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REVISITING THE CONCEPTS OF LIABILITY OF FOREIGNNESS AND LIABILITY OF OUTSIDERSHIP FROM FOREIGN SUBSIDIARY MANAGEMENT PERSPECTIVE

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The concepts of liability of foreignness and liability of outsidership have been central in international business research. The Uppsala model explains that firms often face obstacles and opportunities in management practices in a host market when internationalizing abroad. International business scholars discussed these concepts redundantly but vaguely in the literature. Only a few literature sources defined and utilized the concepts clearly over the last decade, however, it has not been demonstrated how the key constructs help to explain firms' foreign subsidiary management. Therefore, the study reconsiders the concepts and identifies a proper utilization of the concepts in the texts drawing on an intensive systematic literature review in the leading international business and strategy journals from 2011 to 2021. The study also analyzes the articles in which the authors find ambiguous and overlapping use of the concepts by clarifying key constructs as identifiers. The study integrates defensive and offensive options for overcoming liability of foreignness and liability of outsidership into our conceptual model of operational structures from the foreign subsidiary management perspectives. The study contributes by providing a novel intensive literature review of the concepts over the last decade; by clarifying the key identifiers to distinguish the concepts in the leading international business and strategy journals; by proposing newly integrated conceptual models of defensive and offensive options from foreign subsidiary management perspectives with the focus on intra-organizational structures for operational aspects.

Keywords: liability of foreignness, liability of outsidership, defensive option, offensive option, operational structure.

INTRODUCTION

The internationalization of multinational companies (MNCs) is such a highly complex phenomenon that it requires a deep understanding of its mechanisms [Johanson, Vahlne, 2009; Verbeke, 2020]. Various factors influence internationalization's speed, steps, and outcomes [Schu, Morschett, Swoboda, 2016]. For successful internationalization, MNCs face crucial decisions such as organizing and managing their foreign subsidiaries by maximizing profits and minimizing risks and losses [Dunning, Lundan, 2008; Marano et al., 2016]. Many international business (IB) studies have explored how MNCs can overcome liability

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of outsidership (LOO) and liability of foreignness (LOF) [Johanson, Vahlne, 1977; 1990; 2009; Zaheer, 1995; Kostova, Zaheer, 1999; Vahlne, Schweizer, Johanson, 2012; Panibratov, 2015; Vahlne, 2020; Vahlne, Johanson, 2020; 2021; Verbeke, 2020].

However, there is still ambiguous and overlapping use of both concepts in some previous studies, where the concepts have been viewed and investigated by coupling closely. It may be because there has not been such a systematic literature review over the last decade despite its rapid development of the concepts. Further, we find few studies on synthesizing the concepts and constructs of LOF and LOO into foreign subsidiary management perspectives despite the importance of bringing the concepts into reality. Thus, this paper aims to revisit the concepts of LOF and LOO, where we attempt to integrate the key identifiers into our conceptual model. We also conceptualize the phenomena, given a theoretical framework of Luo's [Luo, 2001] defensive and offensive options of foreign subsidiaries' management perspectives.

MNCs often face several types of liabilities when internationalizing abroad, including LOF [Hymer, 1976; Zaheer, 1995], liability of origin [Kostova, Zaheer, 1999; Bartlett, Ghoshal, 2000; Ramachandran, Pant, 2010; Marano, Tashman, Kostova, 2017], LOO [Johanson, Vahlne, 2009; Vahlne, Schweizer, Johanson, 2012; Vahlne, Johanson, 2021], liability of localness [Un, 2011; 2016; Jiang, Stening, 2013], liability of emergingness [Bangara, Freeman, Schroder, 2012; Madhok, Keyhani 2012], liability of newness [Bangara, Freeman, Schroder, 2012; Li, Bruton, Filatotchev, 2016], liability of country foreignness and liability of regional foreignness [Qian, Li, Rugman, 2013], liability of disruption [Marano, Tallman, Teegen, 2020], liability for Asianness [Froese et al., 2020]. These concepts are gaining increasing scholarly attention. Among these liabilities, critical positions of LOF and LOO had remained in IB research for the last decades as scholars argued where they came from, when they occurred, how MNCs should manage them. The LOF refers to the knowledge and capability required to deal with the host country's institutions [Johanson, Vahlne, 1977; Zaheer, 1995; Kostova, Zaheer, 1999]. The LOO is derived from a firm's insider status upon foreign market entry is necessary for successful internationalization [Johanson, Vahlne, 2009; Li, Fleury, 2020].

In order to tackle LOF and LOO, MNCs can apply defensive and offensive options to deal with the difficulties [Luo, 2001]. The defensive options are derived from firm's specific advantages (FSAs), such as know-how and knowledge transfer from headquarters, centralization of management practices, standardization of operations, and vertical organizational structures. Offensive options come from a firm's spontaneous activities such as local networking, local learning, local legitimacy enhancement, decentralizing management practices, localization of operations, and horizontal operational structures [Luo, 2001]. Thus, foreign subsidiaries must choose between defensive and offensive options, leading to appropriate adaptation to their operational structures. For example, while centralizing the organizational units of foreign subsidiaries can be a rational choice for MNCs to overcome LOF and LOO, the choice might involve a kind of uncertainty and complexity in practices [Harzing, 2000; Legewie, 2002; Johanson, Vahlne, 2009; Cardinal, Kreutzer, Miller, 2017; Vahlne, Johanson, 2021]. Eventually, the centralized

management approach may result in a vertical operational structure. In contrast, foreign subsidiaries often face a critical need to compete with local competitors to achieve an entrepreneurial work environment, providing a sort of autonomy to local employees [Barney, Foss, Lyngsie, 2018]. Accordingly, decentralized management practices can support constructing horizontal operational structures and accomplish an autonomous work environment [Barney, Foss, Lyngsie, 2018; Sarabi et al., 2020].

Nevertheless, intensive discussion among IB scholars has continued because there is room for the Uppsala model to be upgraded and innovated more [Vahlne, Johanson, 2020] by adjusting it to the current business and management circumstances. Therefore, one of the key agendas for our discussion is “How should MNCs overcome LOF and LOO when internationalizing abroad?” The topic has been discussed for decades, yet the discussion has been still topical and emerging over the last decade. For example, there are only few systematic literature reviews of the concepts of LOF and LOO over the last decade. We consider this fact to cause such ambiguous and redundant utilization of the concepts in the past literature. Further, there is little attention to a synthesized conceptualization in foreign subsidiary management perspectives. Instead, independent and respective conceptual works and models explain each specific facet of the phenomena. Accordingly, we see the existing conceptual models do not reflect the reality of MNCs’ actual activities abroad promptly [Harzing, 2000; Legewie, 2002; Johanson, Vahlne, 2009; Cardinal, Kreutzer, Miller, 2017; Barney, Foss, Lyngsie, 2018; Sarabi et al., 2020; Vahlne, Johanson, 2021].

