</td>
<td>Zimbabwe</td>
<td>Turkey</td>
<td>Philippines</td>
<td>China</td>
</tr>
<tr>
<td>(White sample)</td>
<td>Spain</td>
<td></td>
<td>Poland</td>
<td>Russia</td>
<td>Mexico</td>
<td>South Africa</td>
<td>Egypt</td>
<td>Thailand</td>
<td>Japan</td>
</tr>
<tr>
<td>Canada</td>
<td>Switzerland</td>
<td></td>
<td>Poland</td>
<td>Germany</td>
<td>Switzerland</td>
<td>Guinea</td>
<td>India</td>
<td>China</td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>(French speaking)</td>
<td></td>
<td>Greece</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td></td>
<td></td>
<td>Slovenia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td>Georgia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Gupta *et al.* (2002)
In these particular countries, concentration and rule decision process is highly concentrated, and it can be expected that most business, especially those related to multinational's activities, will follow this pattern, as these organizations tend to be large in nature. Following the original tendencies proposed by Galbraith (1967), most multinational's power-driven structure tends to be highly political, and therefore, this will influence the network’s organization. Hence:

\( H2. \) AC springboard subsidiaries will likely be the result of FDI flow from a multinational whose country of origin most likely displays cultures oriented toward decision making and coordination.

**Knowledge industries, the springboard subsidiary and the springboard network**

An industry’s nature will influence the international expansion strategy, as proven by the use of joint ventures in pharmaceutical/chemical industries, or merger and acquisitions in the finance sector (Kogut and Singh, 1988). Most multinationals present in knowledge and research intense industries (such as Pharmaceutical, software, design, advertising, publishing and communications) tend to be risk-adverse, as most of the times, the strategy for entering new markets are wholly owned Greenfields, because of the complexity of transferring tacit knowledge (Kogut and Zander, 1993). On the other hand, firms that belong to these particular industries also display higher degrees of knowledge and R&D seeking behavior (Chung and Alcácer, 2002).

This argument showed that tacit knowledge transfer will influence strategic behavior, and not so many administrative features, as proven by Surlemont (1998), because an AC does not need a higher degree of skills or specialized resources and as multinationals, which are identified as being the agents of international knowledge flows (Randoy and Li, 1998; Driffield et al., 2010). Hence:

\( H3. \) Strategic Center springboard subsidiaries will likely be the result of FDI flow from multinationals that participate in industries most likely characterized by knowledge intensity.

**Service industries, the Spanish subsidiary and the springboard network**

Service industries tend to be location-bound, as the nature of these particular businesses require a local production facility. That is the main reason why multinational service firms tend to be more FDI-intensive in comparison to the manufacturing multinationals. Another situation with regards to multinational service firms is the evident need to adapt services to attend local markets (Li and Guisinger, 1992). Both situations display a high domain which is required on a high set of areas, in order to achieve a successful investment performance, and that is why knowledge for the particular country/region is needed to prevent investment failure (Khanna et al., 2005) due to the culturally distant teams (Gupta and Govidarajan, 2001). A particular subsidiary manager and staff will have to fulfill these needs. The service multinationals’ internationalization knowledge intensity can be located in both managers or entrepreneurs within the multinational (Eriksson et al., 1997), and the knowledge combination in separated spaces is determined by this particular individual (Buckley and Carter, 2004). Spanish managers or those with a background of operating in Spain can be crucial for the investment performance, thanks to their particular knowledge, and this will also help the management’s knowledge in different countries or regions, hence:

\( H4. \) Strategic Center springboard subsidiaries will likely be the result of FDI flow most likely from service multinationals.
**Multinational’s size, entry mode and the springboard network**

