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## Understanding Liabilities and Assets of Foreignness in Weak Institutions: MNE Subsidiaries in Cameroon\*

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International business research has long focused on the liability of foreignness (LOF), emphasizing the costs and disadvantages faced by firms operating abroad. However, recent studies highlight the asset of foreignness (AOF), acknowledging that foreignness can also generate unique advantages. This study adopts an identity-based perspective to examine how multinational subsidiaries manage the duality of foreignness—navigating both liabilities and assets—in complex and heterogeneous environments. Using a comparative case study of sixteen foreign subsidiaries in Cameroon, the study explores the internal attributes of foreignness—values, culture, network position, and image—and how these interact with local perceptions to produce LOFs or AOFs. LOFs arise when there is misalignment between internal attributes and local expectations, leading to operational costs, relational frictions, and heightened legitimacy standards. In contrast, AOFs emerge when internal attributes align with stakeholder perceptions, enabling innovation, resource access, and local support. The findings identify four strategic approaches—local alignment, expectation shaping, stakeholder balancing, and institutional buffering—used to manage this duality. By linking identity, legitimacy, and strategic behavior, this study contributes to a more nuanced understanding of foreignness and advances theory on how subsidiaries engage with institutional complexity in host-country environments.

Keyword: Foreignness, Identity, LOF, AOF, Strategic Responses, sub-Saharan Africa

### 1. Introduction

Organizations carry distinct identities shaped by their national origins and cultural founda-

tions (Dutton and Dukerich, 1991; Fiol, 1991). When such organizations expand operations across borders, they inevitably encounter unfamiliar institutional landscapes—new norms, practices, and expectations. For multinational

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enterprises (MNEs), which routinely navigate diverse environments, these encounters often introduce additional costs and uncertainties tied to their foreign status. This phenomenon is commonly referred to as the liability of foreignness (LOF)—a concept originating from Hymer’s (1960) early work, which emphasized the inherent disadvantages foreign firms face due to their outsider status (Hennart, 1982; Johanson and Vahlne, 1977). As Zaheer (1995: 341) points out, the LOF has long served as a central assumption in the theorization of MNE behavior.

Yet, this long-held assumption is increasingly being re-evaluated. Scholars have begun to argue that foreignness can also generate distinctive advantages—what some refer to as the asset of foreignness (AOF). These advantages stem from resources, capabilities, or symbolic value that foreign firms possess, which are not easily replicable by domestic competitors (Mallon and Fainshmidt, 2017). While foreignness undoubtedly introduces complexity, local actors do not respond passively. Instead, they often adapt their attitudes and expectations in nuanced ways that can create openings for foreign firms (Stahl et al., 2016).

Emerging research suggests that foreignness can stimulate novel strategic responses by subsidiaries, including increased innovation (Edman, 2016a; Un, 2011; Mallon and Fainshmidt, 2017), differentiated talent acquisition (Siegel et al., 2019; Yildiz and Fey,

2012), and nonconforming behaviors that help secure legitimacy and support in the host environment (Edman, 2016b; Sethi and Judge, 2009). These insights have prompted renewed interest in how MNEs understand and navigate their foreign identity. Rather than treating foreignness solely as a liability, scholars are now exploring its dual nature and the ways in which firms can strategically manage it (An et al., 2021).

This study contributes to this evolving conversation by asking: How do foreign subsidiaries manage the duality of foreignness—balancing the disadvantages it imposes with the advantages it may offer?

## II. Evolution of LOF and AOF literature

### 2.1 Liability of Foreignness

LOF has frequently been conceptualized as a reflection of outsidership and lack of fit between a foreign firm and its host environment (Brannen, 2004), shaping much of the early scholarly attention on its adverse consequences (Stahl et al., 2016). Defined as “the costs of doing business abroad that result in a competitive disadvantage for an MNE subunit” (Zaheer, 1995: 342), LOF builds on Hymer’s (1960) seminal argument that foreign firms incur additional costs due to limited

local knowledge, discrimination, institutional mismatches, and financial risks such as exchange rate exposure.

Building on this foundation, more recent studies have employed institutional and network-based frameworks to classify LOF into institutional and structural (or relational) dimensions (Zaheer, 2002; Sethi and Judge, 2009). These costs arise from the foreign firm's weaker integration into local structures and misalignment with the host country's formal and informal institutions. LOF is considered inherently location-specific, affecting all foreign firms operating within a particular national context in similar ways (Edman, 2016b; Sethi and Judge, 2009). This view separates LOF from related liabilities such as the liability of multinationality—which stems from coordination and control challenges across multiple markets—and the liability of origin, which relates to perceptions and disadvantages associated with a firm's home country (Moeller et al., 2013; Ramachandran et al., 2011).