To fulfill the gaps, first, we conducted a novel and intensive systematic literature review on LOF or LOO in 4-star IB and strategy-oriented journals placed in the Chartered Association of Business Schools (ABS) list for the last 10 years during 2011–2021. Second, we identified potential misleading issues about terms and definitions used in the literature. Third, we proposed a list of key identifiers to recognize LOF and LOO newly and categorized them for each concept. Lastly, we conceptualize the key identifiers into our novel and dynamic conceptual framework of defensive and offensive options [Luo, 2001] to tackle LOF and LOO in foreign subsidiary management perspectives.

Our contributions are three-fold: 1) This study systematically reviews the latest literature regarding the concepts in top journals over the last decade; 2) Our study contributes to visualizing explicit terms of LOF and LOO concepts by identifying and proposing a list of key identifiers for sound differentiation in use; 3) This paper presents how essential identifiers of LOF and LOO play roles in foreign subsidiary management of MNCs in our conceptual model. The implications can be valid for both theoretical extension and managerial applications. This paper consists of theoretical foundations, a systematic literature review, results and discussion, and a conclusion.

THEORETICAL FOUNDATIONS: KEY CONCEPTS

Liability of foreignness. Institutional diversification also substantially affects the international business domain [Aguilera, Grøgaard, 2019]. Social and institutional barriers to MNCs challenge them to gain local legitimacy [Marano et al., 2016]. The concept

of LOF is grounded by distance, which implies additional costs for internationalizing firms and has gained wide recognition [Zaheer, 1995; Nachum, 2010; Zhou, Guillén, 2015; 2016]. LOF is considered as an additional cost of doing business abroad (CDBA) for MNCs arising from unfamiliar social, political, and financial contracts, which requires coordination among different institutions across geographical divides [Hymer, 1976; Hennart, 1982; Zaheer, 1995; Zhou, Guillén, 2016; Wan, Williamson, Pandit, 2020]. LOF is associated with foreign institutional settings between home and host countries. Various institutional factors affect individual internationalization steps and processes [Tan, 2019; Li, Fleury, 2020]. Past studies have confirmed that the negative effect of formal institutional distance is more pronounced when the host country's institutions are less grounded than those of the home country [Zhou, Guillén, 2015; Stahl et al., 2016; Trąpczyński, Halaszovich, Piaskowska, 2020].

Given the origins of institutional theory, the extant literature examined isomorphism practices that could be valid for legitimacy improvement to mitigate LOF [Causat, Prime, Wilken, 2019]. LOF is a complex phenomenon when MNCs go internationalizing abroad [Wan, Williamson, Pandit, 2020]. MNCs face potential difficulties in dealing with the strategic complexities of collaboration as they have to manage various embeddedness in heterogeneous settings [Meyer, Mudambi, Narula, 2011]. It potentially limits the ability of MNCs to acquire relevant market resources [Tolstoy, 2019] simultaneously. MNCs internationalize if they favor allocating communication capabilities to local networks and resources [Arikan et al., 2019]. MNCs experience LOF associated with facing obstacles higher than local firms due to institutional gaps.

The trade-offs between the consequences of localization and standardization of operations affect the competitive actions that MNCs should take [Yang, Meyer, 2020]. Thus, recent studies have found that formal institutional distance has beneficial consequences, followed by more positive effects at the managerial levels [Stahl et al., 2016; Trąpczyński, Halaszovich, Piaskowska, 2020]. MNCs can improve their execution over time because of the channel for the firm's particular competitive advantage and because the risk of outsiders decreases after a while [Wan, Williamson, Pandit, 2020]. However, the LOF MNCs face may not decrease over time because the impact of country, industry and MNC's responses might escalate unpredictability, vulnerability, and isolation [Zhou, Guillén, 2015]. The difficulty of understanding signals in complex situations suggests the benefits of changing settings after internationalization [Asmussen, Larsen, Pedersen, 2016].

Liability of outsidership. LOO is a crucial concept in the internationalization process model proposed by J. Johanson and J. Vahlne in 2009. The concept of LOO is established to some extent in LOF [Johanson, Vahlne, 2009] and is derived from the host country's foreign market environment. It is derived from a lack of knowledge about the local business environment [Tan, 2019; Li, Fleury, 2020]. The perspective of the Uppsala model [Johanson, Vahlne, 1977] features an essential part of players in collaborations that encourage socially developed global business connections that rely on corresponding learning and practice in local markets abroad [Johanson, Vahlne, 2009; Benito, Pe-

tersen, Welch, 2019; Verbeke, 2020]. In the original model, the improvement of opportunities was a cycle like internationalization and the development of relationships [Verbeke, 2020], and later the concept of trust-building was added [Vahlne, Johanson, 2021].

MNCs can choose the specific sequence of production expansion abroad, starting with exports through intermediaries, then subsidiaries, and finally foreign direct investment [Goerzen, Makino, 2007]. J. Johanson and J. Vahlne [Johanson, Vahlne, 2009] argue that outsiders upgraded the model involved in network theory by constructing a transitional situation between “insiders” and “outsiders” when the transformation to insiders is limited by institutional imperatives [Apaydin, Thornberry, Sidani, 2020]. Simultaneously, J. Johanson and J. Vahlne [Johanson, Vahlne, 2009] emphasized the importance of trust-building activities in their LOO concept [Li, Fleury, 2020]. The onset prompted the transformation of the network into an essential solution in the model, followed by the emergence of globalization, geographical reconfiguration, and changes in coordination [Vahlne, 2020]. Transforming localization into internationalization is more feasible when MNCs have external and internal support in the local business environment [Isaac et al., 2019].