When assets are acquired in cultural distant regions, the relationship between performance and this variable is recognized as negative in the emerging markets literature (Rottig, 2017). However, apparently the cost is higher if organic growth is implemented particularly in certain dynamic industries such as ICTs. Large multinationals preferred to enter the target regions without creating an impact (Hennart and Park, 1993). Dynamic industries, such as ICT’s, because of their incipient nature, tend to be less regulated and show less entry barriers. Organic growth in such conditions create instability, and therefore, there is a growing need to share benefits among the participants, as the industry develops. In addition, large acquired networks are an investment over time, and so, staff retention will insure tacit knowledge retention to be used when entering target regions (Slangen and Hennart, 2008). Dynamic industries, such as ICT’s, because of their incipient nature, tend to be less regulated and show less entry barriers. Organic growth in such conditions create instability, and therefore, there is a growing need to share benefits among the participants, as the industry develops. In addition, large acquired networks are an investment over time, and so, staff retention will insure tacit knowledge retention to be used when entering target regions (Slangen and Hennart, 2008). Large multinationals investing in Greenfields and organic growth will have to wait far more to be operational, and this situation on dynamic industries can cause expansion failure. Small and medium multinationals will likely focus on organic growth to develop the networks mostly because smaller dimensions will not allow growth by acquiring larger networks which are already present on target regions. Finally, larger multinationals will always seek specific resources, hence:

*H5.* RH springboard subsidiaries will likely be the result of MNCs entering emerging markets most likely by using a merger or acquisition.

**Multinational’s size and the RHs**

Multinational’s size is used as a control variable in the literature (Flores and Aguilera, 2007), especially when the dependent variable is cultural distance (Slangen and Hennart, 2008). Corporation size is a factor, because most of the times, when mergers and acquisitions takes place, staff retention insures tacit knowledge that will be used for international expansion (Caves and Mehra, 1986). Large multinational’s mergers and acquisitions focus on similar-sized organizations. Small and medium organizations will less likely focus on large Spanish multinationals to acquire them because they lack the resources to do so, hence:

*H6.* RH springboard subsidiaries will likely be the result of regional expansion most likely by larger multinationals.

### 3. Method

The Amadeus database by Bureau Van Dickj was used to identify the multinational’s networks in Spain and Latin America. A total of 25m firms and businesses can be identified by using this intelligent database, providing information on all business-related topics, from financial, human resources, R&D, to a number of employees and subsidiaries across the globe. Under the assumption that a group of subsidiaries in Latin America property of a Spanish subsidiary with over an 80 percent ownership insures a vertical line of command, we look for Spanish subsidiaries, owning Latin American subsidiaries anywhere from the Mexican border, from the USA to the Patagonian border in Argentina.

Our initial search gathered a total of 35,173 subsidiaries and 2,098 multinationals. From this total, all Spanish multinationals were removed, leaving a total of 372 subsidiaries and an equal total of multinational firms. From this sample, a necessary filter was applied in order to subtract all Spanish subsidiaries owned by the identified Global Ultimate Owners (GUO). Also eliminated from the sample were GUO, whose location was in countries like Panama and the Cayman Islands, and whose past could not be historically tested, to ensure that the tax heaven effect was not present in the sample, countries whose GUO was located in Latin America to avoid inverted springboard effect[1], multinationals whose GUO was identified as located on countries belonging to the Arabic cluster, to avoid the cultural
Key dependent variables

Knowledge intensity (domain). Particular activities where a subsidiary manifest domain relays on the interaction context was noted. According to Surlemont (1998), a subsidiary will exert influence over a high number of activities and have access to special recourses, especially if there is a proven recognition over other subsidiaries (Frost et al., 2002). To measure this, a similar indicator to Randoy and Li’s (1998) effective knowledge transfer was used in the form of the following three dimensions: effective knowledge accumulation, human capital accumulation and human capital efficiency. The intangible assets/total assets ratio was used to measure the first dimension in a similar manner as Randoy and Li’s (1998) indicator, which was computed to measure effective knowledge transfer, but as these authors also measured knowledge deployment by subtracting knowledge flows to other subsidiaries, this was not done, because there was no related data available for Latin-American subsidiaries. Payroll total costs/number of employees’ ratio was used as human capital accumulation proxy, similar to Loree and Guisinger (1995) and Slangen and Beugelsdijk’s (2010) control variables. Finally, total assets/number of employee’s ratio was used to measure human capital efficiency, as added value figures were discontinuous from the samples like R&D data.