## 2.2 Asset of Foreignness

While the dominant view in the literature has emphasized LOF, there is growing recognition that foreignness can also function as a strategic asset (Brannen, 2004; Newbury et al., 2006). Sethi and Judge (2009: 409) were among the first to formally define AOF as “those unique benefits enjoyed by an MNE

subsidiary that are unavailable to host-country rival firms.” Since then, the terms “advantages” and “assets” of foreignness have often been used interchangeably to capture both tangible and intangible benefits that arise from a firm's foreign identity or positioning (Edman, 2016b; Mallon and Fainshmidt, 2017; Shi and Hoskisson, 2012). Despite this shift in thinking, AOF remains a relatively recent concept in comparison to LOF, and is often treated as an exception to the rule, whereas LOF continues to be regarded as the normative outcome of being foreign (Stahl et al., 2016).

Several studies have explored how AOF manifests in specific contexts. Brannen (2004), using a social semiotic lens, illustrates how Disney's foreign identity enhanced its brand appeal in Japan by aligning with local perceptions of Western culture and symbols. Similarly, Newbury et al. (2006) adopt an organizational attractiveness framework to argue that foreignness can enhance a firm's ability to recruit top talent. Their empirical analysis—focusing on foreign headquarters and the degree of foreign operations—shows that foreignness positively influences perceived organizational desirability among job seekers.

## 2.3 Antecedents to, consequences of and strategies for managing foreignness, LOFs and AOFs

The antecedents of LOF can be understood

at two analytical levels: country-level and firm-level (Denk et al., 2012; Gaur et al., 2011). Building on institutional theory, Zaheer (1995) identified four primary sources of LOF: spatial distance, unfamiliarity with the local context, discriminatory treatment by local actors, and institutional costs imposed by either host or home environments. Country-level antecedents have often been associated with institutional, cultural, linguistic, and geographic distance, all of which increase the institutional misfit faced by foreign firms (Eden and Miller, 2004; Elango, 2009; Xu and Shenkar, 2002).

Meanwhile, internationalisation theory has sustained earlier conceptualisations proposed by Hymer (1960) and Zaheer (1995), emphasizing factors such as exchange rate volatility, lack of market-specific knowledge and experience, and host-country discrimination (Johanson and Vahlne, 2009; Kronborg and Thomsen, 2009). Social network theory extends this further by highlighting the relational costs of being foreign—namely, the lack of local relationships and limited embeddedness in host networks (Johanson and Vahlne, 2009; Li et al., 2002).

More recent work has deepened this understanding. Scholars have incorporated local legitimacy deficits, loss of firm-specific advantages, and weak embeddedness as firm-level antecedents of LOF (Bell et al., 2011; Gaur et al., 2011). Zhou and Guillen (2016),

drawing on the OLI paradigm, attempt to reconcile firm- and country-level drivers by categorizing antecedents into product adaptation costs, discrimination, and internalisation-related inefficiencies. Social network perspectives further propose that a firm's network positioning and its distinct mental models or cognitive frames also contribute to LOF.

Similarly, AOF is shaped by antecedents at both the country and firm levels. At the country level, AOF may emerge from institutional dissimilarities between the home and host countries, or from features of the host environment such as economic development, institutional complexity, and cultural diversity (Mallon and Fainshmidt, 2017; Nachum, 2010; Oetzel and Doh, 2009; Sethi and Judge, 2009). At the firm level, antecedents include cognitive distinctiveness, non-local structures and practices, network centrality, and the host audience's positive expectations of foreign firms (Brannen, 2004; Edman, 2016a, 2016b; Newburry et al., 2006; Rodgers et al., 2019; Taussig, 2017; Un, 2016).

Theoretical explanations of AOF often draw on institutional theory and logics perspectives. Dissimilarity between home and host country institutions, once seen as a liability, may in some cases promote reflexivity—allowing foreign firms to operate outside the constraints of local norms and thereby fuel innovation (Mallon and Fainshmidt, 2017). Additionally, cultural diversity within the host environment

has been shown to generate benefits such as easier talent acquisition, greater innovation potential, and insulation from institutional isomorphism. From an identity-based and institutional perspective, AOF can also stem from the distinct assumptions and expectations that differentiate foreign firms from local ones, enabling strategic variety and cognitive distance (Edman, 2016a; Regnér and Edman, 2014).

In terms of consequences, LOF has been shown to affect three major domains: firm performance (손정민 & 박영렬, 2008) and survival, internal organizational dynamics, and interactions with host country stakeholders. Studies grounded in institutional and internationalisation theory consistently find that LOF negatively influences foreign subsidiaries' performance (최순규 외, 2009) and survival relative to local firms. Internally, LOF has been linked to weakened firm-specific advantages (Beugelsdijk, 2011), inefficiencies in governance and knowledge transfer (Calhoun, 2002; Mezias and Mezias, 2010), higher legal exposure (Mezias, 2002), reputational damage (Kostova and Zaheer, 1999), and challenges in achieving host-country embeddedness (Nachum, 2010).