Johanson and Vahlne [Johanson, Vahlne, 2009] updated the internationalization process model. They proposed the concept of LOO, which is to some extent of LOF, and addressed that MNCs can have essential resources and support to make the internationalization process successful [Verbeke, 2020]. However, LOO potentially restricts MNCs from obtaining relevant market resources simultaneously [Tolstoy, 2019]. Lack of critical resources and knowledge in the local market constraints foreign subsidiaries' access to the local market against local competitors [Curran, Ng, 2018]. Moreover, lack of resources and support from headquarters can also be an obstacle for foreign subsidiaries of MNCs to maintain valuable product introductions in their subsidiary initiatives [Schweizer, Lagerström, Jakobsson, 2020]. Developing local networks are a robust solution in the model of Johanson and Vahlne [Johanson, Vahlne, 2009]. Then came globalization, geographical reconfiguration, and changes in coordination [Vahlne, 2020]. The shift to a decentralized organizational structure in the internationalization process becomes more feasible when MNCs have sufficient resources and support in the local market [Isaac et al., 2019]. Therefore, foreign subsidiaries need to manage operational costs such as local sourcing, local communication, and local network coordination to seek the necessary resources and knowledge [Wan, Williamson, Pandit, 2020].

Defensive and offensive options for tackling LOF and LOO. In the original model of Johanson and Vahlne [Johanson, Vahlne, 2009], the foreign subsidiary is the outsider, and the local competitor is the insider. Their model is infused with the essence of network theory, where local networks and partners can help foreign subsidiaries in transitional situations to approach the insider position in the local market [Johanson, Vahlne, 2009; Li, Fleury, 2020]. Insidership in the local market is essential for successful internationalization and how to overcome LOO [Johanson, Vahlne, 2009; Vahlne, Johanson, 2021]. Insidership in the relevant organization is essential for successful internationalization [Johanson, Vahlne, 2009]. The critical moment for MNCs might be when out-

sidership turns into insidership [Apaydin, Thornberry, Sidani, 2020]. Expatriates make it difficult for MNCs to set up operations, but then somehow, the internationalization cycle begins, and possible partnerships within the firm may call on the headquarters for help. In contrast, then begins the underlying insider opportunities, the learning cycle, and the building of trust and commitment [Vahlne, Johanson, 2021].

As discussed above, the discussion on how to overcome LOF and LOO remains crucial among scholars, and it tends to be a long discussion over the decades. We aim to revisit Luo's [Luo, 2001] defensive and offensive options to overcome LOF and LOO. The defensive solutions are the provision of FSAs from headquarters, centralizing management practices by a parent firm delivering vertical operations, while the offensive solutions concern local networking, local learning, local legitimacy enhancement, and horizontal management practices with operational localization [Luo, 2001]. However, Luo [Luo, 2001] initially presented these options only for overcoming LOF and not for overcoming LOO because his paper had been published before Johanson and Vahlne [Johanson, Vahlne, 2009] introduced the concept of LOO by replacing the classical concept LOF. This fact might also be one of the reasons why the concept of LOO is discussed vaguely when proposing solutions to LOO. Nowadays, Luo's solutions are more applicable to addressing LOO than LOF in our view. Tan [Tan, 2019] described as LOO comes from the obstacles of the host and home business environment. In contrast, LOF is designated to institutional gaps, distances, and barriers [Tan, 2019], and these solutions are mostly concerning LOO rather than LOF. We will utilize Luo's [Luo, 2001] defensive and offensive options for formulating our conceptual models in the latter section.

Centralized and decentralized operational structures impact LOF and LOO. Recent studies have shown that CEOs of foreign subsidiaries, in particular, play an essential role and have strategic responsibility for the operation and management of foreign subsidiaries within the organization [Sarabi et al., 2020]. In addition, the entrepreneurial efforts of the top management of foreign subsidiaries and their power in managerial decision-making should positively impact a firm's performance [Sarabi et al., 2020]. We acknowledge the significance of trust as an essential factor in enabling firms to implement decentralized autonomous management practices to overcome LOO's high uncertainty and complexity [Johanson, Vahlne, 2009; Barney, Foss, Lyngsie, 2018; Vahlne, Johanson, 2021]. It also recalls the importance of a centralized management approach to foreign subsidiaries to maintain and ensure managerial competence [Harzing, 2000; Legewie, 2002; Cardinal, Kreutzer, Miller, 2017].

Nevertheless, both types of management practices may have their advantages and disadvantages. It is critical to balance their operational structures and optimize management costs and risks, given a trade-off of advantages and disadvantages between centralization and decentralization of organizational units [Daps, Teng, 2001]. Centralization in foreign subsidiaries is managerially efficient, where all organizational units are willing to achieve a common business goal altogether [Harzing, 2000; Legewie, 2002; Cardinal, Kreutzer, Miller, 2017].

However, the centralization of organizational units requires greater independence of managers for their work and often requires greater exploitation of trust and control [Outila et al., 2021]. On the contrary, decentralization of organizational units in foreign subsidiaries contributes to autonomy and horizontal organizational structure, resulting in an entrepreneurial work environment [Barney, Foss, Lyngsie, 2018; Sarabi et al., 2020]. Nevertheless, decentralized management practices might eventually lead to difficulties in horizontal operational practices, acceptance of local culture, and delegation of an initiative to local employees can cause [Nakagawa et al., 2018]. Therefore, MNCs need to choose appropriate options for management practices in their foreign subsidiaries.

SYSTEMATIC LITERATURE REVIEW

Methodology. We aimed to analyze the contents of each article and synthesized the results of how authors utilized terms of LOF and LOO. First, we revisit the utilization of LOF and LOO in the previous literature. Second, we manually checked all the articles verifying the authors' initial concept and utilized constructs. Table 1 shows the studies on LOF and LOO by each top journal in International Business and Strategic Management during 2011–2021.

The articles published in the *Journal of International Business Studies* have dominated the position, primarily covering LOF and LOO. The articles published in the *Journal of World Business* have stayed in the second position. To identify relevant literature, we used two methods: searching electronic databases and manually searching of peer-reviewed journals [İpek, Bıçakcıoğlu-Peynirci, 2020]. First, we searched an online database of published articles, Web of Science (WoS), with keywords of “liability of foreignness” or “liability of outsidership”.

Next, to ensure the comprehensiveness and reliability of our research, we checked journals that are widely recognized in the field of international business and strategic management research. Finally, we screened articles by filtering 4-star journals in ABS list in International Business and Strategic Management areas such as *Academy of Management Journal*, *Journal of International Business Studies*, *Journal of World Business*, *Journal of Management*, *Strategic Management Journal*, *Global Strategy Journal*, *British Journal of Management* and *Journal of Management Studies*.

Consequently, we found 56 articles (44 articles are about LOF, 10 articles studying LOO, and 2 interdisciplinary articles with LOF and LOO). Finally, we manually confirmed if the central discourse of arguments is concentrated on either LOF or LOO. Table 1 shows the result of our systematic review of articles.

