

Andrea Szalavetz

Hungarian Academy of Sciences, Institute of World Economics, Hungary

Impact of Greening on the Upgrading of Manufacturing Subsidiaries' Technological Capabilities – A Hungarian Perspective

JEL Classification: *F23; L21; O32*

Keywords: *greening; sustainability; subsidiary upgrading; technological capabilities; organisational decomposition of innovation*

Abstract

Research background: Escaping from a low-wage specialisation trap and enhancing the upgrading of local technological capabilities represent ongoing, major challenges for countries that operate behind the technology frontier and depend on foreign direct investment (FDI) inflows. However, foreign investors' massive technology transfers and the accompanying knowledge inflows have mainly enhanced production capabilities in Central and Eastern Europe (CEE).

Purpose of the article: The purpose of this paper is to explore whether greening in global companies can produce any improvement with respect to the upgrading of CEE subsidiaries' technological capabilities.

Methodology/methods: We draw on a proprietary database of secondary source information about greening related technology upgrading, technology development and functional upgrading at 25 Hungarian manufacturing subsidiaries.

Findings: We identify two greening related mechanisms that propel the upgrading of subsidiaries' technological capabilities. First, greening enhances the organisational decomposition of innovation, which facilitates manufacturing subsidiary scientists' and technicians' participation in the global R&D team of their owners. Second, greening related changes in corporate routines prompt the delegation of new, sophisticated business functions and activities to subsidiaries. Some of the new tasks require subsidiaries' indigenous technology efforts.