In contrast, AOF has been associated with positive outcomes such as higher return on assets (Nachum, 2010) and increased survival rates (Kronborg and Thomsen, 2009). From knowledge-based, institutional, and identity-

oriented perspectives, foreignness is seen as a driver of innovation, deal performance, and even enhanced investment returns (Edman, 2016a, 2016b; Regnér and Edman, 2014; Un, 2011; Taussig, 2017). Beyond financial metrics, foreign subsidiaries often enjoy regulatory flexibility, the ability to exploit market voids, and first-mover advantages (Edman, 2016b). Additionally, identity-based theories argue that foreign firms can benefit from positive external perceptions, reduced pressure to conform, and enhanced employer branding (Yildiz and Fey, 2012).

Despite these insights, most AOF research has emphasized intangible benefits, whereas LOF studies tend to explore both tangible (e.g., performance, costs) and intangible (e.g., legitimacy, relational embeddedness) consequences.

Strategic responses to LOF and AOF have evolved considerably. Earlier research primarily emphasized isomorphic adaptation—foreign subsidiaries aligning with local norms to reduce LOF (Salomon and Wu, 2012). More recent work, however, highlights strategic agency, suggesting that subsidiaries can move beyond isomorphic pressures by co-constructing institutional logics, mobilizing firm-specific resources, and using local employees to bridge normative gaps.

AOF literature goes a step further by emphasizing the value of maintaining outsider status. Outsidership, far from being a disadvantage, may enhance opportunity recognition

and reduce institutional pressures (Edman, 2016a, 2016b). This allows subsidiaries to leverage institutional distance strategically, embrace diversity, and pursue alternative paths to legitimacy. Nevertheless, compared to LOF research, studies on AOF remain relatively underdeveloped in terms of identifying concrete strategic responses and mechanisms through which AOF is realized.

### III. Methodology

This study investigates how foreign subsidiaries manage the dual effect of foreignness, exploring the conditions under which foreignness functions as both a liability (LOF) and an asset (AOF). Addressing this research question requires a nuanced understanding of the attributes that constitute foreignness and how these attributes lead to diverse outcomes. Despite its centrality to international business research, the concept of foreignness—and how it is strategically managed—remains underexplored and conceptually opaque. To unpack this “black box,” the study adopts a qualitative research design, employing a comparative case study approach.

Zaheer (2002: 357) emphasized the need for “greater clarity in levels of analysis, in addressing the dynamics involved in the process of learning and legitimation... while

simultaneously striving for a deeper comprehension of what it means to be foreign or alien in a particular environment.” Quantitative approaches, while valuable for testing hypothesized relationships, often fall short in addressing the meaning of foreignness or uncovering the mechanisms linking foreignness to outcomes. In contrast, qualitative studies are better equipped to explore these complex processes and offer insights into the legitimation, learning, and strategic adaptation associated with foreignness (Edman, 2016a; Newenham-Kahindi and Stevens, 2017; Regnér and Edman, 2014).

Within the spectrum of qualitative methodologies, this study employs a comparative case study design. Case studies are particularly suited to theorizing from complex, context-dependent phenomena, allowing researchers to develop, test, and refine theoretical constructs by observing mechanisms in action (Doz, 2011; Ghauri, 2004; Tsang, 2013). Unlike previous studies that often begin with LOF or AOF as the focal lens, this study takes foreignness itself as the analytical starting point to explore how it is perceived, experienced, and strategically managed by subsidiaries. Given its aim to answer “how,” “why,” and “what” questions, the case study method aligns well with the study’s exploratory and theory-building goals (Doz, 2011).

To enhance both the credibility and generalizability of findings, a comparative case

strategy was adopted (Dubois and Gadde, 2002; Yin, 2009). Comparative analysis enables the identification of patterns across contexts and the discovery of new theoretical dimensions.

In line with case study best practices (Yin, 2009), selection criteria were designed to ensure that each case is relevant to the research question and reflects both the phenomenon (foreignness) and its organizational context. Two criteria guided case selection: (1) The firm must be a foreign subsidiary; (2) The subsidiary must engage with multiple host-country stakeholders, including local partners, customers, regulators, and employees.

Based on these criteria, sixteen foreign subsidiaries of MNEs were selected, representing

parent firms headquartered in Europe, Asia, and Africa. This cross-regional sampling allows for a more nuanced understanding of how foreignness is managed across institutional and cultural contexts. Table 1 provides an overview of the sample characteristics.

Data were collected through semi-structured interviews, allowing for in-depth exploration of how foreignness is understood and managed by both foreign subsidiaries and their local counterparts. In total, 34 interviews were conducted with representatives from the selected foreign MNE subsidiaries, with each interview lasting between 30 and 90 minutes. To gain a more comprehensive perspective and to triangulate findings, interviews were

〈Table 1〉 Sample characteristics

Company	Origin	Industry	Entry mode	Year of entry
Firm A	China	Oil	Joint venture	2008
Firm B	Gabon	Banking	Joint venture	2011
Firm C	France	Beverage	Greenfield	1948
Firm D	France	Beverage	Joint venture	2015
Firm E	France	Cement	Greenfield	1963
Firm F	Nigeria	Cement	Joint venture	2015
Firm G	UK	Beverage	Greenfield	1967
Firm H	China	Telecommunication	Acquisition	2005
Firm I	Kenya	Aviation	Greenfield	2003
Firm J	South Africa	Telecommunication	Acquisition	2000
Firm K	France	Telecommunication	Acquisition	2000
Firm L	UK	Oil	Joint venture	2013
Firm M	Lebanon	Consumer products	Greenfield	1992
Firm N	France	Banking	Joint venture	1947
Firm O	South Korea	Consumer products	Greenfield	1998
Firm P	France	Oil	Greenfield	1949