Regionalization intensity (scope). To measure this variable, a regionalization indicator which is very similar to Surlemont’s (1998) breadth of influence, was developed in the following three dimensions: number of subsidiaries present in Latin America owned by a Spanish subsidiary, the number of countries where these subsidiaries were located, and finally, the total number of subsidiaries owned by the Spanish subsidiary.

To measure the scope directly by establishing a vertical relationship between Spanish and Latin American subsidiaries, a similar indicator to Slangen and Beugelsdijk (2010) was developed to measure the vertical foreign activity, but instead of using parent-affiliate aggregated sales, we use ownership percentage which is superior to 80 percent by the Spanish subsidiary. To measure the second dimension, a similar indicator to that of Slangen and Hennart (2008), MNC’s international experience was used, but instead of adding the total number of countries entered by the multinational, we limited it by only adding Latin American countries were the multinational had presence.

Independent variables

Cultural distance. Different forms of measuring this variable have been used in several studies (Slangen and Beugelsdijk, 2010), but most can be traced to the four power dimensions which were originally published by Hoefstede (1983), and as this last study is the basis for Gupta et al.’s (2002) cultural group configuration which is already presented, a dummy variable was designed by establishing the multinational’s GUO country, and then, the country in the cultural group was identified. Three main global groups were identified: Saxon, Nordic and Germanic, Latin European, Confussion and Southern Asia. East Europe, Arabic, Sub-Sahara and Arabic countries, were not considered for the reasons explained, or because no multinational GUO countries were identified from these groups. As already discussed, Arabic countries were suppressed from the sample. Two categories were finally design: countries with a culture result oriented with a value of 0 (Saxon, Nordic and Germanic), and
countries with culture oriented toward coordination and decision making (Latin European) with a value of 1.

Industry. European NACE code was used to identify the different industries present in the sample, and then, a dummy variable was designed to concentrate on the sectors present, by using the groups based in one digit classification which is similar to Makino and Tsang (2011). Five categories were created: category one is the related sectors to ICTs sectors, category two is the physical or chemical change (agriculture, manufacture, extraction, and construction industries), category three included commercialization services, category four was named as professional services (transport, hosting and professional), and finally, category five included all financial services.

Entry mode (Spain). This variable was not present in the AMADEUS database, and had to be built by reading each GUO history and acknowledging the process that led to the Spanish Subsidiary’s creation and evolution. The variable generated was similar to that which was used by Slagen and Hennart (2008), with the only difference being that it was checked by the author, instead of being obtained with a questionnaire. During this process, a Spanish subsidiary was categorized as organic growth, where if the Spanish subsidiary was founded by the multinational using its own resources, and a merger or acquisition, especially if the story indicated any resource transference from one Spanish organization to the multinational. A dummy variable was generated with two categories, merger and acquisition entry with a value of 0, and wholly owned Greenfield with a value of 1.

Multinational size. Two indicators were used to measure this variable: the multinational’s total number of employees and the multinational’s total assets like Berry (2015). Both these indicators were obtained by accessing AMADEUS. The original sample was grouped into three categories: small multinationals under 250 employees, medium multinationals between 251 and 1,000 employees, and large multinationals with more than 1,000 employees.

Control variables
Multinational experience. The multinational’s creation year was identified, and the years active were computed. This variable was introduced to prove that larger and more experienced multinationals are keen to enter distant markets, as opposed to their inexperienced counterparts (Barkema et al., 1996; Dau et al., 2015). If this variable was proven significant, it could be a strong indicator that a given multinational may find the use of Springboard networks to be indifferent.

Spanish subsidiary’s size (Spain). The same indicators as the multinational’s size were used, but only the number of employees present in the Spanish Subsidiary owning the Latin-American subsidiaries was computed, as opposed to the multinational’s size, where all employees working in the organization were used. Other employees present in Spain’s other subsidiaries within this country were not used, and only the employees present in the springboard subsidiary were used. This variable was added to control for the bias caused by the subsidiary size and growth, in order to control and monitor activities in different countries (Rangan and Sengul, 2009).

