THE HONG KONG POLYTECHNIC UNIVERSITY
DEPARTMENT OF MANAGEMENT & MARKETING
DEPARTMENTAL RESEARCH SEMINAR

The 'Liability of Foreignness' Associated with Activist Groups

By

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All interested are welcome
The 'Liability of Foreignness' Associated with Activist Groups

Abstract

The concept of ‘liability of foreignness’ is well-known in the international business literature. In this study, we extend this concept by addressing one particular type of stakeholders, activist groups, who have increased their interactions with multi-national corporations (MNCs) recently. Specifically, we aim to answer two research questions: First, what is the source of ‘liability of foreignness’ associated with activist groups? Second, which strategies enable firms to reduce this liability? By using a unique database of major activist groups in multiple countries, we test the impact of institutional gaps on perceptions of activist groups towards major MNCs. We also argue that the application of geographic diversification strategies in MNCs leads to more benevolent evaluations by activist groups.

Key words: liability of foreignness, institutional gap, MNCs, activist groups