

Emerging countries' country-specific advantages (CSAs) and competitiveness of emerging market multinational enterprises (EMNEs)

Philippe Gugler

*Faculte des Sciences Economiques et Sociales, Universite de Fribourg,
Fribourg, Switzerland*

Abstract

Purpose – A significant stream of literature focuses on host countries' locations when explaining why firms internalize some of their activities in specific countries. At first glance, home location schemes and specificities seem to have attracted less attention in the scientific community. The purpose of this contribution is to provide a literature review linked to the specific issue of emerging countries' country-specific advantages and the competitiveness of emerging market multinational enterprises.

Design/methodology/approach – The approach is to present the main theoretical developments related to the role of home countries in the internationalization process of domestic firms in general and as far as the home context of emerging countries is concerned.

Findings – A rigorous analysis of the literature shows that theoretical developments and empirical studies on international business do refer explicitly or at least implicitly to the role of home countries in the international expansion of firms.

Originality/value – The value of this review is to develop the main streams of the literature and to serve as a basis for the other contributions published in this area.

Keywords International business, Competitiveness, Country-specific advantages, Emerging market multinational enterprises

Paper type Literature review

1. Introduction

Emerging market multinational enterprises (EMNEs) have been players in the international arena for approximately three decades (Dunning *et al.*, 2008, p. 158; Gammeltoft *et al.*, 2010, p. 95; Parente *et al.*, 2013, p. 453), but their competitiveness in international trade and investment has generated new momentum since the beginning of the 2000s. The globalization of markets has offered tremendous opportunities for EMNEs to invest abroad (Sinkovics *et al.*, 2014, p. 677), and their expansion has challenged the international business (IB) community (Giulani *et al.*, 2014, p. 680). Is the “traditional theoretical” framework in IB sufficient to explain the international expansion of EMNEs? Do EMNEs differ from developed economies' MNEs as far as their motivations, location choices, modes of entry, organizational modes and relationships with recipient countries' domestic firms and institutions? What are the roots and drivers of EMNEs' competitiveness? What will be the next steps in their international involvement abroad? Scholars have been puzzled by these questions in recent years.



A significant stream of literature focuses on host countries' locations when explaining why firms internalize some of their activities in specific countries. At first glance, home location schemes and specificities seem to have attracted less attention in the scientific community (Rugman and Nguyen, 2014, p. 54). However, a rigorous analysis of the literature shows that theoretical developments and empirical studies on IB do refer explicitly or at least implicitly to the role of home countries in the international expansion of firms. Firms may internalize features of their home country-specific advantages (CSAs) and exploit them across national boundaries (Buckley *et al.*, 2012, p.879). According to Rugman and Nguyen (2014, p. 53):

CSAs are exogenous location factors in a country that represent economic and institutional environments (including geographic location, factor endowments, government policies, national culture, institutional framework, and industrial clusters).

As Meyer *et al.* (2011, p. 239) argue, "First, firms are shaped by the home context from which they originate". "At the same time, MNEs' embeddedness in their home contexts may act as either inducements or constraints on some types of overseas business activities" (Meyer *et al.*, 2011, p. 239).

A crucial question is to examine the theoretical ideas and/or empirical evidence on the role of home CSAs in the internationalization process and the international strategies of EMNEs and, more specifically, how CSAs can be transformed into firm-specific advantages (FSAs) in the case of EMNEs. Rugman defines an FSA "[...] as a unique capability proprietary to the organization. It may be built upon product or process technology, marketing, or distributional skills" (Rugman and Li, 2007, p. 334). As highlighted by Buckley *et al.*, this question deserves more theoretical and empirical exploration (Buckley *et al.*, 2012, p. 879). Specific attention has also been given to the evolving interactions between home CSAs and EMNEs' FSAs over the recent period, which has been characterized by several different "waves" of emerging countries' foreign direct investment (FDI). Are EMNEs still driven by strong CSAs, as suggested *inter alia* by Rugman in the 2000s or are EMNEs increasingly relying on their FSAs? EMNEs are not commonly recognized as a "homogeneous group" (Luo and Tung, 2007, p. 483; Ramamurti, 2008, p. 1). Therefore, the approaches to these questions will need to be specific while still attempting to extract some common evidence.