Profit after taxes (Spain). Profitability is used as a control variable to avoid bias caused by the Spanish market. It is argued that the higher the FDI-perceived attractiveness in the host country, the higher the possibility to move the headquarters to this host country (Birkinshaw et al., 2006).

Factor and regression analysis
Data for the key independent variables were transformed into logarithms, in order to obtain the groups of subsidiaries concentrating around both domain and scope. Ward cluster and k-means analysis were used to observe the group conformation around the scope
and domain. These techniques are not use for inference, however, of the two, ward analysis is the most potent non-statistical method for inference purposes as it has being used on other studies of this nature (Forsgren and Pedersen, 1998), and was selected for the next stage. Once the three clusters were identified, a step-wise discriminant regression analysis was used to depurate the original clusters and to make them more separated from the rest, and more concentrated around the means. Five depurations were implemented.

Finally, logit regression analysis was considered to be the best option for determining the cluster conformation by using the dependent variables for one reason; the key independent variables were transformed into three groups, and thus, this was a dummy variable. Although multinomial regression analysis prove significant, to simplify interpretation, logit regression analysis was used between the three groups, and this resulted in three different models 1a–3a. Model 1a consisted of 115 observations, and was constructed to determine any statistical differences between RHQs and SCs. RHs dummy variable assumed a value of 0 and strategic centers a 1 value. For model 2a, 96 observations were used to test if the ACs dummy variables that undertook a 1 value and SCs a 0 value, had any statistical differences. Finally, model 3a had 97 observations, and ACs dummy variable assumed a value of 1 and RHs a 0 value. All variables were included in these three models after the correlation between the dependent and independent variables was proven non-significant. The dependent variables were all grouped into one dummy variable, and correlation for the dependent variables was tested by using a two tale Pearson correlation index. Some of the independent variables tested positive for correlation index, however, some models with this problem have been used in the past (Flores and Aguilera, 2007). To avoid the co-linearity problem that could result in the dependent variables testing positive for correlation, the variance inflation index (Hair et al., 1999) was computed for all dependent variables. Finally the three models were computed using a step-wise method to determine the most significant variables.

4. Results
Ward cluster analysis depurated five times show that ACs own a mean of 3.12 subsidiaries in Latin America, as opposed to SCs, which own only a mean of 1.8 subsidiaries in this region. Interestingly, RHQs own a similar mean of 3.26 subsidiaries with a similar standard deviation, but with a much higher knowledge intensity of 19.15 for the intangible assets/total assets ratio, as opposed to the 1.24 displayed by SCs and 0.14 by ACs. As it seems, knowledge intensity is easier to achieve than subsidiary ownership. ACs showed a mean of ownership of 8.76 for total subsidiaries around the world, RHQs achieved a mean of 11.20 for this indicator and SCs a mean of 6.8. Spanish subsidiaries hold a particular knowledge for managing the subsidiaries, not only in Latin America, but in other regions as well, as this last indicator showed. However, the ownership of subsidiaries located in Latin America still remain a majority. No proof of the Surlemont (1998) argument was found in this sample regarding dormant centers and the evolution proposed by this author.

The final three models all had variables converted to logarithms and displayed some sort of correlation, as shown in Table II. So, to avoid any co-linearity problems, the variance inflation index was computed and all independent variables were tested for less than 10 values, as suggested by Hair et al. (1999). All the hypotheses were previously tested using a residual typified analysis.

