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## **ABSTRACT**

In this paper, we advance a novel concept of liability of origin to explicate the mechanisms through which location can become either a liability or an advantage. Our analysis sheds light on how firms' ability to compete and gain legitimacy can be derailed or enhanced by their geographical location. We illustrate our theoretical analysis using multiple cases in the airline industry in Africa. Four distinct phases that explicate how liability of origin manifests in firms' legitimacy quest are indicated. Our work highlights how actions and inactions of rival firms can make the geographical origin of a firm "geographicalness" to shift from being a strategic asset to become a liability. We outline a number of implications for practice and fruitful avenues for future research.

**Keywords:** Airlines; geographical origin; strategic partnerships; legitimacy; strategic asset; liability.

## **Introduction**

Over the past few decades, an accumulated body of literature has suggested that geographic proximity facilitates access to scarce financial and human capital (Boschma, 2005; Bryce and Winter, 2009; Sorenson and Stuart 2001), employment opportunities (Hanson and Pratt, 1988), new consumers (Lublinski, 2003), technological infrastructure and local innovation systems (Dicken, 2011; Nelson, 1993). For decades, this dominant view broadly concluded that geographic proximity contributes to the development of location-specific advantages (see Boschma, 2005; Dunning, 1988). Notwithstanding these rich streams of research, our understanding of how “geographicalness” can become a source of liability or even shift from an asset to become a liability is severely limited. To this end, it is surprising that scholars have largely overlooked the question of how location of a firm can become a major source of competitive disadvantage. Indeed, geographic strategy, international business and strategic management literature that could provide further insights on the subject have surprisingly sidestepped the issue. Hence, our primary purpose is to examine how a liability of origin manifests itself and affects firms’ operations. We contend that there are inherent liabilities in being seen to “originate” from a particular area or region of the world (Asmussen, 2009).

In developing our arguments, we advance a novel concept of liability of origin to enrich our understanding of the subject. We extend the existing scholarly works and add contextual relevance in enriching our understanding of how some firms are able to acquire key resources, whilst others are denied access due to their geographical location. In addition, we draw insights from research into the quest for legitimacy (Dobrev and Gotsopoulos, 2010) and liability of foreignness (Hymer, 1960) to explicate how liability of origin manifests itself over time. By building on this concept of liability, this paper endeavours to illuminate our understanding of how a firm’s geographical position can become a liability in the competitive arena. Our quest to theorise these phenomena is rooted in our observations of many industries where firms’ positions can become a major source of liability. We content that there two

complementary effects of “geographicalness”, e.g., location-specific advantages (Dunning, 1988) and liability of origin. We illustrate our theoretical analysis and conceptualization with the cases of eight firms’ quest for legitimacy through alliance formation in the airline industry in Africa. This study focuses on the contrasting experiences and approaches of the eight firms. Thus, Africa is the research context and the concept of geographical origin/“geographicalness” is used to explain how liability of origin manifests itself.

The rest of the paper is organised as follows. The next section delineates the key features of our concepts and their underlying logic. The research context and approaches adopted in the data collection stage are then examined. The penultimate section outlines our key findings. We conclude by outlining the contributions to theory and practice.

### **A liability of origin: A conceptual development**

Geographic proximity and its effects on firm strategy have a long tradition in the international business literature (Dunning, 1988). Over the past two decades, scholars of the “borderless world” school of thought have contended that the surge of globalization has been accompanied by increasing convergence and thereby rendering “national boundaries meaningless” as some firms become “stateless players detaching themselves from a specific nation” (Ohmae, 1990; Zhou and Guillén, 2015: 907). On the other hand, the country-of-origin effect holds that the home country broadly influences the structure and strategy of firms (Zhou and Guillén, 2015; Sharma, 2011).

Despite these assertions, national difference and geographical origin of firms continue to play an influential role in gaining or losing a competitive edge. Drawing on these important insights and the concepts of liability of foreignness (Hymer, 1960) and quest for legitimacy (Dobrev and Gotsopoulos, 2010), we develop the notion of liability of origin. Geographical proximity focuses on the linkages between the focal firm and its regional surroundings (Mattes, 2012). We use the term origin or “geographicalness” to refer to

situations where the position of the firm can become a source of an advantage or a liability. In this direction, we contend that there are two schools of thoughts on “geographicalness”: location-specific advantages (Dunning, 1988) and liability of origin.

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One point of distinction between liability of foreignness and liability of origin is that liability of foreignness stems from “actions” by governments or consumers (Hymer, 1960; Zaheer, 1995), whereas, liability of origin stems from been seen to originate from a particular area or regions. Therefore, firms can experience liability of origin effects through the actions of others in their region that may not in any way be associated with the firm. Here the main culprit is the negative perception associated with originating from a particular area. As Robbins and Judge (2017) point out, negative perceptions result in stereotyping of people, groups from a particular region or area. In this regard, the stereotyping becomes a form of heuristic in making decisions about the group and by default extended to organisations originating from that particular area. The disturbing aspect of the negative perceptions and stereotypes is that they are gross generalisations that may not apply to particular situations but nevertheless used in surreptitious ways in decision making that do not afford the target the opportunity of rebuttal (Robbins and Judge, 2017). Along these lines, Jost and Banaji (1994) have developed the concept of system justification which lies at the heart of using stereotyping to justify an existing state of affairs and keep others out. Thus even when evidence exists, firms may make decisions based on stereotypes and with complete disregard to the evidence.

It is worthwhile noting, however, that the presence of self-reinforcing factors such as lack of expertise, lack of innovativeness and sloppy management can buttress the negative perception and stereotypes thereby amplifying the effects of geography. This can be referred

to “liability of incompetence”<sup>1</sup> of the focal firm which some firms but not are. To a greater extent, geographical proximity may be influenced or reinforced by other factors such as lack of expertise within the focal firm and social factors (Mattes, 2012). Firms lacking in trustworthiness and key resources can amplify the effects of liability of origin. Firms that are not well endowed may see the negative effects of liability of origin reinforced and amplified. Under such circumstances, when seeking to form alliance or connect to potential partners, location and distance between both firms can sway the decision in one way or the others. Another point of departure is that whilst liability of foreignness focuses on foreign firms as the recipients of discrimination, liability of origin rather focuses on domestic/local firms as recipient of negative perception or attribution. Table 1 summarises the key features of our construct of liability of origin, which poses some distinctively different features from related concepts.

### **Location-specific advantages**

The concept of location-specific advantages contend that country-specific or location-bound factors such as natural resources, low-cost labour and availability of skilled workforce may entice firms to an area, which can then be utilized to compete more effectively across national borders (Dunning, 1988, 1993). By being geographically situated within a particular area, firms are not only able to enjoy the local advantages, but also acquire some special status for their products and services. Here, there is an inherent notion that “region or location matters” when it comes to gaining competitive advantage and seeking legitimacy (Rugman and Oh, 2013). It has been suggested that firms located in industrial clusters, such as the Silicon Valley, have greater chance of success with their information-technology idea than those positioned in isolated locations (Saxenian, 1994; Zachary, 2007). This is because geographical proximity facilitates knowledge diffusion to firms within the same vicinity,

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<sup>1</sup> An anonymous reviewer suggested this concept.

promotes trust and fosters collaboration among firms (Mattes, 2012; Molina-Morales et al., 2015).

Another factor is the local-bounded resources, which influence the decisions of alliance groups in seeking partners. Location-bound resources include well-developed education system, and innovation clusters (North, 1990). These also include factors rooted in the institutional environment such as well-developed legal system, strong legal enforcement mechanisms and clarity of rule of law. A rich stream of research has suggested that the success of Silicon Valley relative to other regions can be attributed to the exchange of ideas and the local institutions geared towards fostering innovations (Saxenian, 1994). The concentrations of innovative firms and individuals within a geographical area can foster the diffusion of ideas, attracts investment and provides more opportunities for new ideas to flourish and become reality (Laursen et al., 2012). Indeed, scholars have demonstrated that being located in a region or an area helps to foster collaboration among firms leading to a higher propensity to innovate (Laursen et al., 2012). By harnessing this geographically bound strategic capital and advantages offered by such networks, firms are able to flourish to gain competitive advantage.