This contribution contains four parts. Section 2 reflects on some of the main ideas regarding the role of MNEs' home-based location in the IB literature. This section is far from an exhaustive literature review but rather examines a selection of specific topics that play an important role in the understanding of EMNEs' internationalization process. Section 3 focuses on the role of emerging countries as the home-based locations of their MNEs. According to Cantwell and Barnard (2008, p. 56), the features of the home country must be considered when scrutinizing the specific ownership advantages of emerging countries' firms. Thus, Section 3 leads to Section 4, which is dedicated to the links between the home-based context and the competitive advantages of EMNEs as far as their evolution and intensity are concerned. The evolving interactions among the CSAs of home and recipient countries as well as those between the CSAs of all locations and EMNEs' FSAs are tackled in Section 5.

2. The general IB framework regarding the role of the home-based location

The locational patterns that influence the international expansion of firms are reflected in the main IB pillars that address the drivers of firms' strategies and competitiveness in international markets (Cuervo-Cazurra, 2012, p. 154; Peng *et al.*, 2008, p. 920; Sun *et al.*, 2012, pp. 5-6). The "industry-based view" (Porter, 1990, 2008), the "resource-based view" (Barney, 1991; Dunning and Lundan, 2008, p. 120) and the "institution-based view" (Dunning and

Lundan, 2008, p. 129; Peng *et al.*, 2008, pp. 930-931) address the role of the home country in the propensity of MNEs to invest abroad.

According to the “investment development path”, the propensity of firms to invest in foreign production depends upon the characteristics of the home country and the potential host countries (Dunning, 1981, p. 34). The choice of recipient countries and the mode of ownership are also shaped by the similarities and differences between home and host countries. Theoretical and empirical studies have focused on the “psychic distance” among home countries and host countries as reflected in the Uppsala model (Johanson and Vahlne, 1977, p. 24; Johanson and Vahlne, 2009, p. 1423). Different types of distance (e.g. geographical, cultural, institutional, technological) also reflect the specific context of the home country in comparison with other countries (Berry *et al.*, 2010; Chang, 2011). Scholars have particularly focused on cultural and institutional distances in attempts to explain the entry mode choice of EMNEs (Chang *et al.*, 2012; De Beule *et al.*, 2014; Xu *et al.*, 2011). For example, Nicholson and Salaber (2013, pp. 969-970) consider cultural distance in their analysis of Indian and Chinese MNEs’ cross-border acquisitions abroad.

The location-specific advantages of the eclectic paradigm implicitly refer to the home country context (Dunning and Lundan, 2008, p. 101). According to Dunning, the home-based assets influence the owner-specific advantages (O-advantages) of firms, which have already been considered by the pioneers of studies investigating international trade and investment, such as Vernon (1966). According to Dunning and Lundan, the O-advantages in Vernon’s approach are “[...] determined by the structure and pattern of their home country factor endowments, institutions and markets” (Vernon, 2008, p. 85).

Dunning acknowledges that the O-advantages correspond to Porter’s views regarding firms’ competitive advantages that drive the ability of firms to succeed in international markets (Dunning and Lundan, 2008, p. 109; Porter, 1990). In this regard, as stated by Porter, the international competitiveness of firms in a specific industry depends on several factors, including a favorable framework of home country conditions that constitutes the “diamond” of the business environment (Porter, 1990, pp. 69-70). The link between the internationalization of MNEs in the IB literature and the specificities of the home country diamond in Porter’s framework has been recognized by eminent IB scholars such as Rugman and Verbeke (2001, p. 12) and Dunning (2009, p. 16).