Table III shows the final results for logit regression analysis. H1 and H2 are confirmed as the differentiation between SCs and ACs and ACs and RHQs was proved to be significant \((p < 0.05)\) in models 2a and 3a, respectively, with the expected sign to be positive as a strong indication of the investigated relationship. These results agree with the original propositions of Barkema et al. (1996) and Slangen and Hennart (2008), who state that culture does influence strategy. However, unlike the works of these authors, it does not consider the entry
<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Mean</th>
<th>STD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. GUO size (Total employees)</td>
<td>396,483</td>
<td>2,356,075</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. GUO size (total assets)</td>
<td>53,574</td>
<td>86,010</td>
<td>0.259**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. GUO experience (years)</td>
<td>87</td>
<td>6,819</td>
<td>-0.102</td>
<td>0.283**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Subsidiary size (Total employees)</td>
<td>93,176</td>
<td>204,622</td>
<td>0.122</td>
<td>0.372**</td>
<td>0.112</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Subsidiary size (Total assets)</td>
<td>49,182</td>
<td>115,883</td>
<td>-0.051</td>
<td>0.318**</td>
<td>0.108</td>
<td>0.441**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Profit after taxes (subsidiary)</td>
<td>-97,226</td>
<td>11,527,660</td>
<td>-0.014</td>
<td>0.024</td>
<td>0.071</td>
<td>-0.076</td>
<td>-0.084</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Country of origin (dummy)</td>
<td>0.3571</td>
<td>0.48072</td>
<td>-0.080</td>
<td>0.049</td>
<td>0.137</td>
<td>-0.095</td>
<td>0.014</td>
<td>0.062</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Manufacture (dummy)</td>
<td>0.4481</td>
<td>0.49892</td>
<td>0.028</td>
<td>0.036</td>
<td>0.274**</td>
<td>0.026</td>
<td>-0.015</td>
<td>0.023</td>
<td>-0.018</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Retail sales (dummy)</td>
<td>0.1429</td>
<td>0.35107</td>
<td>-0.061</td>
<td>0.033</td>
<td>0.088</td>
<td>-0.106</td>
<td>-0.085</td>
<td>0.065</td>
<td>0.083</td>
<td>-0.368**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Professional services (dummy)</td>
<td>0.1429</td>
<td>0.35107</td>
<td>-0.064</td>
<td>-0.114</td>
<td>-0.112</td>
<td>-0.095</td>
<td>-0.069</td>
<td>-0.203*</td>
<td>-0.111</td>
<td>-0.368</td>
<td>-0.167*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Financial services (dummy)</td>
<td>0.1234</td>
<td>0.32894</td>
<td>-0.026</td>
<td>0.042</td>
<td>-0.129</td>
<td>0.233**</td>
<td>0.337**</td>
<td>0.113</td>
<td>-0.032</td>
<td>-0.338**</td>
<td>-0.153</td>
<td>-0.153</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. ICTs (dummy)</td>
<td>0.1429</td>
<td>0.35107</td>
<td>0.110</td>
<td>-0.010</td>
<td>-0.244**</td>
<td>-0.055</td>
<td>-0.141</td>
<td>0.000</td>
<td>0.083</td>
<td>-0.368**</td>
<td>-0.167*</td>
<td>-0.167*</td>
<td>-0.153</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>13. Entry mode (dummy)</td>
<td>0.5130</td>
<td>0.50146</td>
<td>-0.017</td>
<td>0.000</td>
<td>0.137</td>
<td>0.044</td>
<td>-0.034</td>
<td>-0.050</td>
<td>-0.168</td>
<td>-0.063</td>
<td>0.101</td>
<td>0.027</td>
<td>0.010</td>
<td>-0.048</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes: $n = 154$. *All variables were transformed to logarithms, except for those indicated as dummy variables. *,**Significant correlation at 0.05 and 0.01 levels, respectively (two tailed)
mode, but rather the regional expansion and its implementation. Evidence is also identified that can link culture to a particular subsidiary’s strategy and organization.

$H3$ could not be confirmed, as the dummy variable-related technical and professional products did not prove to be significant at any level. Therefore, it was excluded from the sample along with the control variables that did not prove to be significant. $H4$ was confirmed ($p < 0.1$), so the professional services industries tended to be essentially SCs and never RHQs, as indicated in model 1a. The fact that differentiation from one to the other was established using the highest level achieved by a subsidiary according to the analysis category developed (RHQs) makes the result robust, even if the statistics are weak. The basis for this hypothesis was to establish that FDI from MNCs interacting in knowledge-intensive industries, such as services, generate subsidiaries that accumulate and manage knowledge, according to Li and Guisinger (1992), because of the limitations of location-boundedness. The lack of specialized markets for services, or what Hennart (2009) calls complementary assets, explains why SCs will tend to come from service industries, as tacit knowledge is very difficult to transfer, particularly for subsidiaries in different locations. Additionally, the particular assets present in service industries will tend to be locked out if relations with other subsidiaries are limited with the objective to prevent rent-seeking behavior related to knowledge access.