Extending this line of research, we add the positive effects stemming from geographical indications. Geographical indication can be defined as “indications which identify a good as originating in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin” (WTO, 1994: 328). For instance, under the EU's Protected Designation of Origin classification, over 1,300 products such as spirits, wines and foodstuffs have been granted this special status. This means that products produced elsewhere within the EU cannot be passed off as genuinely produced in the designated region. Indeed, a number of products such as “scotch whisky”, “champagne” and “parma ham” have been

granted special status due to being “linked to a particular place” (European Commission, 2013). Across the EU, local governments have pursued with vigour steps to acquire such status for traditional products such as Cornish pasties and Scottish-farmed salmon from Britain (Bates, 2010).

Emerging anecdotal evidence suggests that such food-naming protection actually benefits producers in securing better prices for their products as well as protecting quality (Kavanagh, 2011). Such status also provides a signal of quality, fosters confidence, and protects and avoids misleading of consumers by non-genuine products. Firms with greater numbers of geographically indicated products are more likely to gain competitive edge.

However, competitive advantage rooted in the so-called “geographical indications” has a number of limitations. Geographical protection can be counter-productive in some industries by providing little incentive for local firms to innovate to overcome limitations such as lack of legitimacy and lack of brand name (The Economist, 2003). In addition, such protection rarely stops local producers around the world from producing other types of the same products. Many such products have become generic names such that across the globe they are widely available and are made by small-scale producers. Although most countries have products that correspond to the principles of geographical indications, relatively few have taken steps to protect them globally (European Commission, 2013).

### **The liability of origin perspective**

We define the liability of origin as the additional cost or isolation that befalls firms due to their geographical origin or location (see Asmussen, 2009). Firms suffering from liability of origin are often stigmatised and denied access to critical resources required to flourish. In some cases, they might be classified as “strangers”, which then deprives them of access to key positions and suppliers (see Hymer, 1960). A firm’s geographical position carries contagion risks such as non-compliance, corruption and violence which then diffuse onto



those connected to it or aligned to its mode of operations. As such, other firms outside the geographical area may seek to distance themselves from them.

Firms suffering from such liability are unlikely to stimulate positive brand attitude or attract favourable behavioural compliance to its marketing communications (LaBarbera, 1982). In certain instances their mere possession of such a label or symbol can deprive firms of access to resources and opportunities in certain industries. This often means that some firms engage in a “preferential detachment process” (Yu et al., 2008) to distance themselves from such firms to avoid or minimise any contagion effects. When faced with limited group-based advantages in highly competitive industry, organizations seek to gain legitimacy by aligning themselves to those seen to possess strong reputations and viability in their industry (Zimmerman and Zeitz, 2002).

One notable feature of this line of thinking is that some stakeholders categorise firms by comparing common features and therefore the effects of others’ wrongdoings have the potential spillover to affect innocent organizations, causing them to lose their legitimacy (Jonsson et al., 2009: 196). It has been suggested that a lack of legitimacy stemming from cultural or geographical roots can be perceived as a “liability” (Dobrev and Gotsopoulos, 2010). This is some kind of similarity-based contagion effect which may stem from the actions of other firms (Jonsson et al., 2009). A central tenet of this line of argument is that gaining legitimacy affects not only the organization in question, but can also spill over to affect related organizations (Jonsson et al., 2009). Organizations can then improve their chances of survival and access to resources if they are endowed with legitimacy or do not originate from areas seen to have been stigmatised (Rao et al., 2008). Legitimacy is critically important because it enables organizations to overcome lack of credibility in the eyes of key stakeholders (Zimmerman and Zeitz, 2002). Research has shown that allying with firms within a constellation or becoming a member can bestow some kind of special legitimacy on

the firm's operations and ability to meet stringent regulatory, safety, service and ethical standards (Lazzarini, 2007).

Being associated with such a group also provides opportunities for firms to develop new connections in new locations and for sharing resources with other members, thereby increasing efficiency in operations (Elango and Pattnaik, 2007). The "legitimacy spillovers" (Kostova and Zaheer, 1999: 75) from such associations gives firms greater credibility in dealing with external stakeholders. The spillovers occur "when greater social recognition for one organization (or group of organizations) leads to similar organizations receiving greater social recognition as well" (Kuilman and Li, 2009: 229). One notable feature is that firms originating from such regions may receive additional charges but not necessarily because they are foreign, but because of their origin. This origin may offer potential alliance partners little value or networks. The processes and stages inherent in how liability of origin manifests itself are shown in Figure 1.

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Building on the above arguments, we propose a framework of a double-edged sword of "geographicalness" and various consequences for firms (see Figure 2). A sudden shift in legitimising actors' perceptions can cause the effects to shift from a liability to an asset and vice versa. Although both anecdotal and empirical evidence suggest that one means through which organizations can signal their legitimacy or worthiness is by having affiliations with prestigious parties (e.g. Chen et al., 2008). However, firms suffering liability of origin are more likely to be denied access to such groups either because of their tarnished region or country-of-origin effects. We illustrate our theoretical analysis using the experiences of eight African airlines' quest for legitimacy through alliance formation. In this paper, we limit our

analysis to these two dimensions/liabilities of “geographicalness” (i.e. Cell 111 and Cell 1V in Figure 2.)

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### **Research setting: the airline industry in Africa**

Since the 1940s, there has been a fundamental shift towards liberalization of air-transport markets to ease the stringent regulatory system that discouraged innovation and emergence of new firms. The first major attempt in this direction was at the International Civil Aviation Conference in Chicago in 1944, where the 52 nations that attended the conference discussed issues relating to the future growth and regulation of the industry after World War II (Doganis, 2006; Chang and Williams, 2001). One of the main drivers behind this was the increasing recognition among regulators and governments that the industry was over-regulated and the numerous bilateral restrictions were stifling rather than helping the development of international airlines (Doganis, 2006). Hence, in the late 1970s, the US government set the pace for liberalization of the global industry, when the US Congress passed the Airline Deregulation Act 1978 (Button, 2002). It eliminated governmental restraints by giving airlines the freedom to set their own fares to encourage competition and promote lower fares (Chung and Szenberg, 1996). More importantly, the Act served as a catalyst for further liberalization around the world. In the European Union (EU), for example, the introduction of a range of reforms from 1987 to 1997 led to the liberalization of air-transport markets (Button, 2002). In keeping with a worldwide trend, Africa has engaged in a major exercise in liberalization, the outcome of which, as yet, remains unclear.

Beginning in the late 1980s, African countries adopted the Yamoussoukro Declaration (YD) as a blueprint for liberalising air-transport markets (UNECA, 1999; Amankwah-Amoah and Debrah, 2010, 2014). The YD seeks to remove restrictions on routes, market access and

frequency in intra-Africa aviation (UNECA, 1999). Essentially, the shift towards liberalization involves the adoption of a free-market model to promote competition through the active participation of the private sector in the industry. It was expected that this would help to create fair market competition and improve efficiency in the aviation industry. Although the YD has not been fully implemented, over the years it has not only gradually removed some of the regulatory safety nets and stimulated competition, but has also provided incentives for the airlines to innovate and restructure the way they conduct their operations. In spite of this achievement, the non-implementation of some aspects of the YD has left African airlines still entangled in the web of bilateral regulations, which restricts the airlines' ability to compete. This is partly because, for decades, many African governments have "exchanged political support for monopoly rights, protection from competition or special privileges" (Haber et al., 2003: A12).

The new competitive landscape facilitated by liberalization is characterised by greater competition, loss of assured markets, loss of guaranteed clients, loss of guaranteed customers and loss of assured suppliers, which requires incumbent and new firms to gain and maintain legitimacy in the eyes of stakeholders to achieve and sustain their competitive advantage. For international airlines, acquiring legitimacy is essential to ensure their long-term survival.

Prior to liberalization, airlines were barred from engaging in an alliance for the fear that it would stifle competition. Airlines based in Africa and across the globe were, for the most part, unchallenged in their procurement strategies, business skills and ability to manage large-scale business operations (Doganis, 2006). As the forces of liberalization advanced, however, new entrants were able to invade the geographical market of incumbents, forcing them to seek means to regain their competitive edge. Faced with the changing dynamics in the new competitive landscape, various types of alliances have emerged ranging from bilateral to multilateral as airlines seek new ways of organising their operations in order to

respond to liberalization. One such alliance is the Global Airline Alliance Groupings (GAAPs) which encompasses various airlines under one umbrella. Over the years, the various GAAPs have consolidated into three principal groupings, namely: SkyTeam, Oneworld and Star Alliance. Such alliances can provide legitimacy by linking resource-constrained firms with prestigious and established partners, enabling them to build and enhance their capabilities as well as stakeholders' perceptions of those capabilities (Amankwah-Amoah and Debrah, 2011).

