

# **SUB-NATIONAL INSTITUTIONAL HETEROGENEITY IN EMERGING MARKETS AND OUTWARD FDI TO DEVELOPED MARKETS: EVIDENCE FROM CHINA**

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## **ABSTRACT**

We investigate how sub-national institutional heterogeneity contributes to the rising investments of emerging market firms in developed markets. We argue that sub-national institutional heterogeneity in the home country may lead firms from different regions of the same country to adopt different international strategies. Theoretically, we propose a twofold positive effect of the development of market-supporting institutions a local firm's outward FDI into developed markets: one is direct; the other is through the mediation of firm-specific advantages. Our findings using a survey of 553 Chinese firms from 68 cities support the theory outlined. Contributions, implications and possible extensions are discussed.

**Key Words:** sub-national institutions, emerging markets, outward FDI, China

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