$H6$ was confirmed in model 2a ($p < 0.05$). The negative sign implies that ACs introduced in the model with a dummy value of 1 will never be associated with large multinationals, and RHQs will always be linked with these organizations. Based on the results, RHQs are regarded as the final stage of a regional expansion for a large and experienced multinational, even if the experience variable does not prove to be significant. This variable must be considered in new research as the Slagen and Hennart (2008) indicator, which is considerably more robust, and consists of identifying host country experience. Because size matters, it is always considered a control variable in multinational studies. However, it was introduced in this model as a hypothesis to be tested (Berry, 2015). Because size can influence strategy and network development, it can also be a determining factor for shortening springboard network evolution by acquiring assets through mergers and acquisitions.

Finally, $H5$ was confirmed ($p < 0.01$) in model 2a as well, indicating that RHQs are always the product of mergers and acquisitions and never the product of organic growth. Also, it proves that ACs will most likely be the result of organic growth. RHQs are acquired because of

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Model 1a</th>
<th>Model 2a</th>
<th>Model 3a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information and communication</td>
<td>0.318 (0.456)</td>
<td>-1.473* (0.843)</td>
<td>-0.428 (0.828)</td>
</tr>
<tr>
<td>Professional services (dummy)</td>
<td>0.956* (H4) (0.526)</td>
<td>0.147 (0.0889)</td>
<td>-0.671 (0.748)</td>
</tr>
<tr>
<td>Financial services (dummy)</td>
<td>-0.956* (0.526)</td>
<td>1.931 (1.194)</td>
<td>-1.051 (1.271)</td>
</tr>
<tr>
<td>Entry mode (dummy)</td>
<td>1.373*** (H5) (0.491)</td>
<td>0.783* (0.425)</td>
<td>0.928*** (H1) (0.474)</td>
</tr>
<tr>
<td>Country of origin (dummy)</td>
<td>1.151** (H2) (0.496)</td>
<td>0.167*** (H6) (0.066)</td>
<td>0.162*** (0.060)</td>
</tr>
<tr>
<td>Multinational size (employees)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multinational size (assets)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$\chi^2$ 7.266** 33.335*** 21.653***

$-2 \log$ likelihood 152.058 101.135 111.431

Notes: $n = 154$. *Results show $\beta$s and standardized errors in parenthesis. Intercept is not included. *$p < 0.10$; **$p < 0.05$; ***$p < 0.01$
greater knowledge accumulation, and the fact that this phenomenon happens mostly among large multinationals, as proven earlier, this is a strong indicator of these organizations' preference for accumulating knowledge and networks already created (Caves and Mehra, 1986). The argument is supported when the nature of the acquisition is explored. As discussed in the variables section, this indicator had to be developed by reading the particular history of each springboard subsidiary. In most of the cases, when the organizations were acquired, there already was Latin American presence. However, this must be explored further to reach valid conclusions. The main markets identified in these conditions were Brazil, Argentina, Mexico and Chile, which are also the largest in Latin America.

5. Implications

Implications for research and theory

Since Doz and Prahalad (1991) declared the need for new paradigms to study the MNC phenomenon instead of using a unified theoretical background that can explain globalization and regionalization behavior, there are now research trends, such as Rugman and Verke (2004), devoted to regionalization, and those which are about the globalization paradigm, based on Bartlett and Ghoshal (1989). This work contributes to the regionalization proposition of the MNC, taking into consideration historical ties, as indicated by Makino and Tsang (2011). Also, evidence was provided that this shared past influences the strategy used to enter this region, particularly the historical colonial ties.