Partners can use common facilities such as airport check-in counters, airport terminals and lounges. This reduces duplicated activities among members and hence reduces costs. It has been suggested that allying with prominent members in the constellations sends powerful signals to outsiders in the airline industry that a firm possesses a level of legitimacy (Lazzarini, 2007). One potentially effective means of gaining legitimacy is for a lesser-known firm to align itself, often in a form of strategic alliance, with well-known or well-established organizations (Dacin et al., 2007). Although the alliance members are mainly from Europe, North America and, increasingly, the Asia-Pacific region, a handful of African airlines are aligned to some degree with these groupings. But a vast majority of African airlines are largely operating in the margins of these groupings. Having set out the key features of the industry, we now turn to the approaches adopted to assemble our data.

### **Research design and methodology**

Given the paucity of existing scholarly work and the limited theoretical knowledge on such liability stemming from firms' geographical position, an exploratory study was considered to be the most appropriate (Birkinshaw et al., 2011). The qualitative case study approach has been found to be particularly effective where our understanding of phenomena is in an embryonic phase (van Maanen, 1979). We adopted a multiple case study approach rather than single case. The multiple case study approach has been found to produce a "more compelling

and the overall study is therefore regarded as being more robust” (Yin, 2009: 53). Access to the organizations was obtained through a variety of ways including direct approach (going to the headquarters of the firm to ask for research access), networking (soliciting the help of influential people with contacts in the industry) and the snowballing approach (direct referrals). The use of personal connections and networks of relationships to secure access in the African setting has also been acknowledged and recommended by Acquah (2007). The referrals were very effective because the endorsers were perceived as legitimate and credible, and were powerful people within the industry (Bartholomew and Smith, 2006). Establishing such connections through third parties helped to gain the trust of people in the organizations in sub-Saharan Africa (Acquaah, 2007). These strategies have been found to be very effective for gathering research evidence in developing countries, particularly in Africa and South Asia (Tayeb, 1994).

Through these processes, we identified eight airlines with different nationalities, called here firms A, B, C, D, E, F, G and H. As is usual in case study research, we drew on multiple informants within each organization to gain a better understanding of the strategy process and inner processes to identify and respond to events outside the firm (Yin, 2009). In 2008, we conducted a multiple case study of the firms’ responses to liberalization and overcame constraints in their environment including the effects of their geographical position and their ability to compete in an increasingly competitive environment. This study reports this aspect of the wider study. The data gathering took place at a time when the industry experienced increasing activities of deregulation and liberalization. At the beginning of each interview, the informants were asked to describe the structures and functional areas of their organizations and, thereafter, their overall responses to liberalization.

In seeking to achieve confirmation of our findings, follow-up interviews were conducted in 2008 and 2009 with some of the informants to seek clarifications, clarify

ambiguities and confirmation of key findings. This in tandem with the multiple informants per organization helped to ensure that the findings correctly reflected the views of the informants (Yin, 2011). One of the authors also observed multiple meetings and strategic discussion within the case companies. Informants were selected across a range of airlines in the industry including regional and international airlines. Informants were selected based on their expertise in their organization and ability to provide insights on the industry.

Based on this general information, more focused questions were asked about how liberalization has affected their businesses and what strategies they adopted in response to how they have adjusted to the competitive environment. They were also asked about their alliance formation activities and their experiences in the industry. In addition, questions were posed about the nature of their relationship with other firms in the industry, focusing in particular on the drivers and constraints they faced in aligning with others in the industry. Each interview lasted, on average, one hour and it explored questions on their overall responses to liberalization. We directly observed strategy meetings and training events aimed at equipping employees to better respond to changes in the competitive landscape. In all, we conducted 43 semi-structured interviews with the senior management in the case study firms (including heads of departments, line managers and executive officers). These informants were selected because of their in-depth knowledge and expertise across the functional units in their organizations.

### **Data analysis**

Interviews were recorded unless objected to by the informants. In those instances, extensive field notes were taken during the interviews which were subsequently checked with the informants. Notes were taken during the interviews and were then transcribed no more than a week after the interview. In addition to the interview data, we also accessed secondary documents such as news reports, unpublished documents and minutes of meetings,

government reports, press releases, newsletters, newspaper reports and trade magazines to aid the analysis. Media reports were particularly useful in revealing not only the perception of some of the firms in the general public, but also operational problems. These were subsequently confirmed by the informants. Additional data were collected from sources such as the International Air Transport Association, Civil Aviation Authority, International Civil Aviation Organization and the airline alliance groupings.

To develop the account presented here, the data were analysed in accordance with the guidelines suggested by Eisenhardt (1989) and Yin (2009) using the within-case analysis and cross-case analysis. The data, information and evidence analysis began by using the interviews, archival information and evidence to write individual case histories for the case study firms. Each case was analysed as a standalone to identify independently the challenges facing the firms, their status and reputation, and hence the necessity to seek external legitimacy. The data for the study were analysed using cross-case analysis by examining patterns and commonalities across the case organization. These included patterns in their strategies to form alliances, challenges and opportunities. The empirical evidence from these firms was utilized to shed light on the issues of liability of origin inherent in their operations.

### **Findings**

As shown in Figure 3, we uncovered four main phases in the firms' quest for legitimacy through alliance formation and how liability of origin manifests itself to affect their operations. Phase 1 entails a number of events and experiences that highlight the firms' lack of legitimacy. During Phase 2, the firms outlined a number of initiatives aimed at increasing the scope of their operations by tapping into the expertise of others. They broadly seek to appeal to legitimating actors in general and major airlines in particular.

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**Insert Figure 3 about here**  
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By legitimating actors, we are referring to consumers, suppliers, rivals, regulators and investors who are located within the environment of a firm and can bestow social acceptance by supplying resources to legitimate firms so that they can sustain their operations in a competitive environment (Chan and Makino, 2007). This period ends with failed attempts by some of the firms, which then prompts a quest for meaning and sense-making in Phase 3. During Phase 3, “liability of origin” [in this case Africa] was identified as the key factor affecting their operation and ability to compete. Phase 4 demonstrates the firms’ attempt to turn their predicament into an advantage by emphasising an “indigenization” strategy. In the following sections, we tease out these findings.

### **Phase 1: Early warning signals of lack of legitimacy**

The beginning of this phase was marked by the realization among the firms (A, B, C, D, E, F, G and H) that successes and survival largely depended on ability to form legitimacy-based alliances. Prior to reaching this decision, a series of events provided an indication or early signals of lack of legitimacy. On this issue, a senior manager at Firm G explained:

*“Historically, we have had problems attracting partners. In 2000, a proposed partnership never materialized because they suggest that we carry ‘too much baggage’ [a frequently used expression by the firm to denote their past problems and troubles]. They did not believe that our expertise, image and ownership structure would help them.”*

The “too much baggage” is a euphemistic reference to the African origin of the airline. The term is a reflection of the negative perceptions and stereotyping because the interviewees pointed out that they were turned down although on evidence of proof was provided. The decision was made on the basis of heuristics and in line with entrenched negative perceptions and attitudes about African airlines which may not be applicable to a particular or every airline based in Africa.

A senior manager at Firm C noted:

*“We can trace the source of some of our problem to the fact that we diversified to this sector and therefore lack expertise in some key areas. We identified this problem and have worked hard to overcome it but we have still been struggling to build a name for our firm in this industry and be able to attract alliance partners”.*

Another line manager drew attention to this inherent challenge faced by the business:

*“No major airline wants to be associated with a novice from Africa perceived to have a high potential to fail ... as such we have to work hard to develop our business and brand to to counteract any possible negative perceptions and hence enhance our ability to attract potential partners.”*

This quote is an example of some of the problems uncovered by the firms in their quest for alliance partners. For the firms, strategic alliances can provide them with access to resources and capabilities needed to succeed in international markets. The fieldwork suggests that Firms A and B lacked the years of operating experience required to gain legitimacy. An executive officer at Firm B observed the following:

*“Our lack of legitimacy in the industry became obvious in 2006 when several regional and international banks refused us access to funds because we were not ‘well known’... They all didn’t believe we had the record or status for them to trust us.”*

Again “not well known” is used as a heuristic to decision making but buttressed by negative perceptions. This has affected their ability to access key resources and compete effectively against established organizations. A manager in Firm B drew attention to the effects on their operations:

*“For us competing with the established carriers for business travellers, is a difficult task ... Our customers do not perceive our company to be able to match what our established competitors offer... In a sense, we lack the appeal for some customers. Hence, an association with reputable airlines such as KLM, Continental, Delta or BA would provide assurance to them about the quality of our services.”*

The above assertion shows how negative perceptions and stereotyping affect the operations of African airlines.