〈Table 2〉 MNE subsidiary participants

Company	Status of Interviewees	Secondary resources	Data Collection Timeline
Firm A	Head of CSR	2	July
Firm B	Head of Corporate and Investment Banking	2	July
	Branch Manager		
Firm C	Deputy General Manager	3	August
	Head of Sales and Marketing		
	Head of Alcoholic Drinks		
	Head of Communication		
Firm D	Head of Administration and Finance	3	July
Firm E	Head of Commercial Transformation	2	July
Firm F	Head of Sales and Marketing	3	July
Firm G	Regional Manager for Central Africa	3	August
	Executive Assistant for General Manager		
Firm H	Account Director	2	August
	Senior manager		
Firm I	Country Sales Manager	2	August
	Sales Executive-Yaoundé		
Firm J	Senior manager Taxation	3	August
	Fleet Manager		
	Head of Marketing		
Firm K	Marketing Manager	3	July
	Head of Institutional Relations		
Firm L	Deputy Country Manager	2	July
	Community Liaison officer		
Firm M	CEO	1	August
	Subsidiary manager		
Firm N	Head of Retail & Business Banking	2	August
	Branch Manager		
	Branch Manager		
Firm O	Country Manager	0	August
	Head of Human Resources		
	Head of Marketing		
Firm P	Head of Internal Audit	2	July

also conducted with local stakeholders—including business partners, government officials, and community leaders—who interact with or are affected by these subsidiaries (Crilly, 2010; Gioia et al., 2015). These interviews aimed to capture local actors' expectations, perceptions, and interpretations of foreignness.

An additional 17 interviews were conducted with these local stakeholders, with interview durations ranging from 30 to 120 minutes, depending on the respondent's role and engagement with the subsidiary. Interview questions were tailored to elicit narratives around

legitimacy, acceptance, adaptation, and perceived differences or advantages related to the subsidiary's foreign status. Table 2 presents the characteristics of the MNE subsidiary interviewees, while Table 3 summarizes the profiles of the local stakeholder participants.

Following an inductive approach, data analysis was conducted iteratively, using Nvivo, involving constant movement between empirical evidence and theoretical concepts. The process combined within-case thematic analysis and cross-case comparison techniques to identify causal relationships among constructs and to explain variations in subsidiary re-

〈Table 3〉 Stakeholder participants

Stakeholder	Position	Group
ST-1	Minister	Government Ministry
ST-2	Head of Unit	Government Ministry
ST-3	Member/Head	Parliament/Business Association
ST-4	Deputy Head	Investment Promotion Agency
ST-5	Researcher	Investment Promotion Agency
ST-6	Researcher	Investment Promotion Agency
ST-7	Researcher	Investment Promotion Agency
ST-8	ex-President	Employers' Association of Cameroon
ST-9	CEO	Media outlet
ST-10	Head	National Labour Union
ST-11	Senior manager	State Oil Company
ST-12	CEO	Local supplier 1
ST-13	CEO	Local supplier 2
ST-14	Head	Consumer Association
ST-15	Researcher	Consumer Association
ST-16	Researcher	Consumer Association
ST-17	Researcher	Consumer Association
ST-18	Head	Labour Union of Firm C

sponses (Eisenhardt and Graebner, 2007; Miles and Huberman, 1994; Strauss and Corbin, 2008; Tavory and Timmermans, 2014). To organize and code the data, both NVivo 12 and Microsoft Excel were used (Ghauri and Firth, 2009).

#### Stage 1: Data Organization and Coding

Drawing on Ghauri's (2004) guidance for qualitative analysis, the first step involved developing detailed case narratives to understand how events unfolded and why specific outcomes occurred. Key constructs and elements emerging from the interviews were identified and coded into preliminary categories. This process led to the creation of thematic clusters, grouping elements under higher-order concepts such as foreignness identity, LOF, AOF, and strategic responses (Ghauri and Grønhaug, 2005).

#### Stage 2: Within-Case Analysis

For each case, the data were analyzed to identify how subsidiaries expressed their foreignness identity, how LOFs and AOFs were experienced, and what strategic responses were employed. The analysis involved sorting data into descriptive categories based on:

- (1) How foreign firms differed from local firms;
- (2) How these differences influenced subsidiary operations;
- (3) How subsidiaries responded to these effects.

Three main coding categories were developed: **Foreignness Identity:** Claims or perceptions that marked foreign firms as distinct, such as "performance-focused" or "larger socio-economic influence."

**Consequences:** Effects of foreignness, ranging from negative outcomes like "burning trucks" to positive experiences such as "ease in buffering unethical practices."