RESULTS AND DISCUSSION

We find that LOO and LOF concepts are well established. However, they remain still vaguely at some points [See, Luo, 2001; Un, 2011; Bangara, Freeman, Schroder, 2012; Klossek, Linke, Nippa, 2012; Jiang, Stening, 2013; Regnér, Zander, 2014; Sui, Morgan,

Table 1. Top publication outlets for LOF and LOO studies in International Business and Strategic Management areas

LOF studies		LOO studies		LOF and LOO studies*	
Journal title	Number of articles	Journal title	Number of articles	Journal title	Number of articles
<i>Journal of International Business Studies</i>	24	<i>Journal of International Business Studies</i>	7	<i>Journal of World Business</i>	1
<i>Journal of World Business</i>	8	<i>Journal of World Business</i>	2	<i>Journal of Management</i>	1
<i>Strategic Management Journal</i>	5	<i>Journal of Management</i>	1		
<i>Global Strategy Journal</i>	4				
<i>Academy of Management Journal</i>	1				
<i>Journal of Management Studies</i>	1				
<i>British Journal of Management</i>	1				
Total	44	Total	10		2**
Total***	56				

Note: * — LOF and LOO studies show that the number of articles; ** — double-listing in LOF and LOO; *** — the total number of articles by substantially adding two double-listed articles studying LOF and LOO.

Baum, 2015; Edman, 2016; Un, 2016; Newenham-Kahindi, Stevens, 2018; Li, Fleury, 2020]. We assume one potential reason behind that might be a lack of a systematic literature review and synthesized conceptual model into foreign subsidiary management dynamics over the last decade because the Uppsala model covers a quite extensive scope into the dynamics of MNCs' internationalization. Our model does not necessarily cover the phenomenon's whole picture but still attempts to show how each concept and construct interconnects foreign subsidiary managerial dimensions.

Ambiguous and redundant utilization of concepts of LOF and LOO in the literature. The concepts of LOF and LOO have been increasingly gaining scholarly attention [Li, Fleury, 2020]. To verify our argument about the ambiguous and overlapping utilization of terms of LOF and LOO in some of the previous literature, we attempted to seek evidence in the texts of the articles. First of all, we tried to find essential constructs (key identifiers), consisting of critical concepts and constructs, which could distinguish terms of LOF and LOO in major past studies, including original articles by Johanson and Vahlne [Johanson, Vahlne, 1977; 2009]. The key identifiers are derived from both authors' proposed keywords as well as we manually picked up some major other concepts in the case of the primary texts by case. Next, for checking articles, we synthesize key identifiers consisting of primary key constructs in [Johanson, Vahlne, 2009] upgraded model of LOO [Hymer, 1976; Zaheer, 1995] key constructs for LOF below. Then, we attempted to read the texts of the articles seeking these key identifiers and additional ones, where we dedicated to the stories, which constructed their main arguments carefully. Finally, we confirmed some articles with our confirmation that they ambiguously utilized terms of LOF and LOO or overlapped both terms.

The Appendix provides a synthesized literature review on LOF and LOO in top journals in IB and Strategic Management areas with originally proposed concepts by the author(s) and driven concepts in the articles below. We manually checked each article to see whether the authors followed the same discourse of arguments, given their original claims of LOF or LOO.

Table 2 shows a synthesized literature review shedding special light on the originally claimed concept and utilized concept in articles. Indeed, most articles maintain the same discourse of utilizing the same concept through arguments, but there is some overlapping and misleading utilization of LOF and LOO. Key identifiers are abducted from their abstracts and lists of keywords and primary texts, including carefully choosing from the main concepts in theoretical backgrounds, measures, results, and findings.

List of key identifiers and revisited terms and definitions of LOF and LOO.

Table 2 shows vital identifiers we utilized when we checked articles manually if they follow consistent use of authors' originally claimed terms or not. We consider that the list of major critical concepts in the Appendix does not necessarily cover all critical identifiers for LOF and LOO. Nevertheless, we predict the list covers the most critical ones. For example, one of the essential findings is that LOF studies often apply institutional and capital market theories, while LOO studies often apply entrepreneurship and network theories. Thus, we also could refer to the theories to distinguish LOF and LOO studies.

Table 2. List of primary key constructs as key identifiers for LOF and LOO

LOF	LOO
Institutional theory	Network
Institution	Local network
Formal institution	Trust
Informal institution	Trust-building
National	Local partner
Cultural	Absorptive capacity
Cross-cultural	Knowledge transfer
Regulation	Learning
Political	Capabilities
Government	Market knowledge
Distance	Relationship-specific knowledge
Legitimacy	Market position
Immigrant	Resource-based view
Language	Network theory
Isomorphism	Entrepreneurship theory
Regional	New product development
Information asymmetry	Competitiveness
Capital markets	Competitive advantage
Foreign direct investment	Organizational/individual capabilities
Dimensions	Local intermediary
Economic demography	Coordination
Geography	Entrepreneurship
Additional costs	Local community
Imitate	Operational structure
Labor force	Control
Social	Autonomy
Reputation	Hierarchy
Share of equity	Organizational structure
Initial public offering (IPO)	Knowledge acquisition

Note: synthesized by the author based on the list of literature for a systematic review.

Given the key identifiers, we found characteristics and features which can help us revisit and reform terms and definitions of LOF and LOO. The concept of LOF is related to differences between home and host country's overseas institutional settings [Tan, 2019; Li, Fleury, 2020], including cultural, economic, regulatory gaps, political, macro-economic, demography, geography, capital market factors between home and host countries. Consequently, MNCs also might suffer due to immigrant, language, and labor issues and a lack of legitimacy with information symmetry in a host country. They often need to conduct isomorphism practices to gain legitimacy in a local market to justify its *raison d'être*. The concept of LOO is established based on LOF [Johanson, Vahlne, 2009]. The LOO is to some extent emphasizing a lack of practical knowledge about a host country's foreign market environment [Tan, 2019; Li, Fleury, 2020], including local convention wisdom, business customs and norms, consumer behaviors, supply chains, business networks, and communities. As a result, MNCs often are required to organize trust-building in a local market, local networking, knowledge transfer, absorptive capacity building for learning from locals, entrepreneurship orientations, and restructuring organizational structures to be more innovative than locals.

