# Article information:

Liability of country foreignness and liability of regional foreignness: Their effects on geographic diversification and firm performance | SpringerLink
<https://link.springer.com/article/10.1057/jibs.2013.21>

# Article summary:

1. The debate on inter- and intra-regional diversification may result from overlooking the interactions between the liability of regional foreignness (LRF) and the liability of country foreignness (LCF).

2. LCF decreases with intra-regional diversification, while LRF increases with inter-regional diversification.

3. LCF and LRF mediate the relationships between intra-/inter-regional diversification and firm performance, and their variable features help to accurately capture the merits of intra- and inter-regional diversification.

# Article rating:

May be slightly imbalanced: The article presents the information in a generally reliable way, but there are minor points of consideration that could be explored further or claims that are not fully backed by appropriate evidence. Some perspectives may also be omitted, and you are encouraged to use the research topics section to explore the topic further.

# Article analysis:

The article "Liability of country foreignness and liability of regional foreignness: Their effects on geographic diversification and firm performance" explores the relationship between the liability of regional foreignness (LRF) and the liability of country foreignness (LCF) in relation to a firm's performance. The authors argue that previous research has overlooked the interactions between LRF and LCF, leading to different conclusions about the effectiveness of intra- and inter-regional diversification.

The article provides a clear definition of LRF and LCF, highlighting their differences in terms of costs associated with doing business across regions or countries. The authors also acknowledge that LCF is not a constant, as it may decrease with intra-regional diversification due to shared cultures, market demands, and competitors within a region. However, they argue that LRF increases with inter-regional diversification due to increased complexity and diversity in operations.

The hypotheses proposed by the authors are well-supported by existing literature, but there are some potential biases in their argument. For example, they focus primarily on MNEs rather than smaller firms, which may have different experiences with LRF and LCF. Additionally, they do not consider other factors that may influence a firm's decision to engage in intra- or inter-regional diversification, such as market saturation or competition.

Furthermore, while the authors acknowledge that LCF is dyad-specific and firm-specific, they do not explore how these factors may impact their findings. For example, a firm run by ethnic Mexicans may experience lower LCF in Mexico than a non-Mexican firm would.

Overall, the article provides valuable insights into the relationship between LRF and LCF in relation to geographic diversification and firm performance. However, there are some limitations to their argument that should be considered when interpreting their findings.

# Topics for further research:

* Factors influencing a firm's decision to engage in intra- or inter-regional diversification
* LCF and LRF in smaller firms
* Impact of market saturation on a firm's diversification decisions
* Competition and diversification decisions
* Dyad-specific and firm-specific factors influencing LCF
* Cultural factors and LCF in different regions/countries

# Report location:

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