The “strategic importance of the local environment” of the home country is reflected in Rugman’s matrix of CSAs/FSAs (Rugman and Li, 2007, p. 335). According to Rugman, the competitive advantages of a specific firm may be scrutinized and identified according to its home CSAs and its FSAs. Four scenarios may be deduced from Rugman’s matrix that depends on the strengths or weaknesses of both the CSAs and FSAs.

Most studies analyzing EMNEs activities in the 1990s and the beginning of the 2000s consider that EMNEs’ competitive advantages are mostly based on strong home CSAs, whereas their FSAs are rather weak (Debrah *et al.*, 2000, p. 319; Dunning *et al.*, 2008, pp. 174, 177; Luo and Tung, 2007, p. 482; Nelson and Pack, 1999, pp. 432-433; Ramamurti, 2008, p. 7; Rugman, 2008, pp. 96-97 in the case of Chinese MNEs; Rugman, 2010). From this departure point, the following two sections address the home country context of EMNEs (CSAs) and EMNEs’ competitive advantages (FSAs) from a dynamic perspective by analyzing the evolution of these two patterns of EMNEs’ international expansion. One important question to tackle is whether the new trends in EMNEs’ expansion abroad reflect changes in the origin of EMNEs’ competitive advantages that involve an increasing role of FSAs compared with what has been the case in the past. The final section considers the roots of the potential dynamic interactions between the location-bound CSAs of recipient countries and home

countries in the context of upgrading EMNEs' FSAs because of strategic asset investment abroad, among other factors.

3. The home-base context of emerging market multinational enterprises

The home-base context is one of the first features to consider when studying the internationalization process of EMNEs. Insofar as it challenges developed economies' MNEs, the home-base context is by definition quite different from developed economies' business and institutional conditions. As noted by Contractor (2013, p. 305):

After all, emerging market multinationals (EMMs) suffer from a double disadvantage of ordinary "liability of foreignness" [...] and also, in addition, the liabilities of a developing country home base.

The national macroeconomic and microeconomic context shape domestic firms' FDI, as confirmed by numerous studies on EMNEs, in particular on Chinese MNEs (Tolentino, 2012, p. 73; Wei *et al.*, 2012, pp. 47-50). Although EMNEs are not homogeneous, the same observation applies as far as emerging economies are concerned. Their levels of development from macroeconomic and microeconomic perspectives differ significantly. These different rates of development differentially affect emerging countries' domestic firms, as stated in the investment development path that reflects "the changing competitive advantages of firms" (Dunning *et al.*, 2008, p. 164). Countries' level of development is a major factor in explaining its stage of investment abroad through its influence on firms' O-advantages (Buckley *et al.*, 2008, p. 108; Dunning, 1981, p. 31; Dunning, 1986, pp. 671-674).

The home country context may have direct and indirect effects (positive and negative) on the willingness and ability of domestic firms to internationalize some of their activities in the value chain (Cuervo-Cazurra, 2011, pp. 383-384; Parente *et al.*, 2013, p. 457). The studies of Fleury and Leme Fleury illustrate the "pull" and "push" effects in the case of Brazilian MNEs' policy issues, which are reflected in cultural issues for the first type of effect and regulatory reforms for the second type (Fleury and Leme Fleury, 2014, pp. 258-262). The main disadvantages of emerging countries' contexts that have been identified in the literature are institutional constraints and instability as well as domestic-market constraints (Luo and Tung, 2007, pp. 481-482, 486; Luo and Wang, 2012, p. 245; Peng and Parente, 2012, p. 361; Wu and Chen, 2014, p. 863). These weaknesses may lead firms to "escape" and internationalize some of their activities (Peng and Parente, 2012; p. 361; Witt and Lewin, 2007). Another influence of home-context disadvantages on FDI is reflected in the situation where domestic firms build specific capabilities to cope with the disadvantages, which ultimately will act as FSAs (Porter, 1990, pp. 81-86; Porter, 2008, pp. 189-190; Ramamurti, 2008, p. 7; Witt and Lewin, 2007, p. 581).