Conceptual models in foreign subsidiary management perspectives. We revisited two of the most crucial concepts of the LOF and LOO, where we clarified the differentiated definitions of these two concepts. Further, we revisited Luo's [Luo, 2001] clarification of defensive and offensive options to tackle the LOF and LOO in foreign subsidiary management perspectives by integrating with the fits and consequences of operational structures and types of management practices [Harzing, 2000; Johanson, Vahlne, 2009; Legewie, 2002; Cardinal, Kreutzer, Miller, 2017; Barney, Foss, Lyngsie, 2018; Vahlne, Johanson, 2021]. Therefore, we propose our conceptual models of the researched concept and constructs integrated with foreign subsidiary management perspectives [Sarabi et al., 2020], guiding us for future research directions in the area.

Figure 1 illustrates how MNCs select defensive and offensive options when facing significant LOF and LOO when internationalizing abroad. Figure 1 also shows the consequences after the firm's selection for tackling LOF and LOO.

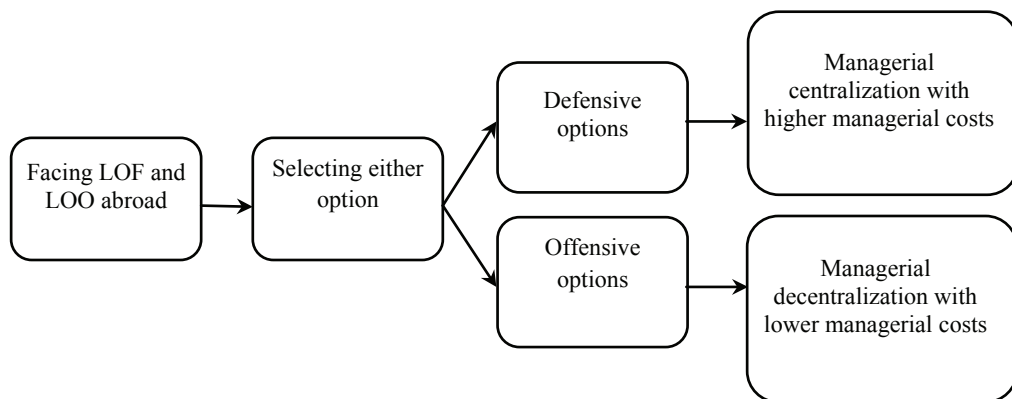


Figure 1. Conceptual framework: A firm's election flows of defensive and offensive options

We advanced Luo's [Luo, 2001] defensive and offensive options, given aspects of centralization [Harzing, 2000; Legewie, 2002; Cardinal, Kreutzer, Miller, 2017] and decentralization of management practices [Johanson, Vahlne, 2009; Barney, Foss, Lyngsie, 2018; Sarabi et al., 2020; Vahlne, Johanson, 2021]. Therefore, we recommend advancing the investigation on what determines and motivates firms to implement defensive or offensive options in foreign subsidiary management perspectives [Sarabi et al., 2020]. Further, researchers and managers may find it intriguing to know when firms select either option.

Figure 2 and Figure 3 illustrate how major key identifiers are integrated into generic conceptual models in foreign subsidiary management perspectives.

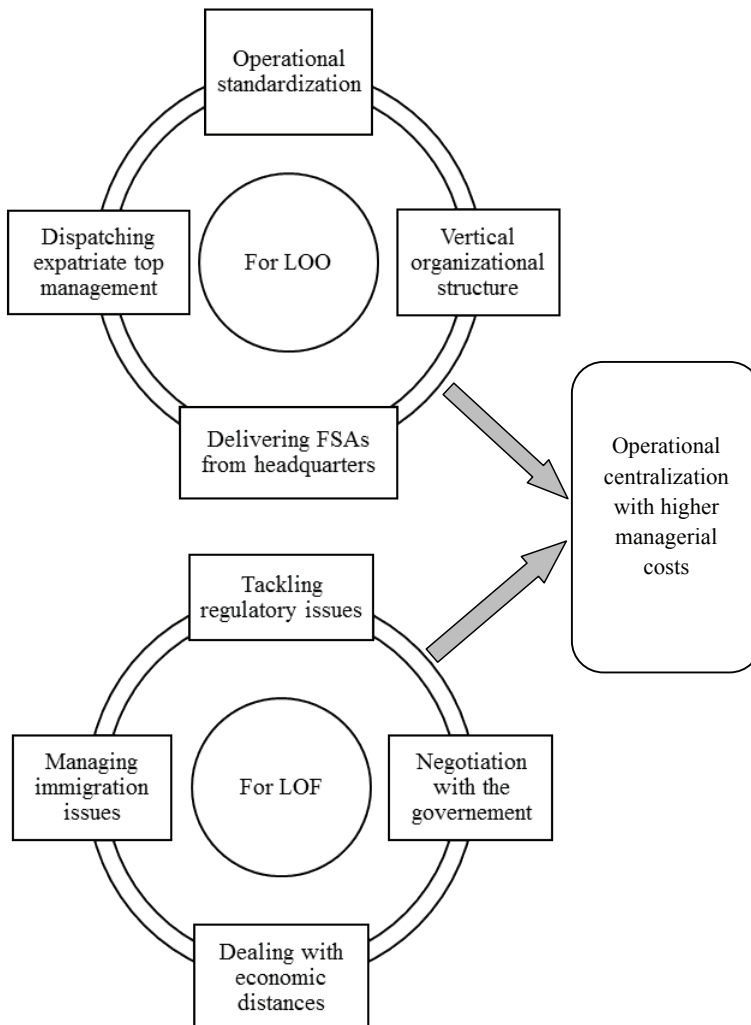


Figure 2. Conceptual model of major defensive options in foreign subsidiary management