A line manager at Firm A traced part of the firm’s problem to the protracted conflict between the key stakeholders, e.g. government and shareholders. He noted:

*“We were set up with government and private funds and with a very bright future, but in recent years the conflict between the two has become a major obstacle for us to fulfil our potential. Banks and private investors have been deterred by the current state of affairs”.*

Table 2 provides a summary of the key features of the case firms and some of the key facilitators and inhibitors in the firms’ attempts to acquire legitimacy. We summarise these observations in the following propositions:

**Proposition 1:** The quest for legitimacy-based alliance is more likely to be triggered by perceived preferential treatment by legitimating actors.

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### **Phase 2: Legitimacy quest through alliance formation**

Our fieldwork indicates that the firms’ “legitimacy vacuum” appears to have incentivised them to take steps to engage in alliances with reputable firms that can bestow upon them some kind of legitimacy. In contrast to Firms D, E and H, the two firms (A and B) that failed to secure effective alliance networks at inception, suffered from lack of financial support and managerial expertise. As a result, they have been forced to rely on more peripheral resources and have been relegated to the periphery of the industry, i.e. operating in fewer, less attractive domestic and regional routes in West Africa. The case analysis highlights that where there is an imprinting effect, that is being perceived as “illegitimate” at founding is more detrimental than in later stages.

By securing a collaborative arrangement with the major European airline at the time of founding, Firm D was able to mitigate the risks of newness and acquire expertise in areas such as inspections, engineering and maintenance. This is because the knowledge, resources

and associative legitimacy that the partner conferred on it, compensated for the disadvantages of organizational inexperience. This collaborative arrangement proved beneficial in developing excellent customer service and their safety record. On this issue, a manager observed that:

*“When we started, we had experienced managers from our ally to help manage our operations leading to more routes expansion”.*

The presence of such a prestigious affiliate conveys a much needed assurance to investors and consumers about the firm’s reliability and worthiness. Firms E and H have effectively used their participation in such an alliance to develop and upgrade their information technology systems. The alliance partners have paved the way for them to reduce costs by moving towards common platforms for reservations, bookings and departure control systems. Hence, it was possible for Firm H to upgrade and develop reliable and secure systems and to bring it in line with that of its alliance partners. In addition, Firm H has also been able to utilize the partnership to increase the number of destinations it serves in Europe. The image and reputation of the partner enabled the carrier to provide a sort of assurance to passengers and clients that they will receive excellent service. Commenting on similar benefits enjoyed by Firm E, a manager recalled:

*“The IT system was rudimentary. We were just about adequately equipped in supporting a wholesale transfer to online selling ... Fortunately we have upgraded our system with the help of our partners who provided superior technology.”*

The competitive pressures to satisfy customers’ demands for online services, in conjunction with the complexities surrounding web-based ticketing, have forced the firms to rely on allies for modern technology and resources to adapt to changing realities in the industry. As the firms expand into new routes, their schedules have grown more complex and become impractical without substantial IT upgrades. The upgrades enabled them to manage

the range of ticket prices as well as the need to co-ordinate inventories and pricing across additional channels including online flight booking services. Accordingly, the following is proposed:

**Proposition 2:** *The identification of “legitimacy vacuum” is more likely to trigger resource- and competence-seeking behaviours.*

### **Period 3: Contagion loss of legitimacy**

Forming a strategic alliance is not without risk to the partners involved as there can be negative effects arising from legitimacy spillovers. Resource-constrained firms face major challenges in gaining legitimacy and the mass media plays an important role in legitimising processes, particularly in the way they report stories in the industry. The media affects perceptions of legitimacy and therefore is an active force that organizations need to manage strategically in the pursuit of external legitimacy (Pollock and Rindova, 2003). Our analysis indicates that some firms’ reputations have been adversely affected by membership in a category of firms with weak legitimacy. The loss of legitimacy acts as a *contagion* especially in the process of attracting premium-business passengers. A feature of this phase concerns the failed attempt to ally and the sensemaking that then triggers.

Our study provides evidence that some of the managers observed that the EU and others blacklisting many African airlines have affected their operations and reinforced the perception of Africa’s dangerous skies. Such high-profile blacklists specifically banned many airlines based in Africa due to their failure to meet safety requirements. For instance, the EU’s first ever blacklist in 2006 banned 92 airlines, 85 of which were based in Africa (Endres, 2006). Since media coverage contains a high degree of information generated by reputable organizations around the world such as the EU and the International Air Transport Association, it is often used as social proof of the legitimacy of airlines, their operations and

the industry at large. The coverage in local, national and international press impacts on the way that key constituents interpret and evaluate information about firms and the industry. One of the observations made by all firms is that these negative perceptions have made it increasingly difficult for them to attract business travellers to many European destinations.

Moreover, negative and stereotypical media coverage of African airlines as a whole diminishes the institutional capital upon which firms in the industry can draw. To some of the key stakeholders e.g. premium passengers, the publicised deviant acts or issues of non-compliance reported in the press act as a contagion, which affects the ability of the few good African airlines to attract and retain such passengers. The difficulties of these airlines stem from the increasing extent of choice available to travellers, facilitated by deregulation and liberalization. They have observed that consumers have become increasingly less patriotic to national airlines and are choosing foreign airlines with better services and improved quality over local ones.

Regarding standards deviated from by some of the firms noted that prior safety record played a pivotal role. Indeed, it has become increasingly difficult for them to attract nationals who are generally patriotic in foreign countries because many have felt that the security and safety standards of many African airlines are not good enough. As the sales manager at Firm B observed:

*“They often say that we (African airlines) are like ‘dead coffins’ (high accidents rates was linked to failure by some airlines to meet the expectations, rules and guidelines of the civil aviation authorities, i.e., regional and international), but we as an airline have complied with every rule in the book. So when you are affected by others’ non-compliance, to which you have no control, it hurts. It becomes an uphill battle to attract foreign investors.”*

Here the interviewees have expressed succinctly the impact of negative perceptions and stereotypes on their operations. Like all stereotypes the decisions about African airlines are made not always with reference to facts but with perceptions.

Another line manager concurred:

*“Even today, it’s very difficult to secure finance, when potential investors think that someone like you is not complying with the rules, they become more and more reluctant to put their money in your business ... And that is the reality. For up-coming airlines like us, our newness scares investors away.”*

Here we see the full contagion effects. Here decisions are made based on perceptions not potential. This means that just because they are from Africa, young firms are not given the opportunity to prove themselves. In addition, superior reliability and excellent services of many of the non-African airlines provide an additional incentive for consumers to switch. For the firms, alliances with western and reputable airlines provide them with a means to banish the stereotyped and negative reputations and help reposition their brands for regional advantage. As a line manager at Firm E asserted:

*“Today there is a real risk of having two types of airline: those that are not conforming and the conformist. This has given an impression to many travellers and other stakeholders that the industry lacks appropriate structures. Even where you are successful in explaining that you are from a conformist airline, the stigma is difficult to erase.”*

Interestingly the interviewees have clearly articulated the problems they face as a result of stigmatisation of African airlines. They show that stigma, negative perceptions and stereotypes are difficult to dispel even with evidence.

Managers were, however, troubled that negative impressions were being conveyed to key stakeholders. The effects of similarity-based contagion of legitimacy spillover were exemplified by the following statement by another senior manager at Firm E:

*“Today, we have a situation where reputable airlines are having their image tarnished by others in their alliance ... These ‘non-compliant’ airlines have to be*

*stopped from continuously ... harming others' reputation. I have discussed this with the regulatory authorities but I am yet to see any concrete action taken."*

*The African airlines admit that there are non-conformist in their mist but the good records of the conformists are buried by the negative image, perceptions and stereotypes of the non-conformist. The African airlines officials admit that overturning this negative image is an onerous or an impossible task. This, then, is a good example of the concept of liability of origin.*

They have particularly faced difficulty in attracting western travellers to African destinations partly due to the perceived associations with other, non-compliant, airlines. Many of the non-compliant airlines are operating old fleets that are badly maintained, made possible by lax regulatory and enforcement regimes in Africa. Such airlines are also characterised by poor standards of training and inadequate finances which exacerbate their problems and reinforce consumers' negative perception of firms originating in Africa. Acquiring legitimacy through such an association is important to the firms as it can help them to be competent in their operations and consequently deflect questions about their ability to provide specific products or services.