Randoy and Li (1998) found the relations that emerge from the exchange in capital, knowledge and product flows among subsidiaries interacting within networks. When a subsidiary has a higher knowledge inflow and a lower knowledge outflow, these authors recommend measuring these as intangible assets. According to these authors, this is a subsidiary that mostly uses knowledge. The results obtained for $H1$ provide evidence of the inclination of some subsidiaries to accumulate knowledge, or what these authors call a knowledge user for a particular network. This also identifies a cultural trend among a particular set of multinationals from mostly Saxon, Nordic and Germanic countries keen on implementing regional strategies using knowledge management. Multinationals that originated from countries such as England, Sweden and Germany will likely display this particular behavior when entering Latin America using a regional strategy. On the other hand, $H2$ provides evidence of the role played by ACs using what Surlemont (1998) called a captive market, i.e. manage a limited number of activities in a large network of Latin American subsidiaries. Multinationals that originated in Latin European countries such as France, Italy and Belgium will most likely display this behavior at a regional level. Studies that approach subsidiary typology now can consider culture as another determinant that must not be neglected. Also, no support was found in this sample of the original proposition stated by Surlemont (1998), which maintained that all subsidiaries start as dormant centers (subsidiaries with neither scope nor domain), and then evolve into SCs and ACs. The results showed rather that a multinational may choose a different path to evolution than the one proposed by Surlemont (1998) and skip the maturity process by acquiring directly the assets, as stated in $H5$. It is also this author’s belief that network configuration and typology must be studied in these contexts, considering the time series to analyze historic evolution.

Practical implications

A springboard network within a multinational network exhibits its presence in a particular trans-border cluster. These clusters are sources of knowledge, and in $H5$, support was found for the arguments originally proposed by Caves and Mehra (1986) and Chung and Alcácer (2002) about knowledge and subsidiary presence as incentives for acquisition. Also in $H4$, we found that knowledge-intensive springboard subsidiaries most likely will belong to
professional service industries, and this must be considered when cluster conformation is studied. This issue can be particularly sensitive, since the countries the FDI originates from, the springboard country, and the host country, are all involved in knowledge creation and use, and policy formulation in all countries participating in the process must be undertaken with awareness of this issue, particularly for emerging countries, which are by definition the most vulnerable link in the network. Professional services involve design, innovation and tacit knowledge, connecting the springboard network, and particularly used when consolidating regional expansion, so human capital is of highest importance. Executive and directive conformation in the MNC is already being studied (Tarique et al., 2006). However, subsidiary interaction makes staffing configuration more complex. Also, cultural organization and multinational growth and performance should be analyzed at a regional level with regard to this issue. There is a growing need to analyze subsidiary executive and directive conformation, interactions, and particularly those expatriates that are related from both the origin and springboard country. As it was established previously, expatriates from a particular country of origin, interacting with the Spanish coordination, will lead to certain subsidiary conformation and interaction with other members of the networks, and managers and practitioners in MNCs should be aware of this issue.

**Social and political implications**

Some Latin American countries like Costa Rica and Chile are FDI hosts by excellence, and some of the key elements in subsidiary network configuration can be traced to what Hennárt (2009) calls complementary and service assets to enter new regions. As MNCs cannot find some of these assets in one country – the target or host country – but in several at once, it increases the need for a coordinator, the springboard subsidiary, to manage this particular set of networks. Additionally, these countries need to be aware of their role in the shifting global and regional economy. The influence of the culture of the country of origin in the functioning, organization, and strategy of MNCs identified in $H_1$ and $H_2$ implies that not all of them are fit to enter Latin American markets in the same manner. Therefore, countries that strive to attract FDI must not only be aware of the springboard network, but must also consider the entire multinational network and its culture.

There is a growing need to identify trans-border clusters and their functioning to provide more accurate public policy formulation regarding FDIs and their management portfolio. As stated previously, not all markets are viewed in the same way-MNCs will prefer the larger markets such as Mexico, Brazil and Argentina over smaller emerging economies like the ones present in Central America. The previous results are in line with the findings of Kumari and Sharma (2017).