Several studies have highlighted the main CSAs that EMNEs leverage to invest and compete internationally (Buckley *et al.*, 2008, 2012; Cantwell and Barnard, 2008; Gammeltoft *et al.*, 2012; Ramamurti, 2008). Such CSAs may include, for example, a large domestic market and the availability of low-cost labor, as in the cases of China and India; the use of the English language in India; easy access to financial resources in China; and SOE statutes in China and Singapore (Ramamurti, 2008, p.6). Meyer *et al.* identify resources, endowments and institutions as the main features of the local context at home and abroad in markets where MNEs are located (Meyer *et al.*, 2011, p. 239). Buckley *et al.* (2012) analyze foreign acquisitions by Indian MNEs over the period from 2000-2007. They find that some specific home country features, such as the cost of capital, the exchange rate and knowledge of English, have positive effects on foreign acquisitions by Indian firms (Buckley *et al.*, 2012, pp. 884-887).

Home country policies regarding OFDI and, in particular, policy shifts from a restriction or even ban on OFDI to supportive incentives for investment abroad are at the core of the

evolution of EMNEs, as explained, for example, in the case of BRIC countries' MNEs (Sauvant *et al.*, 2010, p. 17; Van Tulder, 2010, p. 64). The institutional context plays an important and different role (compared with that of developed economies) in the internationalization process of EMNEs (Dunning *et al.*, 2008, p. 173; Gammeltoft *et al.*, 2012, p. 177). EMNEs' FDI is shaped by:

[...] unique institutional characteristics (Yiu *et al.*, 2007, p. 520). Wu and Chen “argue that [a] better-developed home country institutional environment promotes emerging market firms' expansion to foreign markets more advanced than the home country (Wu and Chen, 2014, p. 862).

Buckley *et al.* (2008) refer to the “institution-based view of firm strategy” to emphasize the important role of the home country's constraints and opportunities in the internationalization of domestic firms (Buckley *et al.*, 2008, p. 109). According to Wu and Chen (2014, p. 862):

[...] an institutional-based approach can offer an insightful analysis of the impact of [the] institutional environment of emerging markets on indigenous firms' propensity [for] foreign expansion.

As noted by Ren *et al.*, not only formal institutions but also informal institutions influence Chinese FDI (Ren *et al.*, 2012, p. 24).

Governmental support of investments abroad constitutes a specific characteristic of emerging countries that has been highlighted by many studies (Luo and Tung, 2007, pp. 482, 486; Luo *et al.*, 2010, p. 68; Peng and Parente, 2012, p. 360; Wu and Chen, 2014, p. 864). Such support is particularly important for Chinese MNEs and specifically SOEs (Luo *et al.*, 2010, p. 68; Wu and Ding, 2009, pp. 174-175). However, most emerging countries other than China also register important SOEs whose role in international markets may still generate new momentum (Gammeltoft *et al.*, 2012, pp. 177-178).

We may consider that CSAs – as developed by Rugman – are mostly “inherited assets”. In contrast, FSAs are “created assets” that result from the specific firm's efficiency, strategy and operations (Porter, 2008, p. 38). As inherited assets, are CSAs public goods? In other words, are CSAs open to any domestic firm in a specific country? According to some scholars, the answer is affirmative (Lessard and Lucea, 2009, p. 282). They argue that internationalization strategies based only on home country CSAs are not sustainable because these advantages are common to all domestic firms and, therefore, do not confer unique advantages to specific firms (Lessard and Lucea, 2009, p. 283). However, others argue that CSAs are not common to all companies competing in a specific country because the features of the CSAs have different effects according to the types of firms, industries, markets, etc. (Porter, 1990, p. 71, 2008, p. 182). As stated by Hennart, “[...] most CSAs are not freely available to foreign investors” (Hennart, 2012, p. 168). Some CSAs are specific to particular types of firms, such as SOEs. Furthermore, SOEs compete in a limited number of industries. According to Ramamurti, CSAs are at least “imperfect public goods” (Ramamurti, 2008, p.8, 2009, pp. 411-412). Narula calls them “quasi public goods” (Ramamurti, 2012, p. 190). Therefore, it would be inaccurate to consider CSAs a “one size fits all” feature for all domestic firms competing in a specific country. CSAs are industry specific and even firm specific because they cannot be dissociated from the firms' competitiveness (FSAs).