Despite promising opportunities for growth across the region, the tarnished image of a few airlines appears to have had negative repercussions for the industry's reputation as a whole. The image and reputation of airlines in an alliance acts as a kind of assurance to passengers and clients that they will receive excellent services. For instance, Firms E and H's alliance with high-status European airlines helped to signal quality in the eyes of many consumers. They have also utilized these formal relationships to access finance as well as routes previously restricted to them. This is in line with Chan et al.'s (2006) suggestion that legitimacy can bestow on firms the ability to acquire the resources needed to sustain their operations in competitive markets and to fend off challenges to their right to provide specific products or services.



Although all actors may not be equally susceptible to contagion-related negative perception or blame, high-status firms can insulate themselves from legitimacy loss caused by the deviance of others (Jonsson et al., 2009). The fieldwork findings indicate that although high-status airlines such as D, E and H have maintained some degree of distinctiveness in terms of service quality, safety, security and punctuality, they have struggled to become less susceptible to this similarity-based contagion arising from others' shortcomings. Firm H has joined one of the GAAPs as an associate member following a recommendation by its major European partner. This has enabled it to accumulate partnering experience and acquire technological know-how in relation to its revenue management and online booking systems. For these firms, the industry's reputation poses a severe risk to their business and therefore acts as a reminder to the management to work towards the development of a stronger aviation industry across Africa. Based on the above discussion, the following is proposed:

**Proposition 3:** *Organizations that suffer contagion loss of legitimacy through the actions and inactions of rivals in their region are likely to shed region specific practices and embrace global standards to distance themselves from competitors in the same locality.*

#### **Phase 4: Turning disadvantage into an advantage**

At the start of this phase, the quest by some firms to gain legitimacy through alliance formation appears to have "hit the rocks", thereby prompting a change of strategy. They begin to take steps aimed at turning the disadvantages into advantages. Our findings suggest that latecomers (A, B and D) have engaged in symbolic actions and status seeking. They have sought to overcome management and legitimacy deficits by hiring a group of seasoned international executives and pilots with overseas experience.

Two companies (A and B) have hired experts who have worked for reputable international airlines such as British Airways and KLM to help them restructure their

operations and improve the delivery of their services. Hiring such internationally recognised and skilled executives has helped in establishing some level of legitimacy in their operations by showcasing the expertise on board. In so doing, they have also conveyed an impression that they have access to specialized knowledge and expertise. This has resulted in replicating the more prestigious airlines' strategies and route networks.

Firm B noted age as one of the limiting factors for remaining largely non-aligned, and the managers expressed the wish to join other alliances as soon as it is practically possible to enhance their reputation. Besides being hamstrung by age, the firm also points out that attempting to join such a reputable group of firms requires considerable investment in training and new systems, which they do not possess. Therefore, their limited resources are geared towards organic growth. An executive concluded:

*“Before we embark on joining one of those big alliances, we have to ensure that it is the right direction for the business.”*

Another line manager noted:

*“And at the moment, it is not the right course of action for us to be knocking on doors of these ‘big alliances’. But we recognise the huge benefits not least in the area of reputation that we can benefit from such alliance”.*

On this same issue, a senior manager at Firm F asserted that the company has remained largely non-aligned and not knocking at the doors of the GAAPs because it will detract them from their ultimate goal of developing their own route networks which extends their operations to Europe and Asia. He further noted:

*“We feel it’s too early to seek to join any of the GAAPs and it’s better to work on developing bilateral relationships to enhance our image”.*

A low-collaborative arrangement with an already legitimate and reputable North American airline has enabled Firm A to highlight its brand and image to the attention of travellers. The most obvious benefits of this low-key alliance was that managers indicated that they began to spend less time explaining their business to key stakeholders (such as potential suppliers and customers). This partnership and the logos that emerged sent powerful signals to these key players that the firm possesses the necessary resources and experience to succeed in the industry. Managers at this firm believed, however, that entry into the GAAPs would enhance their image, but were sceptical about the prospect of their chances. A senior manager made this frank observation,

*“We will not be admitted. We are not financially stable yet to fully develop our network in Africa ... When we are well established in Africa then we can attempt to join a GAAP and reap all the benefits that membership confers.”*

Similarly, a manager at Firm H commented:

*“We are currently engaged in bilateral alliances but if any opportunity emerges for us to engage in a deeper co-operation with another airline, we will consider it.”*

Consequently, we propose the following:

**Proposition 4:** *Firms lacking unique operational networks are more likely to view protracted attempts to join major alliance group as diversion from internal development.*

Our analysis suggests that the beginning of this phase was marked by a fundamental shift from the desire to form alliances at the onset towards making the best of their predicaments. Some of the firms (A, B and C) that have found it difficult to tie-up any major alliances, appear to have recognised their limitations and consequently pursued an “indigenization” strategy. They have employed the national flags, traditional images and

historical figures in African geopolitical history in their advertising and branding, messages and logos aimed at generating and unlocking the patriotism and sense of nationhood as points of attraction. This strategy places emphasis on strong nationalistic sentiments and taps into the patriotism of local consumers to fly with their airlines. After the failed alliance attempts, one of the managers at Firm A noted that they devoted their effort and energy to unlock local affiliations and into establishing a patriotic and profitable customer base. However, in Firm B, there appears to be a sense and desire among managers to show that they are not a floundering business, but rather a flourishing firm. As one of the managers noted:

*“They (i.e., desired potential partner) said we will contaminate their brand ... give us five years, we will prove them wrong ... they will be coming to us”.*

This rejected African airline appears to have been relatively successful on regional and domestic routes, less so on international routes where they are competing against the major carriers noted above who have the advantage in the provision of quality services. As a manager at Firm A noted:

*“The approach has worked well for us on domestic and regional (i.e. intra-Africa) routes”.*

Figure 4 articulates our arguments about the effects of liability of origin and effect on potential partners.

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**Insert Figure 4 about here**  
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### **How to overcome the liability of origin?**

Our data hinted that two strategies have appeared effective in overcoming liability of origin. First, third party endorsements have been employed as a means of signalling quality to outside organizations. More importantly, some of the firms (E and H) documented message and endorsements which depended on the credibility of other international organizations of

trustworthy organizations. In this direction, the firms have obtained international licenses and operation certificates across the globe as a means of enhancing their credibility and trustworthiness through external international organizations. It has demonstrated its ability to meet the standards set by the European Union. At the time, these firms claimed that they were not listed on the European Union list of banned African airlines due to their excellent safety record and modern fleets. They also demonstrated the ability to obtain category one status from the US Federal Aviation Administration. These accolades were displayed as means of helping to gain legitimacy.

Our evidence/data indicates that the independent third-party seals of approval helped Firm E in overcoming the liability. Certifications, third-party awards and testimonials have all helped the firms to enhance their appeal to the out-groups (see Figure 5). One possible explanation is that such seals of approval have been found to help firms in such conditions to gain favourable assessments (LaBarbera, 1982). They have also utilized their membership in industry associations and adoption of their codes of ethics/conduct to highlight their ability to meet national and international standards. In addition, firm with expertise in meeting international and industry standards are more likely to convey higher level of expertise and competence, and in so doing counterbalance the stigma associated with the region.

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**Insert Figure 5 about here**  
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Our evidence/data also indicates that the possibility of overcoming this liability is also partly rooted in the ability to forge mini international alliances across the value chain with suppliers, distributors and customers. This then provide basis to gain access to expertise and resources, become more trustworthy and lower risks towards enhancing the competitiveness of the airlines. Such alliances can serve as learning processes and trust-building exercise. Indeed, such collaborative arrangement can serve an as springboard for internationalization

and alliance formation with major players. To overcome this credibility deficit, firms can focus on developing unique capabilities. This means that they have to garner more resources and improve their operational skills, techniques and systems and hence ditch their incompetence.

Our evidence/data indicates that gaining credibility in the face of such liabilities can bolster such firms' ability to compete. One of the barriers in overcoming liability of origin is lack of unique resources and expertise to counterbalance the negative effects associated with the location. Firm with established routes networks in the industry would find it less challenging in attracting potential alliance partners. Firm with well-developed and robust network in the industry are able to generate enough traffic to feed their operations and therefore have lower risk of failure. Indeed, such firms have also demonstrated an ability to break from such stigma and thrive in the face of the challenges in their environment. For firm to overcome this liability it require unique resources to signal to outsiders that prior perceptions are no longer valid. To overcome this liability, capacity building and industry retooling appear essential as a means to overcome stigmatised identity.