There is a growing differentiation between these markets, and the selection process executed by MNCs in the trans-border cluster, according to Rugman and Verbeke (2003). Regions have been divided into sub-regions like Central America and the Caribbean. MNCs, by selecting fitted assets in different regions, also influence the lines of command among the networks. When the springboard network is consolidated, the line of command will be passed to a local subsidiary (Pla-Barber et al., 2014). According to the results identified in $H_5$, there are still a lot of networks growing organically in smaller MNCs. In the future, this will influence the lines of command of these organizations, and smaller economies with higher human capital can adopt strategies to be knowledge users and providers in this new scenario.

**6. Conclusions and research limitations**

The discussion concerning globalization and regionalization is extensive (Rugman and Verbeke, 2005), where the need to create a bridge between global and regional approaches still remains, theoretically and empirically, to be tested. By using variables which most of the times are introduced as controls, such as the multinational’s size, entry mode, and
industry and exploring the different forms of cultural measurements, new knowledge can be generated about multinational’s behavior and their preference toward entry mode strategies, subsidiary organization and knowledge accumulation.

The multinational’s network creation and functioning can be viewed in terms of incentives: if a multinational perceives, as an incentive, the acquisition or merger of knowledge already created, it may proceed, especially if there is a cultural gap to be fulfilled, which was proven with a selected sample of multinationals. It was also proven that multinationals from certain countries will be influenced by a culture that led to their origination, and this will be transferred to Springboard network, so, certain cultures will generate ACs, such as France and Italy, and some cultures will more likely create SCs to manage their Latin American operations, such as Germany, USA, Sweden and the UK. Finally, because H3 was not proven to be significant, a springboard network cannot be attributed to these particular industries, however, it was proven in the form of H4, that professional services and transport activities are keen to develop this particular regionalization strategy, as proposed by Pla-Barber and Camps (2012), because some multinationals will adopt this organizational behavior when following their clients to Latin America.

These results need to be addressed carefully, due to the fact that a number of multinationals were suppressed from the original sample. The dummy variable created to measure experience did not test to be significant at any level. There is a need to analyze the relation between a multinational’s size and the experience level in this particular sample, as data observation did hint for a positive relation that needs confirmation.

One specific limitation which this study possesses is the data provided by AMADEUS database, and the fact that R&D figures for both the Spanish and the Latin American subsidiary were not available, and sales was not available within subsidiaries to measure knowledge transfer in a similar manner as Randoy and Li’s (1998) knowledge flows. By not having access to this data, cluster function analysis was limited. New research must consider this topic, specially, trans-border cluster analysis and competitive advantage generation, by accessing Latin American resources.

Another limitation present in this study is related to the methodology used to measure cultural distance, growth and particularly subsidiary ownership by the multinational and the vertical relation assumed. For replication studies the Kogut and Singh (1988) index is a better choice to approximate cultural distance. To avoid industries propensity to acquire, growth must be control by year fixed-effects similar to Slangen and Hennart (2008). Finally to control the vertical and strategic relation between the Latin-American subsidiaries and the springboard subsidiary, the only plausible method is to triangulate information from both types of subsidiaries, which can only be done by a questionnaire.

Organic growth or wholly owned Greenfields should also be the focus for new research, as it can indicate why smaller multinationals may preferred to enter distant markets by using this strategy. Several issues can be discussed regarding the size, experience, and other variables already visited in the literature, however, wholly owned Greenfield may be the best way to build up internal and external networks, as well as the variables determining organic growth and expansion. Finally, evolution is another issue not yet explained in this document; according to Pla-Barber and Camps (2012), springboard subsidiary evolution and life cycle is measurable, however, network evolution and their shaping into different contexts or internal and external embeddedness, is not tested here, and should be the focus of further research.

Note
1. The inverted springboard effect was identified by Pla-Barber and Camps (2012), when they discovered subsidiaries in Spanish product of FDI flowing from multinationals whose countries of origin were Mexico and Peru. This phenomenon should be studied apart, and that is why these multinationals and their FDI were eliminated from the sample.
References


**Further reading**


**Corresponding author**

Federico Quesada Chaves can be contacted at: fequesada@uned.ac.cr

---

For instructions on how to order reprints of this article, please visit our website: www.emeraldgrouppublishing.com/licencing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com