**Strategic Responses:** Actions taken to address these effects, such as "first to engage in CSR" or "building relationships."

#### Stage 3: Cross-Case Analysis

Subsequently, a cross-case comparative analysis was conducted using a meta-matrix (Miles and Huberman, 1994). The aim was to identify patterns in how subsidiaries experienced and responded to foreignness.

Emergent foreign identity attributes included:

- (1) Citizenship and performance orientation;
- (2) Process- and merit-based structures;
- (3) Strong socio-economic standing and formal stakeholder relationships;
- (4) Outsider image and status.

Consequences were grouped into LOFs and AOFs:

**LOFs included:** operational delays and costs, lack of trust, antipathy and hostility, and different legitimacy standards.

**AOFs included:** innovation, access to distinct resources, reputational benefits, and freedom from unethical pressures.

Strategic responses were categorized into four types:

**Local Alignment:** Aligning with local expectations of foreign firms

**Expectation Shaping:** Actively managing

or shaping stakeholder expectations

**Stakeholder balancing:** Negotiating and balancing competing demands

**Institutional Buffering:** Avoiding or buffering expectations linked to foreignness

Example quotes	Theme	Category
We are here to perform and deliver better outcome	Performance-focused	Foreignness identity
We follow the rules and our promotions are based on performance not relationships	Standard and merit-based	
People expect us to contribute because we have a huge influence in the socially and economically	Socio-economic position	
We are seen as different from the locals - sometimes good and sometimes bad	Outsider image	
Permits take longer for us compared to locals and we get more pressures for tax.	Operational costs and delays	LOF consequences
They don't fully trust us. Even though we don't have any relationship with the government	Lack of trust	
There's some hostility toward our foreign status	Antipathy	
They should not adapt but innovate. Offer something better and something locals can't provide	Higher legitimacy standards	
We can think outside the box. We can do things locals wouldn't risk	Innovation	AOF Consequences
We attract talent that locals struggle to retain	Access to unique resources	
Communities often support us because of our resources and investment	Local support and positive image	
We're not expected to play by local informal rules	Buffering unethical pressures	
We align our operations with local norms and practices	Local alignment	Strategic Responses
We influence and reshape expectations by lobbying and doing CSR	Expectation shaping	
We try to find middle ground and negotiate expectations	Stakeholder balancing	
We avoid areas where pressures are too high or unclear. We also avoid unethical pressures by not engaging with bribery	Institutional buffering	

〈Figure 1〉 Coding structure

#### Stage 4: Theorizing Relationships Between Constructs

The final stage involved identifying causal linkages among foreign identity, consequences, and strategic responses. While no uniform pattern emerged across all cases, recurring differences in how subsidiaries responded to similar challenges suggested the need for a deeper explanatory variable.

Upon re-examining the qualitative data, foreignness identity emerged as a plausible explanation for the variation. Two tiers of identity claims were identified:

**Shared identity** claims across all subsidiaries that differentiated them from local firms

**Group-specific claims**, such as French subsidiaries positioning themselves as distinct from both local private and state-owned firms

A revised meta-matrix was used to systematically compare these identity claims, consequences (LOF and AOF), and response strategies across the sample. Frequency counts of LOF and AOF themes were also tabulated to highlight differences in their intensity and distribution across cases.

This comparative analysis revealed not only the degree of foreignness perceived or enacted by subsidiaries but also how this shaped the types of consequences experienced and the strategies deployed in response.

Figure 1 presents the final data structure illustrating the coding process and key conceptual categories.

## IV. Findings

### 4.1 Attributes of Foreignness

Foreign subsidiaries consistently articulated a dual value system centered on citizenship and performance. All participating firms emphasized their responsibility to operate as “good corporate citizens”—adhering to local laws, contributing to communities, and demonstrating social responsibility. At the same time, subsidiaries stressed their mandate to achieve profitability and market leadership as foreign businesses.

These values were embedded in the internal discourse of the firm and reinforced by senior management. Citizenship was framed as a public commitment, while performance was presented as an internal expectation placed upon local staff:

*We must have a high standard... People need to understand that to work in this kind of company, they must be at a high level... We say meritocracy... Corruption is killing this country. We have a role to play within the ecosystem.* [Deputy Subsidiary Manager, Firm C]

Foreign subsidiaries were marked by strong ethical codes and a deep-rooted compliance culture, which were often in contrast with the informal norms prevalent among local firms. All subsidiaries had formal anti-corruption

policies, training programs, and internal monitoring systems in place. Respondents emphasized that ethical compliance was non-negotiable—even in situations where informal practices were widely accepted.

*On Cameroon's National Day, it's almost official to give contributions to authorities. Local companies will do that—but we cannot. It can appear as corruption, and our group says: do not do that.* [Senior Manager, Firm E]

This tension between formal rules and local practices was particularly evident in the banking sector, where foreign banks were obligated to comply with host-country, home-country, and international regulations. In contrast, local banks often operated within informal or semi-formal financial systems (e.g., tontines), avoiding regulatory scrutiny.