4. The home-base context and emerging market multinational enterprises' competitiveness

As stated above, many studies consider – or have considered – that EMNEs' foreign investments are mostly based on O-advantages resulting from CSAs rather than from FSAs. As far as Chinese MNEs are concerned, the main weaknesses of the FSAs that have been

identified are poor technological know-how, management skills and value-chain integration (Ren *et al.*, 2012, p. 11; Rugman and Li, 2007, p. 326). These findings reflect the main results of the IB literature, which states that O-advantages are influenced by the location advantages of the home country, at least during the first phase of internationalization (Narula and Nguyen, 2011, p. 3; Vernon, 1966, p. 193). According to Ramamurti, EMNEs have relied more on CSAs because they were “early stage” MNEs compared with developed markets’ “mature” MNEs (Ramamurti, 2004, p. 280, 2013, p. 6). However, EMNEs are no longer in an initial phase of internationalization; it is recognized that EMNEs have developed over the course of different waves of internationalization processes (Mathews, 2006, p. 8; Di Minin *et al.*, 2012, p. 191). Since the 1990s, we have observed important shifts regarding the primary motives, leading strategies, ownership modes, industrial distribution, types of activities in the value chain and destinations of EMNEs (Gammeltoft, 2008, p. 3). The nature of their O-advantages may have also evolved over time (Lessard and Lucea, 2009, pp. 290-301; Ramamurti, 2012, p. 43). This evolution in part reflects the development of EMNEs’ O-advantages in intensity and also in the assets that constitute the competitive advantages. Some EMNEs expand abroad thanks to a “mixture” of CSAs and FSAs, with the latter gaining an increased role in the internationalization process (He and Fallon, 2013; Parente *et al.*, 2013, p. 458; Ramamurti, 2009, p. 239; Williamson and Raman, 2009, p. 260). There is not only an interaction between domestic firms’ FSAs and their home locations’ CSAs but also a dynamic interdependence between them, with each creating positive or negative externalities for the others (Narula, 2012, p.189; Porter, 2008, p. 171). Numerous examples are given *inter alia* by Ramamurti (2013, p. 246) as well as Celly *et al.*, (2013, p. 59) in the case of Indian MNEs; Williamson and Raman in the case of Chinese MNEs (Williamson and Raman, 2013, pp. 262-263); Filippov and Settles in the case of Russian EMNEs (Filippov and Settles, 2013, pp. 37-43) and De Miranda Oliveira Junior *et al.* (2013, p. 11) in the case of Brazilian firms.

As stated above, one of the progressive developments of the FSA component of O-advantages is reflected in the evolution of EMNEs’ motivations to invest abroad. According to Dunning, the first stage of EMNEs was primarily focused on the exploitation of O-advantages, whereas the next stage also reflected “asset-augmenting” investments (Dunning, 2006, p. 139). EMNEs’ FDI constitutes a “springboard” by which to acquire strategic assets abroad (Gugler and Vanoli, 2015; Holtbrügge and Kreppel, 2012; Luo and Tung, 2007, p. 482; Zhang and Roelfsema, 2014). This strategic-asset-seeking investment wave toward developed economies in particular is driven by an evolution of home-based technology capabilities, as shown in several studies on Chinese MNEs (Amighini *et al.*, 2014; Cui and Jiang, 2009; Cui and Jiang, 2010; De Beule *et al.*, 2014; Deng, 2009; Di Minin *et al.*, 2012; Rui and Yip, 2008; Sun *et al.*, 2012; Wu and Ding, 2009; Zhang and Filippov, 2009). As stated by Gammeltoft (2008, p. 3):

Many TNCs from emerging and developing economies (ETNCs) have gradually accumulated technological capabilities and firm-specific advantages sufficient to expand their operations to other countries, and flows of outward investment from emerging and developing economies have consequently increased significantly in quantitative terms.

