

"A man is  
great by  
deeds, not by  
birth"  
-Chanakya

Welcome to IIMK



INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE



Working Paper

**IIMK/WPS/257/STR/2018/07**

March 2018

**Internationalization of emerging market firms: the role of  
Domestic agglomerations in reducing liability of origin**

**Sandeep S <sup>1</sup>**

**Rajesh Srinivas Upadhyayula <sup>2</sup>**

---

<sup>1</sup>Doctoral Student, Strategic Management, Indian Institute of Management Kozhikode, Kozhikode, India. IIMK Campus P.O., Kozhikode, Kerala 673570, India; Email: sandeeps07fpm@iimk.ac.in

<sup>2</sup> Associate Professor, Strategic Management, Indian Institute of Management Kozhikode, Kozhikode, India. IIMK Campus P.O., Kozhikode, Kerala 673570, India; Email: rajesh@iimk.ac.in, Phone Number (+91) 495 2809100.

## **Abstract**

The extant literature in institutional theory has found liabilities of origin (LOR) costs such as (i) capability based and (ii) legitimacy based costs as the major cost disadvantages faced by emerging market multinationals (EMNEs) while undertaking internationalization. Studies have pointed out that the treatment of institutions in International business (IB) have considered institutions at a national level, ignoring the role of sub-national institutions. This is particularly important for EMNEs as the institutional development in their home countries are highly uneven. Further, the recent studies in economic geography have also criticized the treatment of location in extant IB literature. They have also argued that location in extant IB literature is treated synonymously with a country or a nation state, expunging the nuanced examination or differentiation of locational features. Hence we observe that the role of sub-national institutions such as domestic agglomerations in the internationalization of EMNEs is under-reported in the extant literature. In this paper we explain the role of sub-national institutions such as domestic agglomerations in reducing LOR cost disadvantages (capability and legitimacy based cost disadvantages) and facilitating the outward internationalization of EMNEs.

Research Office

Indian Institute of Management Kozhikode

IIMK Campus P. O.,

Kozhikode, Kerala, India,

PIN - 673 570

Phone: +91-495-2809238

Email: [research@iimk.ac.in](mailto:research@iimk.ac.in)

Web: <https://iimk.ac.in/faculty/publicationmenu.php>