*We have to comply. Local companies, depending on what they need, often avoid regulations.* [Senior Manager, Firm B]

Foreign subsidiaries occupied influential positions within national economic and policy networks. Participants highlighted their firms' significant contributions to the economy through tax payments, employment, and corporate social responsibility (CSR). These contributions were seen as exceeding those of local firms, both in scale and in visibility.

*The amount of tax we pay is enormous... We employ 100,000 people, directly and indirectly. We have a significant impact.* [Deputy Subsidiary Manager, Firm C]

Foreign firms also participated in formal policy-making and advisory roles, regularly meeting with government ministries and serving on national committees. In several sectors—especially oil, cement, and finance—foreign MNEs were described as market leaders and primary sources of technology, capital, and expertise.

*We are part of a committee reviewing Cameroon's cement laws... We have regular meetings with the Ministry of Commerce and Ministry of Industry.* [Head of Marketing and Sales, Firm F]

Foreign subsidiaries were perceived through two dominant narratives by local stakeholders. On one hand, they were viewed as outsiders—or even “new colonialists”—whose motives were seen as primarily extractive. On the other, they were regarded as solution providers, contributing positively through investment, job creation, and knowledge transfer.

*Foreign companies are here to take the money and go away.* [ST-16]

These contrasting images shaped distinct expectations for foreign firms—such as behaving ethically, introducing global practices,

avoiding corruption, and addressing local development needs. Despite their long-standing presence in the country, foreign subsidiaries were still referred to by country-of-origin or racial terms such as “Whites,” indicating a persistent perception of foreignness as difference.

#### 4.2 Consequences of LOF and AOF

The findings indicate that foreignness produces both liability (LOF) and assets (AOF), which manifest across multiple dimensions. These consequences shape how foreign subsidiaries operate, engage with stakeholders, and construct strategies for legitimacy and competitiveness in Cameroon.

Foreign subsidiaries reported heightened operational costs stemming from discrimination, xenophobia, and political conflict, particularly the ongoing tensions between the Anglophone (minority) and Francophone (majority) regions. In the Anglophone regions, foreign subsidiaries were perceived as aligned with the central (Francophone-led) government, leading to targeted hostility. For example, Firm F experienced a 7.1% sales decline, while Firm J had 206 sites vandalized, resulting in suspended operations in the affected region.

In addition, foreign firms often received corruption and unethical pressures from diverse stakeholders. Tax officials often pressured the subsidiaries to pay more tax or pay bribes and local communities demanded personal favours

when engaging in CSR. Despite these pressures, the subsidiaries have to abide by their internal compliance policy. Therefore, they experienced bureaucratic delays and operation costs when engaging with the stakeholders.

Despite their emphasis on citizenship values, foreign subsidiaries encountered misalignment with local relational norms. Practices such as gift-giving and tribal favoritism, which are culturally embedded in Cameroonian business, were in conflict with subsidiaries' anti-corruption policies, creating friction with employees, suppliers, and government officials. This disconnect often generated mistrust and misunderstanding, impeding relationship-building with stakeholders.

*You put a local guy in a top position, and he brings his tribesmen. That's what goes on. The results are bad.* [Fleet Manager, Firm J]

In more extreme cases, LOF manifested in hostility, operational sabotage, and public backlash. Foreign subsidiaries, despite being major contributors to CSR and taxation, were accused by civil society actors of using philanthropy as a façade for profit-making. This sentiment contributed to widespread scepticism and, at times, overt resistance to foreign corporate presence.

*In reality, they do not do CSR. They finance their philanthropic activities among themselves.* [Researcher 2, Consumer Association]

Foreign subsidiaries were held to higher legitimacy expectations than local firms due to their perceived superior resources and capabilities. Stakeholders expected MNEs to not only comply, but also lead reforms, enhance institutional practices, and drive systemic change—expectations not typically applied to local firms.

*They should not adapt but innovate... The expectation is that multinationals provide better working conditions and advise the government to improve the system.* [Researcher 2, Consumer Association]

Even substantial CSR investments were often met with demands for deeper and more diverse engagement.

*They are participating in improving society, but there is much more to do. More challenges to take.* [Head of Labour Union, Firm G]

Foreignness also enabled product and institutional innovation. High local expectations and strategic government support (e.g., tax incentives, resource access) encouraged subsidiaries to introduce new technologies, improve processes, and engage in compliance reform initiatives.

*Innovation is the new value of the company. We must improve not only products but how we do business and impact the environment.* [Head of Alcohol Division, Firm C]

*We are driving the compliance agenda. We've*

*created campaigns to raise awareness and change business practices in Cameroon.* [Director of Central Africa, Firm G]

Foreign subsidiaries had preferential access to talent, infrastructure, and decision-makers. Their merit-based HR systems and global work standards made them more attractive to the local workforce, while local firms often struggled with tribalism and family ownership structures.

*Locals prefer to work at multinationals. Local firms are family-run and tribal. We don't have that.* [Account Manager, Firm H]

Subsidiaries also gained preferential access to raw materials, government contracts and policy discussions.

