



Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

Why does MNE performance vary across countries? An inquiry into the competitive value of MNE assets

Marina Carnevale^{a,*}, Lilac Nachum^b, Helaine Korn^b^a Fordham University, 140 West 62nd Street, Suite 433, New York, NY 10023, USA^b Baruch College, City University New York, 55 Lexington Avenue, New York, NY 10010, USA

ARTICLE INFO

Keywords:

MNE competitive advantage theory
Legal services
MNE assets
Competition theory

ABSTRACT

Variations in MNEs' competitive positions across countries are a prevalent phenomenon in the business landscape, but are not fully explained by MNE theory. Building on competition theories and applying them to the context of MNEs, we hypothesize that the value of MNEs' assets varies in relation to competitors of different nationalities and geographic scope, as well as across locations. These predictions are tested on US legal-services MNEs in competition with US domestic firms and non-US MNEs in the US and abroad. We find support for the hypothesized variations, particularly with reference to competitors' location and nationality. These variations suggest that the value of MNE assets is relative, and that their varying market positions across countries are an inherent feature of international competition, calling for corresponding positioning and strategies.

1. Introduction

The business landscape is scattered with examples of MNEs developing prevailing advantages in a certain country by exploiting their assets and building on them to establish a strong competitive position, whereas these same assets are of a far less potent competitive advantage in other countries, leaving the MNEs' position short of their success elsewhere. For instance, Latham & Watkins, the world's largest law firm by gross revenues, is ranked as first tier in the US, but only part of the fourth tier in Japan. Similarly, White & Case, the number one international law firm in the United Kingdom, is not even among the top eight in the United States. Such examples are apparent across other industries as well. Google is the leader in web search in Western Europe but so far has failed to establish significant positions in Russia, China, and South Korea. Starbucks is opening stores in China at the tempo of one a day, but has failed to establish significant presence in Europe, and is failing in Australia. What do these differences tell about the competitive value of MNEs' assets and the ways by which they should be deployed across countries? Why does the value of the same asset vary in different countries?

Assuming that assets' value is determined by the possession of internal capabilities and, excluding the importance of exogenous forces, MNE theory offers limited means to address these questions (Caves, 1996; Contractor, 2012; Hennart, 2009; Hymer, 1960). Discussions of the internalization of the cross-border market for knowledge (Buckley & Casson, 1976, 2009), and the theory of monopolistic

advantages (Lall, 1980; Rugman & Verbeke, 2003) imply that the value of MNE assets lies in their distinctiveness, but fall short of articulating the benchmark against which this distinctiveness is determined and evaluated.

Other theoretical strands regard exogenous forces, such as the competition, as a major force that influences a focal MNE's strategic moves, notably the decision to invest abroad and location choices, although they do not consider these forces as a determinant of assets' value (Alcacer, Dezsó, & Zhao, 2015; Ghemawat & Thomas, 2008; Gimeno, Hoskisson, Beal, & Wan, 2005; Head, Mayer, & Ries, 2002; Knickerbocker, 1973). Dunning's OLI eclectic paradigm (1977) suggests that foreign investments undertaken by MNEs are influenced by the competitive advantage brought by ownership of specific assets (O), by the locational attractiveness of different countries (L), and by potential internationalization advantages (I), thus implying a contextual aspect of MNE's competitiveness but not explicitly assessing how the value of MNEs' assets varies depending on exogenous forces, including the characteristics of the competitors.

Understanding the forces that shape competitive value is, however, a precondition for comprehending the variations in MNEs' competitive positions across countries and responding to them effectively. In this study we focus on one aspect of the myriad of external forces that determine this outcome, namely the competition. To deepen the understanding of the impact of the competition, we develop and test a theoretical framework that is based on two assumptions drawn from strategic management theories applied to the context of the MNE. For

* Corresponding author.

E-mail addresses: mcarnevale3@fordham.edu (M. Carnevale), Lilac.Nachum@baruch.cuny.edu (L. Nachum), Helaine.Korn@baruch.cuny.edu (H. Korn).<http://dx.doi.org/10.1016/j.ibusrev.2017.05.004>Received 8 June 2016; Received in revised form 17 April 2017; Accepted 3 May 2017
0969-5931/ © 2017 Elsevier Ltd. All rights reserved.

one, we build on the notion that competitive value is inherently relative to rival firms, and, as such, it can only be understood with explicit reference to them (Adegbesan, 2009; Porter, 1985). The resource-based view of the firm emphasizes the relative aspect of firms' assets, which have to be rare and superior to those of the competition for them to be sources of competitive advantage (Barney, 1991, 2001; Pacheco-de-Almeida & Zemsky, 2007). Thus, forces exogenous to MNEs, such as the competitive environment, are of vital importance for the understanding of assets' value (Phelps & Fuller, 2016; Priem & Butler, 2001). Based on these premises, our theoretical framework benchmarks MNE assets explicitly in relation to the competition, and regards their value as being determined, in part, by this comparison.

The second pillar of our theoretical framework is derived from the notion of competitors' heterogeneity and of them belonging to strategic groups that differ from each other in their characteristics and strategies (Mas-Ruiz & Ruiz-Moreno, 2011; Porter & Caves, 1977). This structure introduces variations in the nature of the competitive engagement across groups of rivals, such that different assets are of more or less competitive value depending on the competitor-group and on the location of the competitive engagement (Baum & Korn, 1996; Chen & Miller, 2012). Assets' value changes across locations because the prowess of competitors' assets varies in different locations. Accordingly, we group MNE competitors in terms of nationality, geographic scope (domestic or international), and location, and employ the resulting theoretical framework to advance hypotheses regarding the value of MNE assets in competition with different groups of adversaries and across different locations.