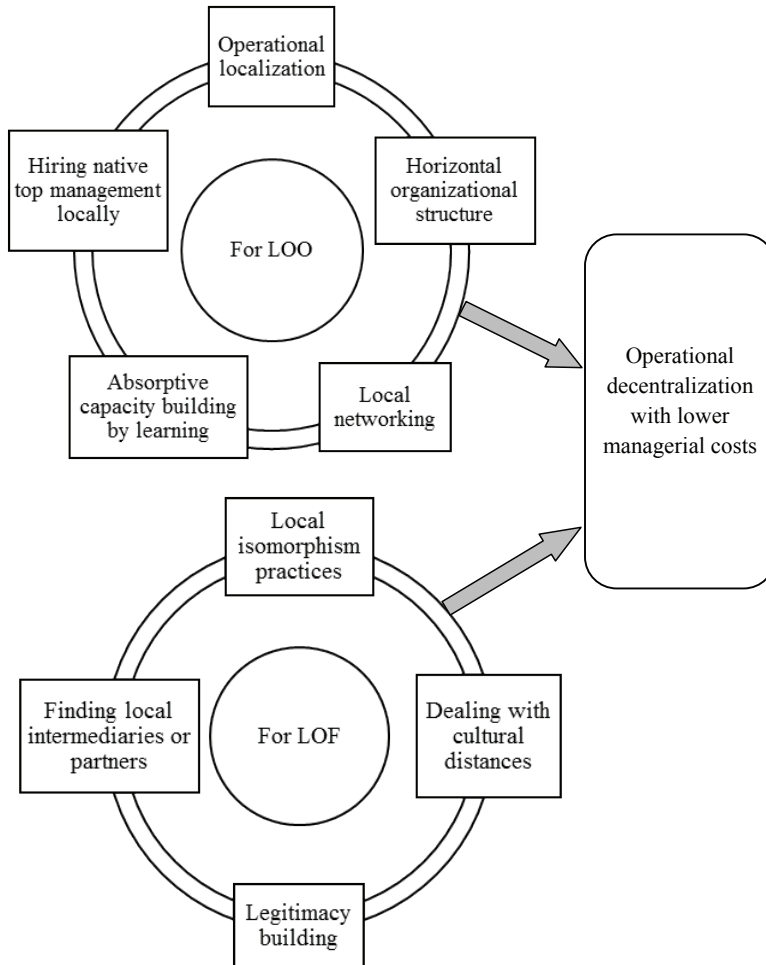


Figure 3. Conceptual model of major offensive options in foreign subsidiary management

We discussed the extension of seeking interconnections of defensive and offensive options with horizontal and vertical operational structures. MNCs implementing defensive options can fit with vertical operational structure, while firms organizing offensive options can fit with horizontal operational structure [Luo, 2001]. In other words, the horizontal operational structure tends to lead to decentralized management practices or *vice versa*. The vertical operational structure occurs the centralized management practices or *vice versa* [Harzing, 2000; Johanson, Vahlne, 2009; Legewie, 2002; Barney, Foss, Lyngsie, 2018; Cardinal, Kreutzer, Miller, 2017; Sarabi et al., 2020; Vahlne, Johanson, 2021]. Consequently, in Table 3, we propose extending the research on the interconnections of horizontal and vertical operational structures, centralization, and decentralization of management practices.

Table 3. Classification of defensive and offensive options

Key criteria for differentiation	Defensive option	Offensive option
Operational structure	Vertical	Horizontal
Consequences of organizational structure	Centralization	Decentralization
Degree of global integration of operations (standardization)	Higher	Lower
Degree of local responsiveness of operations (localization)	Lower	Higher
Managerial costs	Higher	Lower

Table 3 recalls the critical and essential issues in our conceptual models from a different angle to understand them better, demonstrating the degree of operational standardization or localization depends on taking the defensive or offensive option [Luo, 2001]. Accordingly, we presented the relationships between defensive and offensive options and operational structures within organizations.

CONCLUSION

We revisited the concept of LOO of Johanson and Vahlne [Johanson, Vahlne, 2009], seeking a potential opportunity to upgrade the Uppsala model [Vahlne, Johanson, 2020]. For this purpose, we reconstructed the existing terms and definitions of LOF and LOO based on an intensive and systematic review of recent critical studies published in top journals in the field of international business and strategic management during 2011–2021. We also attempted to present a list of key identifiers to distinguish LOF and LOO studies and a new integrated conceptual model of defensive and offensive options [Luo, 2001] in the context of integrated foreign subsidiary management practices [Harzing, 2000; Legewie, 2002; Johanson, Vahlne, 2009; Cardinal, Kreutzer, Miller, 2017; Barney, Foss, Lyngsie, 2018; Sarabi et al., 2020; Vahlne, Johanson, 2021].

The defensive option is developed from the transfer of firm's specific advantages from the headquarters, centralized management practices, standardization of operations, and vertical operational structure. The offensive option consists of local networking, learning from locals, operations localization, and horizontal operational structures [Luo, 2001]. Given practical trade-offs, we have identified potential advantages and disadvantages in selecting either option [Das, Teng, 2001; Yang, Meyer, 2020]. Simultaneously, MNCs might encounter varying degrees of multifaceted nature, vulnerability, and scale when internationalizing because they lack the necessary resources [Benito, Peters-

en, Welch, 2011]. Therefore, MNCs need to carefully consider seeking or providing the necessary resources and knowledge, which may differ in the pre-entry internationalization process [Shin, Hasse, Schotter, 2017].

This study advanced the Uppsala model [Johanson, Vahlne, 1977; 2009] by fulfilling room to extend further [Vahlne, Johanson, 2020]. Due to an intensive systematic literature review of the latest leading studies in top journals. Finally, we contributed to extending the theoretical framework of the Uppsala model owing to the conceptual models in foreign subsidiary management perspectives. Our suggestions are helpful for academia and valuable for managers of foreign subsidiaries of MNCs.

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ПЕРЕСМОТР КОНЦЕПЦИЙ «БРЕМЕНИ ИНОСТРАНЦА» И «БРЕМЕНИ ВНЕШНЕГО ПРОИСХОЖДЕНИЯ» С ТОЧКИ ЗРЕНИЯ УПРАВЛЕНИЯ ИНОСТРАННЫМ ПОДРАЗДЕЛЕНИЕМ ФИРМЫ

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Концепции бремя иностранца и бремя внешнего происхождения занимают одно из центральных мест в исследованиях международного бизнеса. Данные разновидности «бремени» могут создавать как препятствия, так и возможности для управления компаниями в процессе интернационализации на зарубежном рынке. Как правило, феномен «бремени» объясняется в рамках модели Уппсалы. Вместе с тем в исследованиях в области международного бизнеса эти концепции обсуждались хотя и активно, но недостаточно последовательно. За последнее десятилетие лишь в немногих источниках они были достаточно четко объяснены, однако не было показано, какую роль теоретические модели играют в управлении дочерними фирмами за рубежом. В связи с этим в статье на основе систематического обзора литературы в ведущих журналах в области международного бизнеса и стратегии, опубликованных в 2011–2021 гг., рассматриваются указанные концепции и уточняются возможности их применения для понимания и анализа практической деятельности зарубежных подразделений компаний. Кроме

того, анализируются публикации, относящиеся к смежным темам и явлениям, а также обсуждаются защитные и наступательные варианты преодоления «бремени иностранца» и «бремени внешнего происхождения» в концептуальной модели операционных структур с точки зрения управления иностранными подразделениями фирм. Значимость работы определяется ее вкладом в исследования по ряду направлений: детальный обзор литературы по данной теме за последнее десятилетие; формулирование ключевых идентификаторов для распознавания концепций в ведущих журналах; предложение новых интегрированных концептуальных моделей защитных и наступательных вариантов преодоления «бремени» с позиции управления иностранными подразделениями компаний с учетом операционных особенностей внутриорганизационных структур.