### **Discussion and implications**

This article set out to explicate the mechanisms through which a firm's geographical location can become a source of liability to affect firms' operations. Our study advanced a novel construct of liability of origin as a double-edged sword of a liability or an advantage stemming from a firm's geographical position. We illustrated our theoretical analysis using the case of eight airlines. Through the case analysis, we developed a phase model to explicate how liability of origin manifests itself in firms' quest for legitimacy through alliance formation. Our four-phase model entails the analysis of the initial conditions, attempts to form alliance, failed attempts by some firms to attract partners, identifying liability of origin as a locus of causality and then focuses on turning the disadvantage into an advantage. The

study revealed the eagerness of case firms in the first stage to ally themselves with prestigious firms with the expectation that such associations would enable them to be attractive not only to premium customers, but also to investors from the West. The stages provide insights into the processes in firms' attempts to acquire legitimacy in the face of a rapidly changing regional and global environment.

Our findings demonstrate that firms engage in substantive and symbolic management in the legitimacy quest to respond to the emerging challenges in the legitimization process. We uncovered that the firms' attempts to overcome legitimacy deficits are, however, hampered by the deviant acts of others in the same environment. This then acts as a contagion and further diminishes or derails their legitimacy quest in the eyes of key stakeholders. The firms' desire to become successful in upholding the highest safety standards, customer satisfaction and quality of services is hampered by factors such as poor safety and security records, and non-compliance of other African airlines. Our phase model shed light on how actions and inactions of rival firms can cause "geographicalness" to shift from a strategic asset to become a liability. Our work demonstrates that geographically bound factors, including the actions of other firms, affect rivals' ability to gain legitimacy. The effects articulated here indicate the reverse of endorsement effects: status spillover to alliance partners can be either positive or contagion effects. Thus, we extend previous research on similarity-based contagion of legitimacy spillovers which is still in its early stage of development (e.g. Jonsson et al., 2009).

One possible explanation of our findings is that there is something more than just liability of origin in explaining why some firms have been successful in establishing alliances whilst others have not. The problem of incompetence appears to have played a pivotal role in exacerbating the liability of origin for some firms. But we contend that the negative perceptions and stereotypes play a greater and more pervasive role in preserving the liability

of origin. For instance, in an article on air travel safety in Africa which appeared in USA Today, a pilot was quoted saying:

*“In Africa, it’s not considered particularly unusual to reach a scheduled destination at night and find the airport closed, the runway lights off, and traffic control non-functional”* (The New Observer, November 21, 2015:1).

Another report in USA Today (not dated: 4) went on to say that:

*“The EU has also blacklisted individual airlines in certain African countries: Blue Wing in Surinam, Meridian Airways in the Republic of Ghana and Silverback Cargo Freighters in the Republic of Rwanda”*

Some of the media reports contained gross generalisations that heighten the liability of origin of African Airlines. The fact is that Surinam is not an African country. The quotation above about African airports also does not give any details about the nature of the airport nor examples of such airports. Equally the media report also casts a general picture of dangerous airports. Yet such media reports effectively reinforce the negative image of Africa as risky environment for air travel. As depicted by Heinz and O’Connell (2013:72), “the operating environments in which airlines (in Africa) find themselves are far from homogenous” but such lack of homogeneity gets lost in media reports and stereotypes, negative perceptions and stigma prevail. Thus, illustrating the concept of liability of origin.

### **Implications for theory**

This study makes two main contributions to the literature. First, we depart from much of the existing literature which has focused mainly on legitimacy in the immediate organization (e.g. Jonsson et al., 2009), to incorporate how the quest for legitimacy can be impacted by the actions of rival firms. We identified four distinctive phases that enrich our understanding of the legitimacy quest and impact of geography. Second, although location-specific advantages



have garnered increasing scholarly attention (Dunning, 1988; Chan et al., 2010), the issue of location disadvantages and how they unfold to affect firms' operations has remained poorly understood. In this direction, we have advanced a "new" concept – liability of origin to highlight the negative stigmas and contagion effects stemming from firms' geographical position. This study broadens our understanding of the processes through which legitimacy is lost or gained (e.g. Jonsson et al., 2009) as well as contributes to a long-standing debate on the formation of impressions about firms, which may be closely linked to the information that is available about an industry as a whole or firms' origin (Aldrich and Fiol, 1994; Pollock and Rindova, 2003). We contribute to the literature that industry legitimacy appears to provide a baseline level of legitimacy to which firm-specific legitimacy can be related (Pollock and Rindova, 2003). Thus, this paper extends past studies on firms' legitimacy-seeking strategies in emerging economies in general, and Africa in particular (Wright et al., 2005).

### **Implications for practice and policy**

Regarding practical implications, our findings indicate that legitimacy-based alliances can become an important resource for the acquisition of scarce resources and capabilities such as high-quality managers, quality employees, financial resources and technology which are essential for growth. The mere existence of such alliances carries its own endorsement, which suggests that the firm is successful in attracting established or reputable players and therefore possesses a product and strategy with potential (Rao et al., 2008). In addition, the findings suggest that resource-constrained firms can engage in active legitimising strategies of allying themselves with well-known, established firms in their industry or in alliance groupings to accumulate knowledge and resources. Such an alliance bestowed credibility on the operations of Firm D which should be imitated by others. This reinforces the view that firms should seek to capitalize on legitimacy spillovers by having affiliation with high-status firms in their industry (Dobrev and Gotsopoulos, 2010).

From a public policy standpoint, the findings indicate that there is a need for institutional actors such as governments, industrial associations and regulators to establish a stringent enforcement regime to ensure that all firms comply with security and safety measures. There is also a need for commonality in standards and enforcements around the globe to ensure that airlines banned in Europe, North America and elsewhere do not continue to operate in Africa. Such measures should help to stem the similarity-based contagion arising from others' shortcomings and thereby generate legitimacy for the industry and firms. The second implication for policy relates to the importance of small firms' international orientations. Such firms usually lack legitimacy in the industry and therefore government support would give them some legitimacy in attracting potential partners.

### **Limitations and directions for future research**

Notwithstanding the contributions to the literature, the study has limitations which must be noted in the light of the findings. First of all, this is a preliminary analysis and it may be that liability of "Africanness" has emerged because some of the firms' operations are "overembedded" in their local region and have been "unable to find sufficient inspiration for knowledge recombination" (Laursen et al., 2012: 189). Another shortcoming of this research is that it fails to fully disentangle the effect of the liability of origin construct from the effects of all other factors. Although the primary data provides some evidence, this IS insufficient to completely discount the effects of other factors. Hence future research should seek to test the relationships articulated here.

Given that the study was originally designed to examine organizational responses to liberalization, more detailed and focused analysis is required to enhance the reliability of these findings. It may also be the case that some of the firms merely experience "liability of incompetence". Future research should also seek to compare a group of airlines situated in different regions (e.g. Africa and USA) possessing similar level of expertise and resources to

help assess the generalizability of the findings. There is a need for a more robust analysis of the issues identified and for future research to examine the possible effects of “liability of incompetence”. Another limitation is that the study focused on a single industry and therefore the findings might not be fully generalised to other industrial settings.

More importantly, the co-opetition setting of the Global Airline Alliance Groupings also means the effects of the liability might be industry specific. In light of this limitation, future research should seek to examine the phenomena in different industrial settings to assess the generalisability of the findings. In addition, future research should seek to test the propositions developed here to further enrich our understanding of the subject. We hope that this study serves as a catalyst for more research on the quest for legitimacy in strategic formulations in organizations.