However, the innovation capabilities of EMNEs should not be overestimated and generalized to all EMNEs at this stage. A study of four Chinese MNEs presented by He and Fallon (2013) argues that the four firms do benefit from “brilliant innovation capabilities”. However, a study on the innovation capabilities of Chinese firms based on the patents registered by Chinese affiliates located in Europe shows that Chinese firms innovate, but most of their patented innovations are still based on a high percentage of foreign knowledge (Gugler and Vanoli, 2015). However, the increasing number of EMNEs’ strategic-asset-seeking

investments tends to confirm the trends toward a strengthening of their FSAs. Some scholars argue that the increase in asset-augmenting investments may be related to the absence of O-advantages (Mathews, 2006, p. 17). However, as stated inter alia by Dunning, firms engaged in asset-seeking investments already possess some O-advantages (Dunning, 2006, p. 139). According to Narula and Nguyen, “the concept of asset augmentation implies that firms have existing assets which they wish to augment” (Narula and Nguyen, 2011, p. 13). One may argue that it is the FSA component of O-advantages – compared with the CSA component – that plays the most important role in the majority of strategic-asset-seeking investments.

The evolution of EMNEs’ FSAs is shaped by the evolution of the home country’s business environment. The nature of the CSA components in EMNEs’ O-advantages has changed over time because of the increased integration of emerging countries in the world market and the inherent changes related to their institutional, structural and regulatory patterns. The home country offers not only inherited assets (CSAs) but also a productive business environment, allowing firms to innovate, be more productive, create unique value for customers and, finally, to face international competition successfully. The more sophisticated the home business environment is, the more opportunities there are for firms to develop exclusive and unique competitive assets (FSAs). For example, several studies provide empirical evidences in the case of Brazilian MNEs (de Miranda Oliveira Junior *et al.*, 2013, p. 11; Parente *et al.*, 2013, p. 458). According to Porter, firms develop competitive advantages based on their unique locational comparative advantages (Porter, 2008, pp. 177-178). As emphasized by Lessard, EMNEs’ home countries offer a “less-than-complete ‘home-based diamond’” (Lessard, 2014, p. 114). However, several studies have observed an upgrading of the home diamond, thus offering new opportunities to domestic firms to strengthen their competitiveness. For example, Brandl and Mudambi describe how Indian firms caught up in four industries (auto components, pharmaceuticals, entertainment, wind turbines) because they benefitted from an upgrade of their home diamond (Brandl and Mudambi, 2014, pp. 135-145). Some recent studies on emerging countries’ business environment reflect the improvement and upgrading of their microeconomic features, thus improving their domestic firms’ competitiveness. In this context, the evolution of the home technological advantage also influences EMNEs’ internationalization process (Yiu *et al.*, pp. 520-526, 537; Zhang *et al.*, 2015, p. 228).

The role of the home country may evolve over time, depending on the stage of the investment development path. As stated by Narula, “[...] the initial FSAs of an MNE tend to be constrained by the location-specific (L) assets of the home country” (Narula, 2012, p. 188). From this perspective, we may assume that the impact of the home country is primarily based on inherited assets. Then, the next stages of firms’ internationalization rely on FSAs that are based on created assets within the firm but whose process of creation is also shaped by the home country’s business context as well as by host countries’ business environments.

5. Interactions among home country-specific advantages, recipient countries’ country-specific advantages and emerging market multinational enterprises’ firm-specific advantages