*Multinationals are treated well – they bring capital. When our CEO visits, he's received by the president.* [Head of Labour Union, Firm C]

Despite some criticism, foreign subsidiaries enjoyed greater consumer trust and were generally perceived as offering higher quality products and services. Local businesses and suppliers also preferred to work with MNEs due to their reliability and professionalism.

*Foreign subsidiaries are more welcomed than local firms. They bring experience and technology.* [CEO, local company]

*No one wants to work with local companies. Foreign*

*firms keep deadlines. Local ones break promises.*  
[Local Supplier 1]

In an environment where corruption and informal practices are common, foreign subsidiaries benefited from internal standards and external legitimacy, allowing them to resist informal demands and maintain operational integrity.

*As a foreign subsidiary, we respect standards. We follow stricter regulations. Eventually locals will comply or disappear.* [Head of Retail and Commerce, Firm N]

#### 4.3 Strategic Responses

To reduce LOF and enhance AOF, foreign subsidiaries adopted distinct navigation practices. These were categorized into four ideal types: Local Alignment, Expectation Shaping, Stakeholder Balancing, and Institutional Buffering, each reflecting different approaches to managing foreignness in Cameroon's complex institutional environment.

Subsidiaries practicing Local Alignment proactively embraced local stakeholder expectations. Their strategy involved structured CSR, anti-corruption leadership, and institutional innovation that reinforced their commitment to local citizenship and legitimacy.

Firms F, G, and J are prime examples. They developed dedicated CSR departments, integrated KPIs, and involved communities in CSR planning:

*We have the Firm J foundation. It is only for social contribution... We also have what we call XX Days, where all the employees participate in CSR.* [Senior Manager, Firm J]

*We are in social activities like XX project...it is part of the KPIs for senior managers.* [Regional Director, Firm G]

Other firms also demonstrated leadership in institutional innovation, launching new products and systems grounded in local needs:

*We launched a product called "My Brother" in local language, sourcing everything locally.* [Head of Alcohol Division, Firm C]

The firms using Expectation Shaping focused on influencing how foreignness was perceived by stakeholders. Through branding-driven CSR, strategic lobbying, and image management, they aimed to soften their foreign image and reposition themselves as local contributors.

Firms C, E, K, N, and P fit this model. Their CSR activities emphasized visibility and reputation, often centering on sponsorships and cultural events:

*We have a football academy... We are giving to many other associations. It is to show we are a local firm.* [Deputy Subsidiary Manager, Firm C]

They engaged in lobbying and political communication to preempt regulatory threats and shape public perception:

*We have changed entirely our communication... Another division in Yaoundé does lobbying to influence the law.* [Head of Communications, Firm C]

Anti-corruption efforts were primarily internal, signaling values to partners:

*All our partners and suppliers... they are aware. It's in the contract. They must respect the Code of Conduct.* [Senior Manager, Firm P]

Subsidiaries using Stakeholder Balancing adopted a pragmatic, risk-averse approach, prioritizing internal compliance while avoiding overt engagement with local institutions or CSR for reputational purposes. Firms A, B, H, I, L, and N fit this category. CSR was limited and often reactive:

*What we do is for internals... we employees collect things for orphans. Locally, we don't have a foundation.* [Branch Manager, Firm B]

*Firm H communicates very little...It is not Firm H that is seen but our customer.* [Senior Manager, Firm H]

Anti-corruption measures were compliance-oriented, focused on self-protection:

*If they come, we can fight it.* [Commercial Director, Firm B]

*We are polite. I try to negotiate... But multinationals have strong policies about corruption. We're not allowed to do it.* [Country Manager, Firm I]

Their innovation strategies involved adapting global products to local needs while retaining

brand consistency:

*So we decided to offer a cheaper product with [a] local name.* [Head of Alcohol Division, Firm C]

The companies using institutional buffering adopted a circumvention strategy, engaging in informal practices to maintain efficiency and reduce conflict. They maintained opaque CSR, tolerated internal bribery, and leveraged elite political ties.

Firms M and O exemplify this approach. CSR was minimal, tied to charity or symbolic gestures:

*We give the water for all population... This is how foreign companies should deal with the environment.* [CEO, Firm M]

Bribery was openly acknowledged as necessary to operate:

*To do business here, you have to negotiate with customs... The know-how is to adapt to corruption and evade the law.* [Subsidiary Manager, Firm M]

*Government officials receive something during the audit, and they give us something in return. This becomes a necessity.* [Subsidiary Manager, Firm O]

Their network engagement was strategic but transactional:

*My CEO is a friend of the Minister of Defence... The government provides favours.* [Subsidiary Manager, Firm M]

*Relationships are important, but not pure relationships.  
Only for benefit.* [Subsidiary Manager, Firm O]

## V. Conclusion and Limitations

This study advances international business research by unpacking the duality of foreignness through a grounded, identity-based analysis of MNE subsidiaries operating in a politically unstable and institutionally fragmented environment. Drawing on qualitative data from sixteen subsidiaries in Cameroon, I offer a conceptual framework that connects foreignness identity attributes, the simultaneous experience of LOF and AOF, and the strategic responses employed by subsidiaries navigating legitimacy challenges.