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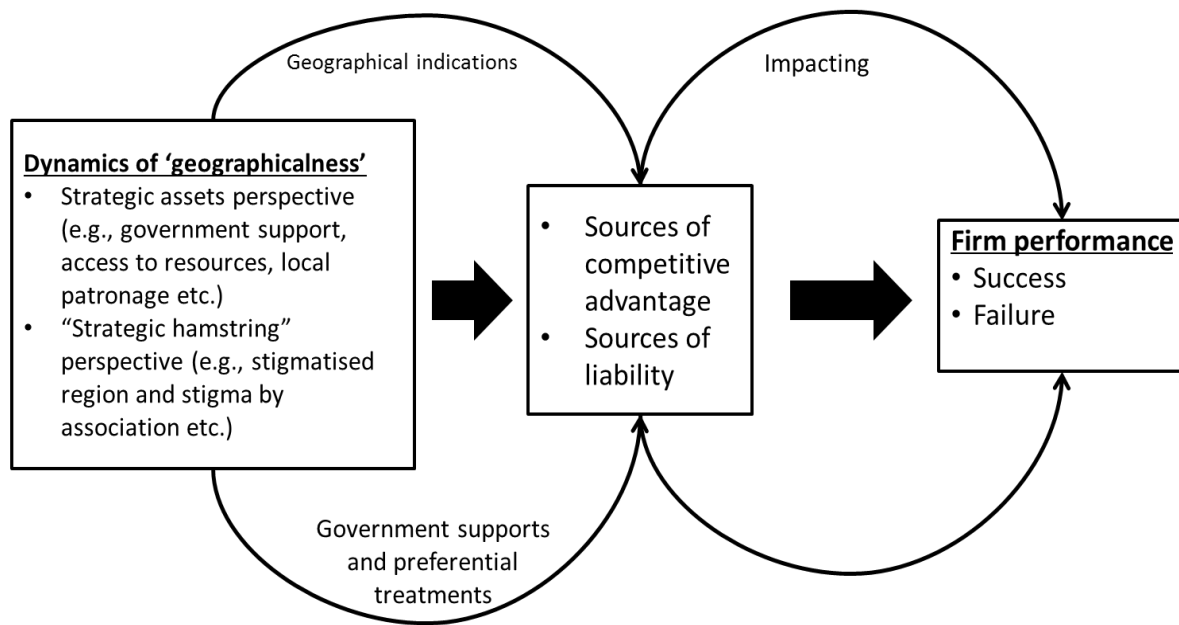
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**Figure 1: A process model of liability of origin**

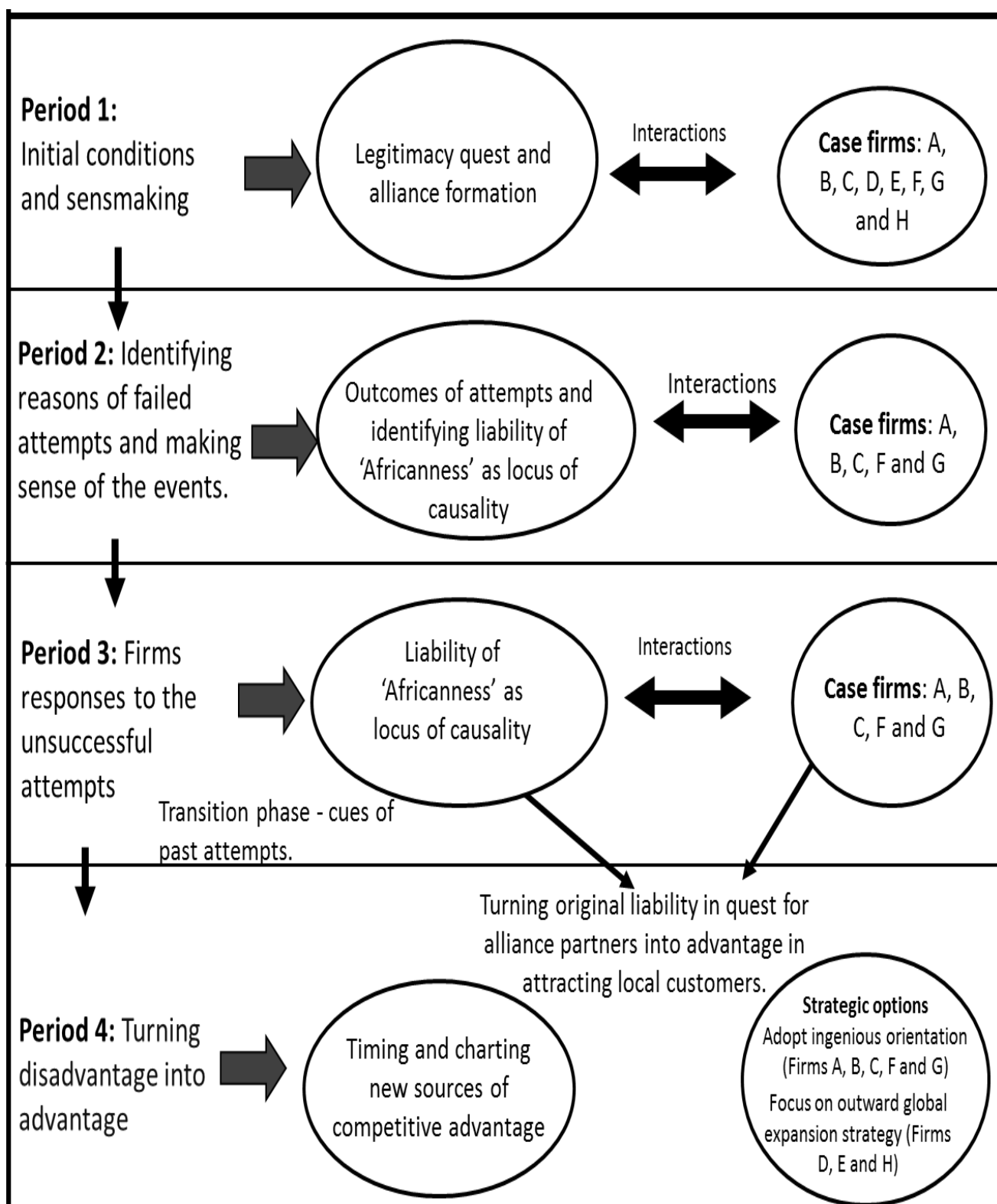


**Figure 2: A four-cell typology of the double-edged sword of geographical origin/geographicalness**

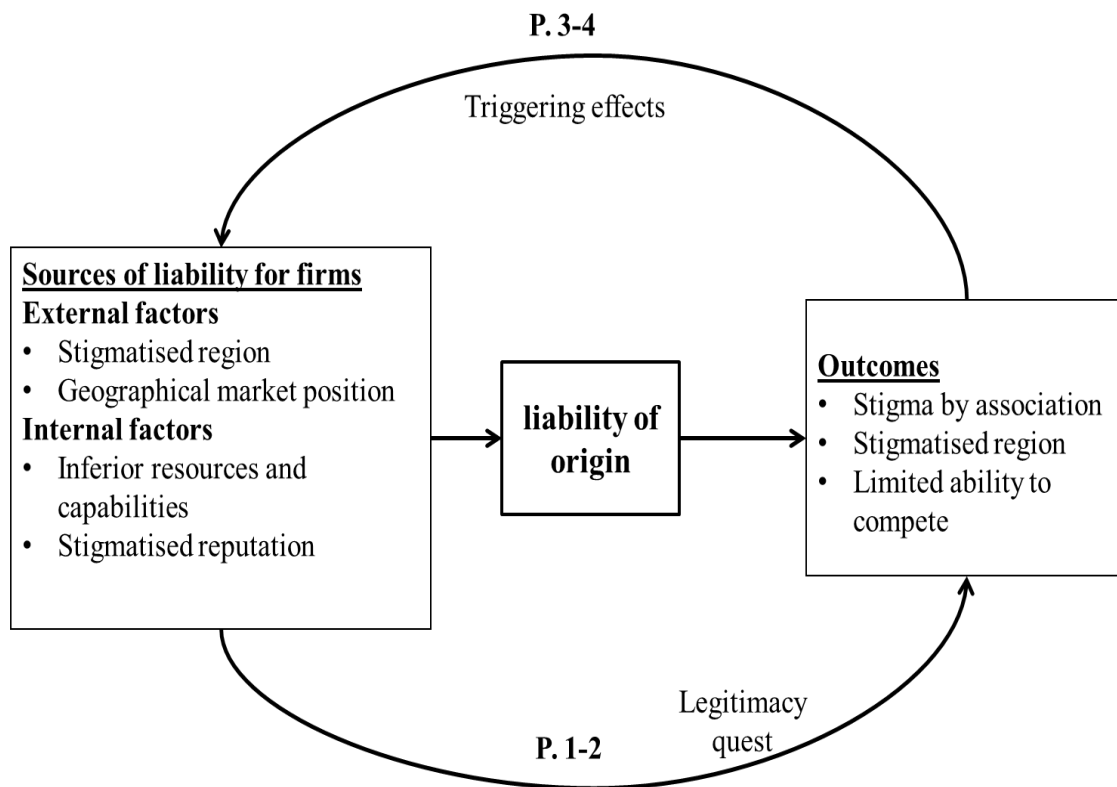
		Impact on firm strategy	
		Home country	Host country
Dimensions of origin	Location-specific advantages	<p><b>Cell I</b></p> <ul style="list-style-type: none"> <li>Region-bound advantages such as natural resources and labour force.</li> <li>Skills development and employment opportunities.</li> <li>"Geographical indications" helps to build customer bases.</li> </ul>	<p><b>Cell II</b></p> <ul style="list-style-type: none"> <li>Home country engendered positive affiliation at foreign markets.</li> <li>"Geographical indications" helps to build customer bases.</li> </ul>
	Liability of origin	<p><b>Cell III</b></p> <ul style="list-style-type: none"> <li>Locality ignites negative links and connotations.</li> <li>Stakeholders hold negative perception of the area.</li> <li>Adverse effects on competition i.e., 'unfair' competitive advantage.</li> </ul>	<p><b>Cell IV</b></p> <ul style="list-style-type: none"> <li>Region or location ignites negative association by potential stakeholders.</li> <li>Firms lack legitimacy stemming from the local environment.</li> <li>Stigmatised of region or groups.</li> </ul>