Ключевые слова: бремя иностранца, бремя внешнего происхождения, защитный вариант преодоления «бремени», наступательный вариант преодоления «бремени», операционная структура.

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COMPARISON OF CONCEPTS ORIGINALLY CLAIMED BY AUTHORS AND ACTUAL UTILIZATION BY AUTHORS IN THE TEXTS IN THE LEADING ARTICLES

N	Source	Journal title	LOF/LOO claimed by author(s)	LOF/LOO utilized by author(s)	Major key identifiers in the texts
1	2	3	4	5	6
1	[Un, 2011]	<i>Strategic Management Journal</i>	LOF	LOF and LOO	Multiculturalism, innovation, new product development, language training
2	[Bangara, Freeman, Schroder, 2012]	<i>Journal of World Business</i>	LOO	LOO and LOF	Institutional theory, legitimacy, building normative legitimacy, network connections, psychic distance, networks, institutional theory
3	[Bell, Filatotchev, Rasheed, 2012]	<i>Journal of International Business Studies</i>	LOF	LOF	Institutional distance, information asymmetry, unfamiliarity, cultural differences, capital market LOF
4	[Campbell, Eden, Miller, 2012]	<i>Journal of International Business Studies</i>	LOF	LOF	The distance between the home and host countries, social legitimacy
5	[Klossek, Linke, Nippa, 2012]	<i>Journal of World Business</i>	LOF	LOO	Due diligence or market feasibility studies, reputation building and reliability enhancement, prior experience, the share of control, the share of work, key employee roles
6	[Mata, Freitas, 2012]	<i>Journal of International Business Studies</i>	LOF	LOF	Ownership advantage, foreign-owned firms, domestic firms, exit, likelihood, labor lawsuits
7	[Salomon, Wu, 2012]	<i>Journal of International Business Studies</i>	LOF	LOF	Institutional theory, institutional distance, isomorphism, cultural, economic, and regulatory distances between the home country and the host country

8	[Asmussen, Goerzen, 2013]	<i>Global Strategy Journal</i>	LOF	LOF	Cultural, institutional, and regional components, institutional boundaries, location of firm activities, interregional liability of foreignness
9	[Bae et al., 2013]	<i>Journal of International Business Studies</i>	LOF	LOF	Capital markets, information intermediary, a credit rating, financial reporting, securities regulations, institutional environment, US-based rating agencies
10	[Baik et al., 2013]	<i>Journal of International Business Studies</i>	LOF	LOF	Foreign institutional ownership, domestic institutional ownership, information asymmetry
11	[Bhanji, Oxley, 2013]	<i>Journal of International Business Studies</i>	LOF	LOF	Instituted corporate citizenship, legitimacy, transaction cost theory, transaction cost economics, institutional environment
12	[Goerzen, Asmussen, Nielsen, 2013]	<i>Journal of International Business Studies</i>	LOF	LOF	Global cities, foreign direct investment, location strategy; economic geography
13	[Jiang, Stening, 2013]	<i>Journal of World Business</i>	LOF	LOF and LOO	Institutions, technological capabilities, management and strategic skills, knowledge transfer, integration process, R&D intensity, knowledge acquisition, value creation, innovation ability, access to local information, connection to local markets, ability to respond to local market/customer needs, government support
14	[Lamin, Livanis, 2013]	<i>Journal of International Business Studies</i>	LOF	LOF	Location choice, economic geography, distance to the registered office, population accessibility, enrollment diversification (state level), patent applications (state level)
15	[Qian, Li, Rugman, 2013]	<i>Journal of International Business Studies</i>	LOF	LOF	liability of country foreignness, liability of regional foreignness, 9costs of doing business within a10nd across regions
16	[Buckley, 2014]	<i>Journal of International Business Studies</i>	LOF	LOF	Cultural distance, Adam Smith, the impact of cultural distance on decisions, the choice of entry mode in foreign markets, liabilities of foreignness, psychic distance, Hofstede

1	2	3	4	5	6
17	[Kim, Jensen, 2014]	<i>Academy of Management Journal</i>	LOF	LOF	Information asymmetry, film exports, cultural distance between countries, distributor type, market signal effectiveness
18	[Kuznetsov, Kuznetsova, 2014]	<i>Journal of International Business Studies</i>	LOF	LOF	Language limitations, linguistic expression, cross-cultural adjustments
19	[Monaghan, Gunnigle, Lavelle, 2014]	<i>Journal of International Business Studies</i>	LOO	LOF	subnational institution capacity, insidership, socio-spatial concepts, international business, economic geography, institutional theory, subnational institutional actors
20	[Petrou, Thanos, 2014]	<i>Journal of World Business</i>	LOF	LOF	Corruption, foreign market commitment, capital invested, foreign direct investment, market-seeking motivation, governance; institutions, the share of equity
21	[Regnér, Zander, 2014]	<i>British Journal of Management</i>	LOF	LOO	R&D, knowledge creation, locally embedded knowledge, competitive advantage, geographical diversification, internationalization of R&D
22	[Muzychenko, Liesch, 2015]	<i>Journal of World Business</i>	LOF and LOO	LOF and LOO	Behavioral model, theory of planned behavior from social psychology, liability of foreignness, liability of outsidership
23	[Sui, Morgan, Baum, 2015]	<i>Journal of World Business</i>	LOO	LOO and LOF	Immigrant status, native language of SME owners, linguistic and cultural diversity, immigrant-owned SMEs, communication strategy
24	[Zhou, Guillén, 2015]	<i>Strategic Management Journal</i>	LOF	LOF	Foreign market entry, the influence of the home country, distance between the home country and the host country for each firm-country-year observation
25	[Crilly, Ni, Jiang, 2016]	<i>Strategic Management Journal</i>	LOF	LOF	Stakeholders, social, political, and natural environment, cultural and regulatory distance, national cultures, dimensions of credit, labor and business regulation