First, I introduce the concept of foreignness identity as a multidimensional construct comprising values, organisational culture, network position, and public image. These internal characteristics influence how foreign subsidiaries are perceived and treated by host country stakeholders. By centering identity, I move beyond externally imposed definitions of foreignness and emphasise firms' active role in shaping stakeholder perceptions.

Secondly, I show that LOF and AOF can emerge simultaneously from the same identity attribute, depending on stakeholder perception. For example, a meritocratic employment sys-

tem may be applauded as modern and fair (AOF) or criticized as misaligned with local social expectations (LOF). This orthogonal relationship highlights how foreignness is not inherently a liability or asset but is instead contextually contingent and dynamically interpreted.

Third, I identify four types of strategic responses: Local Alignment, Expectation Shaping, Stakeholder Balancing, and Institutional Buffering. Local Alignment is the active efforts to conform to local expectations through CSR, institutional engagement and community involvement whereas Stakeholder Balancing is a cautious approach emphasizing internal compliance and legitimacy with selective external engagement, particularly when navigating competing expectations (Park et al., 2012). On the other hand, Expectation Shaping is an influence-oriented strategy involving lobbying, public relations and selective compliance aimed at redefining how stakeholders view the firm. And lastly, Institutional Buffering is an approach that reduce dependency on local institutions by leveraging informal networks, international support or headquarters autonomy.

While some conceptual overlap among these categories is inevitable, they can be differentiated. Firstly, companies in highly visible sectors with strong regulatory presence, use Local Alignment while companies in politically sensitive or volatile areas use Institutional Buffering. Expectation Shaping requires strong commu-

nication capabilities and ties to influential stakeholders whereas Stakeholder Balancing is adopted when institutional environments are fragmented or contradictory. Lastly, Local Alignment and Expectation Shaping aim for proactive legitimacy gains while Balancing and Buffering are more risk-averse, focusing on resilience and operational continuity.

Although the study is grounded in Cameroon, the underlying mechanisms and dynamics revealed are not unique to this setting. Many emerging and institutionally complex environments such as Nigeria, Ethiopia, Myanmar, Venezuela, or parts of Central Asia share features such as weak formal institutions, politicized administrative systems, widespread informality, and legitimacy contestation. In these contexts, foreign subsidiaries are often perceived simultaneously as both development agents and exploiters, giving rise to the dual perceptions of foreignness that underpin both LOFs and AOFs.

The findings on foreignness identity, particularly the tension between global ethical standards (e.g., anti-corruption, meritocracy, formal compliance) and embedded local norms (e.g., gift-giving, tribalism, informal reciprocity) are likely to manifest in similar ways across such institutional environments. For example, foreign subsidiaries in Myanmar or Bolivia may face pressure to comply with informal patronage networks, just as subsidiaries in Cameroon encounter resistance to their mer-

itocratic HR practices.

Likewise, the four strategic responses identified in this study Local Alignment, Expectation Shaping, Stakeholder Balancing, and Institutional Buffering can be interpreted as generalizable archetypes that reflect broader MNE adaptation logics under institutional voids or volatility. In countries where rule-of-law is inconsistent and stakeholder expectations are fragmented, subsidiaries often must negotiate a fine line between formal compliance, local accommodation, and reputational legitimacy. For instance, "Expectation Shaping" through CSR branding or elite lobbying is a common strategy in Southeast Asia, while "Institutional Buffering" through informal ties is frequently observed in politically fragile or high-corruption contexts such as parts of Sub-Saharan Africa or Central America.

Furthermore, the recurring patterns of heightened legitimacy expectations placed on foreign firms such as acting as institutional reformers or CSR leaders resonate across many emerging markets where domestic firms lack capacity or trust. These findings suggest that while the Cameroonian context offers deep empirical richness, the theoretical constructs and strategic patterns uncovered have wider applicability for understanding MNE behavior in similarly complex and fluid environments.

That said, the unique features of the Cameroonian context limit direct generalization. To enhance external validity, future research

should adopt a comparative case design across countries with varying institutional configurations. This would allow for testing the robustness of our typology, identifying boundary conditions, and refining the understanding of how identity-based strategies unfold across different political and institutional regimes.

Moreover, a longitudinal approach would be valuable in examining how identity attributes gain or lose salience over time and how strategic responses evolve in tandem with shifts in stakeholder expectations or crises. Future studies could also investigate how headquarters–subsidiary dynamics influence foreignness identity formation and strategic choices.

This study offers a nuanced, identity-based perspective on how foreign subsidiaries experience and strategically act upon their foreignness in complex institutional environments. By linking foreignness identity, dual perceptions of LOF and AOF, and differentiated strategic responses, I provide a conceptual foundation for understanding how MNEs navigate the tensions between global identity and local legitimacy. The framework invites further refinement and application in diverse contexts, contributing to ongoing debates around identity, agency, and institutional embeddedness in international business.

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