Currently, the new trend in EMNEs’ international expansion tends to reflect more sophisticated FSAs built on the configuration, organization and management of their internal and external networks, with counterparts located in their portfolio of recipient countries (Mudambi, 2008). EMNEs configure their global value chain according to the advantages and disadvantages they are facing in their home and recipient countries as well as according to their own competitive advantages and disadvantages (Cuervo-Cazurra, 2013,

p. 176). Strategic-asset-seeking investments are increasingly shaping EMNEs' investments abroad (Cui *et al.*, 2013). As noted by Porter, "the initial location-based advantages are extended and supplemented through a global network" (Porter, 2008, p. 315). In that respect, even though EMNEs' internationalization processes differ from those of developed economies' MNEs (Luo and Wang, 2012, p. 244), the new trends involving dynamic interactions within the EMNEs' location portfolios is comparable to what has been observed in the case of developed countries' MNEs (Gugler *et al.*, 2015; Gugler and Vanoli, 2015; Tinguely, 2013). Of course, compared with developed economies' MNEs, the current situation for EMNEs is still embryonic. Nevertheless, we may assume that it will evolve with the increasing shifts toward EMNEs developing strategic-asset-seeking investments. As mentioned above, strategic-asset-seeking investments reflect the new wave of EMNEs' expansion abroad, in particular for Chinese firms (Wu and Ding, 2009, p. 174).

FSA are therefore influenced by numerous CSAs involving the home country and the host countries (Mudambi, 2008, p. 700; Hennart, 2012, p. 171). Thus, FSAs are a function of home country CSAs as well as of all host countries' CSAs considered as a system (Rugman and Verbeke, 2001; Gugler *et al.*, 2015). Chaiprasit and Swierczek (2011) provide an example regarding Thai Firms in this respect. All home-host country linkages play a role (Buckley *et al.*, 2012; Verbeke, 2009, p. 187). Multiple "diamonds" are at work that offer specific opportunities for MNEs to develop unique, competitive assets. According to Lessard, EMNEs create "a virtual diamond" by adding assets from "various host countries" (Lessard, 2014, p. 116). Firms accumulate knowledge and experience from operating in different foreign locations (Estrin and Meyer, 2013, p. 4). In this context, studies on the location choices of EMNEs (De Beule and Duanmu, 2012; Deng and Yang, 2015; Estrin and Meyer, 2013) are very important to detect the role of home country CSAs in their internationalization processes. FSAs are created because of firms' ability to develop assets that result from the unique interactions between location-bound CSAs and non-location-bound CSAs within a so-called "corporate system of innovation" (Tinguely, 2013, p. 97). A recent study on patents registered at the European Patent Office by Chinese firms located in Europe shows that 40 per cent of these patents are based on previous patents owned by domestic firms in the recipient countries (Gugler and Vanoli, 2015). However, as indicated by Rugman and Nguyen (2014, pp. 57-58), most EMNEs are still far from benefitting from the model of dynamic and efficient management of internal and external networks observed within developed economies' MNEs because they lack organizational capabilities, particularly in their subsidiaries. However, we should not neglect the networking capabilities of some EMNEs (Contractor, 2013, p. 313), in particular of Chinese firms, who may take advantage of these types of FSAs to establish global networks by tapping into the location-bound CSAs of recipient countries thanks to their location-bound and non-location bound home CSAs (Tao *et al.*, 2013, pp. 116-118). As highlighted by Pananond (2013) in her study of the global value chain of Thai firms, it is important to consider the spillovers of overseas activities on home-based firms and home-based economies. In that respect, the dynamic interactions between host country CSAs and home country CSAs, as well as between their interactions with EMNEs' FSAs, create permanent developments in the home-base context through a permanent system of communication.

5.1 Conclusion and proposals for further development

The international expansion of EMNEs is a fascinating but challenging issue. Among the numerous questions raised by the involvement of EMNEs in international competition is the evolving role of the home market. The main goals of this contribution are to examine some of the theoretical ideas and empirical evidence to allow us to deepen our understanding of the

role of emerging home countries in the internationalization process of their domestic firms and more specifically in their ability to compete successfully abroad. How much do home CSAs still influence EMNEs' OFDI? Which home country assets provide the main competitive drivers to invest and compete abroad? How do EMNEs combine home country assets and host country assets to strengthen their competitive advantages? These questions as well as various others deserve further examination by the scientific community.

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Corresponding author

Philippe Gugler can be contacted at: phg88213@gmail.com