Our focus

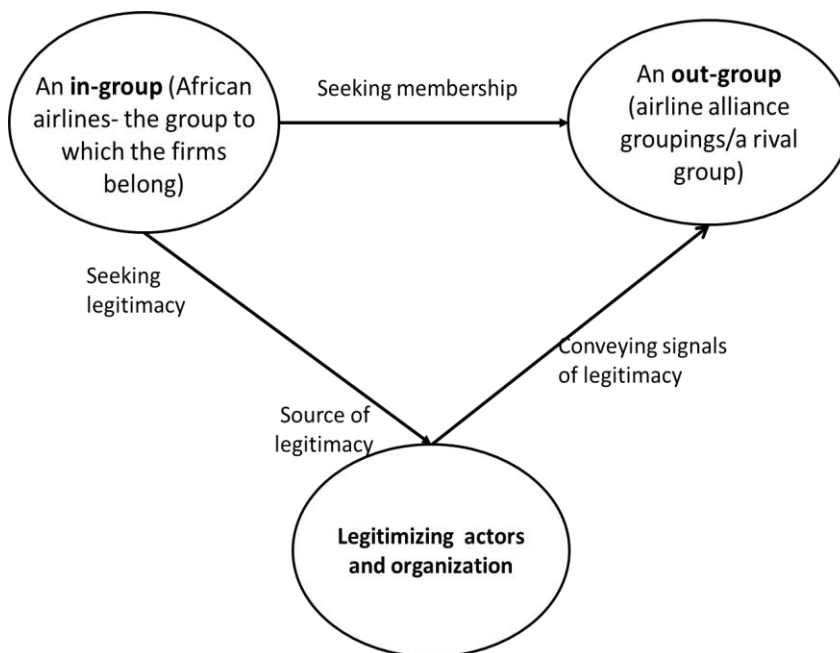
**Figure 3: The dynamics process of liability of origin in the case firms**



**Figure 4: A model of liability of origin**



**Figure 5: A strategy to overcome the liability of origin**



**Table 1: Liabilities pathologies in the Literature**

<b>Concept and key authors</b>	<b>Description/ context-specific effects</b>
Liability of foreignness (Hymer, 1960; Zaheer, 1995).	<ul style="list-style-type: none"><li>• Disadvantages experienced by foreign firms as they expand to other countries due to discriminatory actions by government or consumers (i.e., non-native status).</li></ul>
Liability of newness (Stinchcombe 1965).	<ul style="list-style-type: none"><li>• Disadvantages experienced by new entrant firms as they enter a market. Attributed to factors such as limited experience and lack of legitimacy.</li></ul>
Liability of smallness (Stinchcombe 1965).	<ul style="list-style-type: none"><li>• Disadvantages experienced by firms due to their limited size and limit their ability to enjoy economies of scale.</li></ul>
The liability of closeness (Tang and Rowe, 2012).	<ul style="list-style-type: none"><li>• This concept refers to the extent to which a subsidiary unit of MNEs relates to the parent.</li></ul>
Our construct: liability of origin [geographicalness]	<ul style="list-style-type: none"><li>• Liabilities which stem from the geographical location or origins of the firm.</li></ul>

**Table 2: Key information of the case firms and actors in the legitimisation process**

<b>Firms</b>	<b>Some key firm-specific features*</b>	<b>Number of employees</b>	<b>Facilitators*</b>	<b>Inhibitors*</b>
Firm A	<ul style="list-style-type: none"> <li>Partially state-owned airline besieged with conflict between the main stakeholders.</li> </ul>	160	<ul style="list-style-type: none"> <li>Desperation triggered by desire for growth in new markets.</li> <li>Increasing global competition.</li> <li>Shrinking resource pipeline- the need to wean the firm off the state's limited resources.</li> </ul>	<ul style="list-style-type: none"> <li>Conflict among key stakeholder i.e., the role and influences of government in the ownership structure.</li> <li>Lack of experienced management team.</li> </ul>
Firm B	<ul style="list-style-type: none"> <li>It started as a domestic point-to-point services provider, but has gradually evolved into a regional airline providing services.</li> <li>Privately-owned airline.</li> </ul>	100	<ul style="list-style-type: none"> <li>To help fulfil its long-term ambition of becoming a major regional airline.</li> <li>Limited financial resources based of the owner.</li> <li>Intensifying competitive pressures on regional routes.</li> <li>The need to utilize other sources of finance and expertise.</li> </ul>	<ul style="list-style-type: none"> <li>Loss of control by the founder.</li> <li>Organisational traditions.</li> </ul>
Firm C	<ul style="list-style-type: none"> <li>Diversified from its core business to become a fully-fledged airline.</li> </ul>	50	<ul style="list-style-type: none"> <li>Largely private-owned with strong presence of trade union in advanced economies.</li> <li>Desperation triggered by desire for growth in new markets.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of managerial and technical expertise.</li> </ul>
Firm D	<ul style="list-style-type: none"> <li>Formed with investment from a major European airline and institutional investors.</li> <li>Establish extensive regional and international route networks.</li> </ul>	1,000	<ul style="list-style-type: none"> <li>Competition on key international routes.</li> <li>Access to finance and expertise.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of managerial and technical expertise.</li> <li>Lack of long-term commitment from a major partner.</li> <li>Loss of national identity.</li> </ul>

Firm E	<ul style="list-style-type: none"> <li>• Its extensive route networks between Africa, the Middle East and Asia, facilitate growing traffic between the continents.</li> <li>• Reputation as being one of the most successful airlines in Africa.</li> </ul>	4,837	<ul style="list-style-type: none"> <li>• Threats to historic advantages enjoyed on East to West routes.</li> <li>• Increasing global competition, the need to wean the firm off the state's limited resources.</li> </ul>	<ul style="list-style-type: none"> <li>• Historical commitment and reputation for flying people and goods from East to West Africa.</li> <li>• Government involvement and long-term commitment.</li> </ul>
Firm F	<ul style="list-style-type: none"> <li>• It started with private capital and currently operates to more than 12 countries.</li> </ul>	308	<ul style="list-style-type: none"> <li>• Intensifying competitive pressures on regional routes.</li> <li>• The need to utilize other sources of finance and expertise.</li> </ul>	<ul style="list-style-type: none"> <li>• Organisational culture</li> <li>• Lack of managerial and technical expertise.</li> </ul>
Firm G	<ul style="list-style-type: none"> <li>• Historical route network in West and Central African markets.</li> </ul>	400	<ul style="list-style-type: none"> <li>• Seeks to become major continental carrier.</li> <li>• Intensifying competitive pressures on regional routes.</li> <li>• Declining cash injections from the national government.</li> <li>• The need to utilize other sources of finance and expertise.</li> </ul>	<ul style="list-style-type: none"> <li>• The lack of a strong brand name and reputation to attract foreign investors continue to pose major challenges to the firm.</li> <li>• Lack of managerial and technical expertise.</li> <li>• Government involvement and corporate culture.</li> </ul>
Firm H	<ul style="list-style-type: none"> <li>• The successful privatisation paved the way for new alliance partners.</li> </ul>	2,408	<ul style="list-style-type: none"> <li>• Increased global competition and the desire to become the number one African airline.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of managerial and technical expertise.</li> <li>• The need to maintain national identity.</li> </ul>

\* denotes evidences synthesised by the authors from field notes archival and interview data.