26	[Brouthers, Geisser, Rothlauf, 2016]	<i>Journal of International Business Studies</i>	LOO	LOO	Network, creation, and coordination of a network of users, diffusion-based user adoption processes
27	[Edman, 2016]	<i>Journal of International Business Studies</i>	LOF	LOF and LOO	Institutional theory, context-specific advantages, learning, networks, knowledge transfer
28	[Forsgren, 2016]	<i>Journal of International Business Studies</i>	LOO	LOO	Network theory, entrepreneurship theory, firms business network, level of commitments, development of business relationships, entrepreneurial process
29	[Husted, Montiel, Christmann, 2016]	<i>Journal of International Business Studies</i>	LOF	LOF	Local legitimacy, local density, imitate national certifications by geographically proximate firms
30	[Li, Bruton, Filatotchev, 2016]	<i>Journal of World Business</i>	LOF	LOF	Capital markets, firm's country of origin, IPO, investor protection, institutional factors
31	[Un, 2016]	<i>Journal of International Business Studies</i>	LOF	LOF and LOO	Product innovation, training: languages, engineering and technical training, sales and marketing, and training in computer science and information technologies, innovativeness of domestic firms and subsidiaries of foreign firms, R&D
32	[Wu, Salomon, 2016]	<i>Strategic Management Journal</i>	LOF	LOF	Foreign firms from institutionally distant countries imitate the 3 practices of domestic firms, isomorphism strategy, institutional distance, cultural distance, economic distance, political distance
33	[Zhou, Guillén, 2016]	<i>Global Strategy Journal</i>	LOF	LOF	Different types of additional costs, different dimensions of cross-national distance, including economic, cultural, demographic, political, and administrative distance
34	[Mithani, 2017]	<i>Journal of International Business Studies</i>	LOF	LOF	Natural disasters, charitable donations, social and cultural barriers, social restructuring
35	[Sojli, Tham, 2017]	<i>Journal of International Business Studies</i>	LOF	LOF	A firm's social and economic costs of operating in a foreign market, strategic international political management, political connections

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36	[Taussig, 2017]	<i>Journal of International Business Studies</i>	LOF	LOF	Private equity firms, institutional development, competitive strategies, local contract enforcement at entry, local contract enforcement at exit
37	[Wu, Salomon, 2017]	<i>Journal of International Business Studies</i>	LOF	LOF	Information asymmetry, regulatory liability, institutional disadvantage, regulation type, information asymmetry
38	[Bucheli, Salvaj, 2018]	<i>Global Strategy Journal</i>	LOF	LOF	Political Strategies, legitimacy, political, social, and economic changes, a host country's society, political connections
39	[Lu, Song, Shan, 2018]	<i>Journal of International Business Studies</i>	LOO	LOF	Informal institutions, social trust, institutional theory, formal institution, export intensity, entry tenure, domestic ownership
40	[Mata, Alves, 2018]	<i>Strategic Management Journal</i>	LOF	LOF	Natives and immigrants, firms founded by immigrants institutionally distant countries, institutional distance between home and host country
41	[Newenham-Kahindi, Stevens, 2018]	<i>Journal of International Business Studies</i>	LOF	LOF and LOO	Intermediary, institutional change, institutional entrepreneurship, learning about the external environment, isomorphic practices, network
42	[Rickleby, Karim, 2018]	<i>Journal of World Business</i>	LOF	LOF	Institutional distance, CEO origin, multinationality, regional agglomeration
43	[Stoyanov, Woodward, Stoyanova, 2018]	<i>Journal of Management</i>	LOF and LOO	LOO	Resource orchestration, diaspora network, competitiveness, a community of business practice, network Embeddedness, Insidership, transnational entrepreneurs
44	[Tupper, Guldiken, Benischke, 2018]	<i>Journal of World Business</i>	LOF	LOF	Capital markets, foreign initial public offerings, IPO, global financial crisis of 2008, capital market liability of foreignness, capital market advantage of foreignness

45	[Chen et al., 2019]	<i>Journal of International Business Studies</i>	LOO	LOO	Social network effect, digital transformation, social network theory, user-network perspective and externalization logic, interactions among users, network approach of the Uppsala model
46	[Maggioni, Santangelo, Koymen-Ozer, 2019]	<i>Journal of International Business Studies</i>	LOF	LOF	Sub-national regions, labor standards, reputational costs, lower degrees of unionization
47	[Rickleby, 2019]	<i>Journal of Management</i>	LOF	LOF	Home country — host country institutional distance, culture-specific experiences, cultural distances
48	[Belderbos, Du, Slangen, 2020]	<i>Journal of World Business</i>	LOF	LOF	Contextual distance, investments in knowledge-intensive activities, cultural, administrative, and economic distance, R&D, knowledge-intensive
49	[Lu, Song, Shan, 2018]	<i>Journal of International Business Studies</i>	LOO	LOF	Informal institutions, social trust, institutional theory, formal institution, export intensity, entry tenure, domestic ownership
50	[Li, Fleury, 2020]	<i>Journal of International Business Studies</i>	LOO	LOO and LOF	Absorptive capacity, learning; networks, institutional theory, liability of foreignness, liability of outsidership
51	[Marano, Tallman, Teegeen, 2020]	<i>Global Strategy Journal</i>	LOF	LOF	Legitimacy, institutional theory, regulatory scrutiny, incumbent businesses' opposition, societal concerns, stakeholders, institutional pushback against firms' disruptive business models, industry-specific regulations, and expectations
52	[Zeng, Xu, 2020]	<i>Journal of World Business</i>	LOF	LOF	Constitutive legitimacy, population density effects, intrapopulation and interpopulation legitimation effects, psychic distance

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53	[Schaefer, 2020]	<i>Journal of International Business Studies</i>	LOO	LOO and LOF	R&D, innovation capabilities, greenfield investment, competitive advantage, liabilities of origin, offshore R&D in the global context, offshore experts, latecomer firms, political risks and spillovers, R&D location, legitimization, hiring non-locals who are culturally and professionally embedded in the international industry networks, local industry networks, legitimacy, reputation
54	[Bertrand, Betschinger, Moschieri, 2021]	<i>Journal of International Business Studies</i>	LOF	LOF	Corporate social performance, socio-economic environments, foreign CEOs, legitimacy, trustworthiness, foreign and local CEO-led firms, CEO foreignness
55	[Bourmault, Siegel, 2021]	<i>Journal of Management Studies</i>	LOF	LOF	Collective bonuses, egalitarianism, conflict with local cultural norms, informal, elusive norms, egalitarian resource distribution, imitating local practices, imitation, cultural conflicts, informal norms
56	[Ritvala, Granqvist, Piekkari, 2021]	<i>Journal of International Business Studies</i>	LOF	LOF	Ideological divisions and populism in societies, cross-border stigma, politics, ideology, organizational stigma, organizational legitimacy, liability of origin