We test our theoretical framework in the context of the legal-services industry as its competitive landscape—with well-defined boundaries of the sphere of competition (Empson, 2007; Liu, 2008), a relatively low level of concentration (Drolshammer & Pfeifer, 2001), and a significant number of MNEs of different nationalities and domestic firms competing with each other in different countries—makes it an appropriate industry for the testing of our theoretical framework. Specifically, we focus on US legal-services MNEs as the focal MNEs and study them in competition with US domestic legal-services firms and non-US legal-services MNEs in the US and abroad, over a five-year period.

Our findings show that different assets, or the same ones for varying degrees, are of relative value in competition with different rival firms and across locations. Specifically, the results show that assets based on home-country resources are of particular value for MNEs facing competitors of nationalities other than their own but are less important against competitors of the same nationality. These home-country assets are especially valuable in the home market, but lose value abroad. Moreover, our findings show that the competitive value of the resources that MNEs can access via their international activity (i.e., multinationality assets), and of intangible capabilities that are mobile within firms across countries (i.e., firm-based assets), does not vary in competition with firms of varying nationality or geographic scope (domestic or international). However, such value varies depending on the location of the competitive engagement. In fact, multinationality assets are significantly more valuable in competition abroad whereas firm-specific assets appear to offer the greatest competitive value for US MNEs competing within their home market. Thus, location and nationality exercise the strongest impact on assets' value, suggesting limits to the mobility of MNE assets across borders (Dahl & Sorenson, 2012; Fabrizio & Thomas, 2012) and relative to competitor groups.

In sum, by focusing on the competition as one exogenous factor that determines the competitive value of MNE assets and illustrating its impact across heterogeneous competitors, our findings advance a notion of assets whose value is inherently relative across competitive settings, thus contributing to literature in international business and strategic management in several ways. For one, our argument represents an important shift from the implicit assumption underlying MNE

theory that MNE assets are shaped endogenously by the possession of certain capabilities and that their competitive value is fixed. Accordingly, our findings suggest that variations in MNE competitive positions across countries, such as those noted above, are an intrinsic attribute of international competition. Further, we articulate the range of MNEs' competitors and provide a basis for their classification, thus developing a means for effectively organizing the array of competition and highlighting relevant differences and similarities across and within competitor groups.

In addition, while past research has shown that as firms become more multinational and more globally integrated they are likely to rely less on their home based assets (Dunning, 1998), we suggest that this might be an effective strategy only when competing abroad and/or with competitors of the same nationality. Thus, while the OLI provides an important framework to evaluate how firms can exploit their core competences given the locational advantages of countries (Dunning, 2000), we identify which assets might be the most valuable and under which competitive scenario this may be so.

The study also makes important contributions to the resource based view of the firm (RBV), which identifies the rarity of a firm's resources as an important source of value, and which also implicitly assumes that product markets, as well as competitive environments, are homogenous and do not change (McWilliams & Smart, 1995; Priem & Butler, 2001). As a result, the importance of exogenous factors to MNEs, such as market-related variables, is not accounted for by the RBV. Our study adds this dimension to the RBV, a notable contribution given the significant and dynamic impact that such exogenous factors have on the competitive value of MNEs' resources (Phelps & Fuller, 2016; Priem & Butler, 2001).

Yet another contribution of our study lies in the focus on the legal services industry as the empirical setting for the testing of our theoretical framework. Along with other professional service industries, the legal services industry is the largest contributor to the budget surplus in advanced economies (McKinsey Global Institute, 2012). It is also an important facilitator of cross-border business activities, making it vital for the functioning of the global economy (Beaverstock, Smith, & Taylor, 1999; Faulconbridge, Beaverstock, Muzio, & Taylor, 2008; Faulconbridge & Muzio, 2008; Flood, 1996, 2011; Morgan & Quack, 2006). Deepening the understanding of this industry thus is a notable contribution.

The current research also makes important contributions for practice. The variations we find in MNE assets' value across competitive settings ought to be explicitly incorporated in MNE strategies as our theories and findings suggest that they are an inherent feature of global competition. Hence, rather than seeking to level out differences in competitive positions across countries, MNEs should embrace them, and respond with varying strategies for different countries and in relation to different competitor groups. These variations in assets' value should inform major strategic decisions, such as choice of location, entry mode, and organizational structure, among others. Neglecting them could lead MNEs to select strategies that serve their goals in one competitive setting but that may not be appropriate elsewhere (Simonsohn, 2010).

2. Theory and hypotheses

We begin by classifying the MNE assets as a necessary first step to explore their competitive value. MNE assets can be classified into three categories: firm-specific assets, which originate in the proprietary possession of intangible capabilities that are mobile within firms across countries (Bloom, Sadun, & Reenen, 2012; Hymer, 1960); multinationality assets, which are derived from the ability to access resources and knowledge in multiple countries and the flexibility to utilize them towards the creation of combined value (Contractor, 2012; Kogut & Kulatilaka, 1994); and home-country assets, which are devel-

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات