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Foreign Location Choice: Review and Extensions

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International Business (IB) research on foreign-location choice has experienced a revival in recent years, yet a comprehensive review has been sorely lacking. The purpose of this review is to synthesize the findings of recently published articles on the topic of foreign-location choice and offer fruitful directions for future research. This review consists of three sections: first, the authors provide a historical overview of this research stream by tracing its origins and analyzing the general trend that has shaped research on foreign-location choice. Next, the authors conduct a review of 137 recent articles published in leading IB and business/management journals. These articles are categorized according to common topics, and the main findings of each category are synthesized in order to bring some cohesion to this fragmented field. Lastly, the authors identify issues that remain under-researched or require re-thinking some taken-for-granted assumptions. Through this effort, they are able to connect the past, present and future of research on foreign-location choice and to shed some new light on the IB literature.

Introduction

Multinational enterprises (MNEs) – firms that own and control value-added activities in more than one national market – are the main agents driving the drastic spatial reconfiguration of the global economy. Well-known indicators of this transformation include the near 30-fold increase in foreign direct investment (FDI) (UNCTAD 2013) as well as the heightened prominence of emerging markets as both homes and hosts to multinational activities (Luo and Tung 2007). Motivations driving internationalization have also evolved significantly, with firms seeking access not only to new markets and natural resources, but also to learning opportunities and knowledge-intensive assets in foreign locations (Dunning 2000). The engine crafting the topography of this transformation is the increasingly sophisticated firm-level decisions regarding 'how', i.e. ownership and governance strategies, and 'where', i.e. location strategy, to conduct value-added activities, enabling MNEs to fine-slice and coordinate their activities across borders with greater efficiency (Aguilera 2011; Buckley and Ghauri 2004; Dunning 1998; Gereffi and Fernandez-Stark 2011). Unsurprisingly, international business (IB) scholars have devoted substantial energy to studying the antecedents, processes and outcomes associated with the how and where decisions of MNEs (see Ahsan and Musteen 2011; Brouthers and Hennart 2007; Casillas and Acedo 2013; Deng 2012; Hitt *et al.* 2006, for reviews on relevant topics).

The current review focuses exclusively on the 'where' side of this story and reviews the IB research subsumed under the umbrella of 'research on foreign location choice', centered around the question of 'where and why firms place specific activities in particular (geographic) areas' (Goerzen *et al.* 2013, p. 427). This line of research has experienced a renaissance of sorts in recent years, especially following Dunning's (1998) lucid call for scholars to pay more attention to the spatial dimension of MNE activities. While undoubtedly a welcome development, rapid growth and diversification within a relatively short period of time have left the research stream fragmented since, as with IB research in general, research on foreign-location choice cuts across multiple disciplinary boundaries. Accordingly, the aim of the current review is to bring clarity to the research stream by: (i) providing a historical overview; (ii) categorizing, reviewing and synthesizing recent research; and (iii) offering new directions for future research. We connect the past, present and future of location choice research to offer a blueprint for those interested in this line of research.

The rest of this paper is structured as follows. We first offer an overview of early research on foreign-location choice to set the context. Next, after describing our review design, we identify and categorize 137 relevant articles published between January 1998 and June 2014. We then discuss their main findings and elaborate on their significance. The penultimate section notes shortcomings of extant works and highlights opportunities for future research. Concluding remarks follow.

Historical overview (1960s–1990s)

Before the founding of IB in the 1960s, research on foreign-location choice was conducted within the silos of international trade and capital theory – an imperfect approach in light of the available empirical evidence (Scaperlanda and Mauer 1969). The early pioneers of IB were united under the contention that the limitations of trade and capital theory stem from treating the MNE as a 'black-box' and FDI as capital movement that shifts according to interest rates and factor endowment differentials across locations. They further argued that building a general theory of the MNE must begin with prying open the black-box and explaining why MNEs exist and how strategic decisions crystallize within the boundaries of the MNE. Based on this common agenda, two distinct traditions came to the fore: economics tradition, rooted in trade theory and industrial organization; and behavioral tradition, inspired by the behavioral theory of the firm and the theory of the growth of the firm. We briefly discuss the main features of these two classic traditions, the subsequent period of neglect and the recent revival.

Economics tradition

The premise of the economics tradition is that the MNE, as an owner of some rent-yielding proprietary asset, seeks to maximize the returns on its assets in a world of market imperfections (Hymer 1976 [1960]). The most influential approach in this vein is the internalization theory, which, in the spirit of Coase (1937), conceptualizes the MNE as a transaction-cost-minimizing vehicle that sets its boundaries where the marginal benefits of internalizing cross-border imperfections are offset by the marginal cost (Buckley and Casson 1976). Accordingly, MNEs seek out 'the least-cost location for each activity, taking its linkages with other activities into account' (Buckley and Casson 2009, p. 1564), as location choices reflect cost-minimizing outcomes, given the market imperfections associated with transacting the firm assets across national borders. The seminal eclectic or ownership, location, internalization (OLI) paradigm extends this approach and avers that MNEs' location decisions are reached through the interplay among firms' ownership advantage (e.g. proprietary technology/organizational know-how), internalization advantage associated with the specific transaction (e.g. licensing vs. FDI), and location advantages of the host country (e.g. low-cost labor) (Dunning 1980).

A similar yet distinct logic within this tradition underlies the product life cycle (PLC). The PLC argues that MNEs shift their location choices over time in response to changes in the required locational assets to exploit efficiently the production technology embedded in the product (Vernon 1966). Therefore, PLC predicts that the manufacturing of innovative new products typically begins in lead countries where capital/knowledge-intensive inputs are abundantly available and sufficient market-demand for such products is present. As the production technology matures and standardizes over time, the locational assets required to exploit profitably the technology shift towards less capital-/knowledge-intensive factor inputs. Hence, MNEs are expected to gradually 'fan-out' their production locations from lead to developing countries where less capital-/knowledge-intensive factor inputs are available at lower cost. Again, the basic logic driving the PLC model is the efficient exploitation of proprietary assets, given market imperfections. The main difference between OLI and PLC is that the latter offers a dynamic framework of foreign-location choice by incorporating maturation of production technology as the shift parameter.

Behavioral tradition

The behavioral tradition traces its origins back to Aharoni (1966) who, in the spirit of Cyert and March

(1963) and Penrose (1959), demonstrates that the primary constraint to internationalization is the scarcity in managerial attention required to obtain and process the necessary information to dispel the uncertainty involved in establishing and managing operations in foreign markets. Aharoni's insights form the basis of the influential Uppsala or process model of internationalization, which posits that cognitive constraints to managerial decision regarding international diversification are mitigated gradually through an iterative cycle of experiential learning and commitment decision (Johanson and Vahlne 1977). Hence, foreign-location choice is interpreted as a path-dependent outcome wherein accumulated experiential knowledge determines future commitment decisions as managers mitigate cognitive constraints to international diversification through an iterative cycle of local searches and experiential learning (Johanson and Vahlne 1990; Levitt and March 1988). Accordingly, MNEs are expected to begin their international expansion in proximate foreign markets where familiarity reduces the amount of learning required and then move towards more distant markets over time.

The essential insight of the behavioral tradition is that experiential learning is the main shift parameter that shapes the trajectory of firm internationalization and the specific content of the prior learning experience is central to explaining the location choices of MNEs. In the economics tradition, in contrast, experiential learning is incorporated as a static cost-minimizing component that decreases transaction costs, while the content of learning itself is not seriously considered (e.g. Davidson 1980). More generally, the behavioral tradition defines the firm as a bundle of capabilities and routines that develop over time as a result of organizational learning (Cyert and March 1963; Nelson and Winter 1982), whereas in the economics tradition – especially the industrial organization approach – the firm is conceptualized as a governance structure that arises to economize market imperfections (Coase 1937; Williamson 1981). These differences explain the distinctiveness of each tradition in terms of the assumptions, unit of analysis and concepts applied in explaining foreign-location choices (for more details, see Benito and Gripsrud 1992; Buckley *et al*. 2007b).

Neglect and revival (1970s–1990s)

Despite these promising beginnings, the spatial aspects of MNE activities became a relatively marginal research topic within IB between the 1970s and 1980s. Instead, the governance and ownership aspects of MNEs absorbed the lion's share of scholarly output as internalization theory emerged as the dominant framework driving IB research. Yet, internalization theory does not address why MNEs select certain locations over others with sufficient rigor as 'locational variables are virtually non-existent . . . and overlook(s) the structural imperfections related to socio-economic and institutional geographical contexts' (Iammarino and McCann 2013, p. 52). Furthermore, progress within the behavioral tradition was stumped by inconsistent empirical results and certain weaknesses inherent in the model (Andersen 1993; Axinn and Matthyssens 2002; Forsgren 2002; Melin 1992). Most empirical studies within the behavioral tradition were limited to testing whether the initial stages of internationalization supported the predictions of incrementalism (Juul and Walters 1987; Rhee and Cheng 2002; Sullivan and Bauerschmidt 1990), while the concept of location itself remained undertheorized (Rugman and Verbeke 2005).

This period of neglect met a turning point in the 1990s, as seminal works within (Dunning 1998) and outside IB (Krugman 1991; Porter 1990) ignited a renewed interest in the spatial dimension of MNE activities. Three developments are particularly germane. First, on the supply side, the contemporary global economy offered a convenient platform for MNEs to achieve scale economies as technological (e.g. information technology) and political developments (e.g. Washington Consensus) significantly reduced the transaction costs involved in accessing basic factor inputs across borders. As a consequence, MNEs have considerably widened the breadth of their global division of labor, leading to a manufacturing boom in emerging economies (Dunning 2009). However, precisely because such scale-based efficiency has become easier to achieve, it is no longer a key component of competitive advantage; instead, competitiveness in the current global economy depends on the creation of knowledge-intensive assets that rely on the presence of immobile clusters of complementary value-added activities (Markusen 1995; Porter 1994). Indeed, despite advances in telecommunications technology, physical proximity between people and firms remains one of the most important components in creating valuable knowledge assets (Leamer and Storper 2001). Hence, the centrifugal force dispersing basic supply-side activities to ever more distant corners of the world coexists with the centripetal force increasing the spatial concentration of knowledge-intensive activities in select 'hot spots' around the world (Sassen 2001). These paradoxical forces have yielded persistent spatial variations in value-added activities across geographies, thus heightening the need to complement traditional IB theories with attention towards how created (e.g. institutions) along with natural locational assets (e.g. natural resources) influence the location decisions of MNEs (McCann 2011).

Second, on the demand side, location-specificity of firm assets – location-specific investments that MNEs incur in a foreign market (Rugman and Verbeke 2005) – has not attenuated significantly, despite popular predictions of an emerging frictionless global market (e.g. Levitt 1984; Ohmae 1985). In fact, economic, political and sociocultural differences across geographic units remain distinct and continue to generate varying levels of location specificities for MNEs to manage (Meyer *et al.* 2011). Therefore, firm assets that are 'melded' with each location cannot be dislodged and transferred to other locations without incurring significant costs, rendering the issue of locational selectivity or the decision of where (and where not) to expand an increasingly critical component of international business strategy (Ghemawat 2003).

The third and perhaps most important development is the rising prominence of locations and players from emerging economies. In addition to rapid economic growth, emerging economies are characterized by institutional features that are distinct from those in developed economies (Hoskisson *et al*. 2000). As such, understanding how MNEs make location choices in these attractive yet volatile markets requires incorporation of the economic, political and sociocultural attributes that distinguish emerging economies from triad economies. Furthermore, emerging economies are also homes to emerging market multinational enterprises (EMNEs), which exhibit distinct behaviors and growth trajectories from their triad counterparts (Bonaglia *et al*. 2007). Thus, the assumptions underlying traditional theories need to be re-evaluated in order to analyze how the distinguishing attributes of EMNEs affect their pattern of international diversification (Child and Rodrigues 2005; Luo and Tung 2007).

In sum, the co-evolution of global economic geography and MNEs, driven by the three trends discussed above, opens up a formidable research agenda for IB scholars. Recognizing its significance, prominent IB scholars have claimed the need for researchers to redirect their energy towards the spatial dimension of MNE activities (Buckley and Ghauri 2004; Cantwell 2009; Dunning 1998). These calls have been instrumental in spurring the recent revival in research on foreign-location choice.

Research design for the review process

Following the practice of past *International Journal of Management Review* articles on IB-related topics (e.g. Ahsan and Musteen 2011; Deng 2012), we limit the scope of this analysis to peer-reviewed English-language journals. We also restrict the time window of this analysis to January 1998 and June 2014 as research on foreign-location choice prior to 1998 has been reviewed elsewhere (see Caves 1996; Dunning 1993).

The first step in the review process was to determine the sample of journal outlets to include. We undertook the following steps in the journal selection process. First, based on previous review studies (Chan *et al.* 2006b; DuBois and Reeb 2000; Griffith *et al*. 2008; Harzing 2008; Xu *et al*. 2008), we identified seven core IB journals: *International Business Review* (IBR), *International Marketing Review* (IMR), *Journal of International Business Studies* (JIBS), *Journal of International Management* (JIM), *Journal of World Business* (JWB), *Multinational Business Review* (MBR) and *Management International Review* (MIR). We added *Global Strategy Journal* (GSJ) to this list, as its editorial mission states that the domain of the journal is defined by its explicit focus on cross-border corporate activities. Second, we considered the list of top 40 business/management journals outside core IB, based on their impact factor from the Social Science Citation Index (SSCI). After excluding journals that do not publish research on foreign-location choice (e.g. *MIS Quarterly*), we were left with 11 relevant journals: *Academy of Management Review* (AMR), *Academy of Management Journal* (AMJ), *Administrative Science Quarterly* (ASQ), *Asia Pacific Journal of Management* (APJM), *British Journal of Management* (BJM), *Journal of Management* (JOM), *Journal of Management Studies* (JOMS), *Long Range Planning* (LRP), *Management Organization Review* (MOR), *Organization Science* (OS) and *Strategic Management Journal* (SMJ). Combining the eight core IB journals with the 11 business/management journals, we include a total of 19 journals in this review.

Next, we searched for relevant articles published in each of the 19 journals, using the following keywords: (i) foreign location; (ii) foreign direct investment; (iii) internationalization; (iv) international diversification;

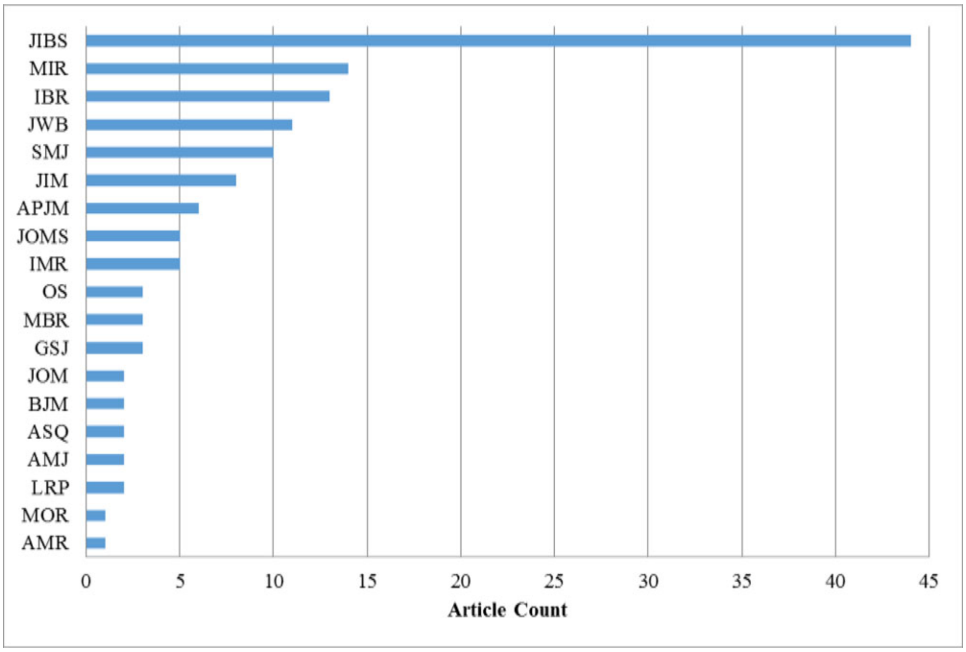

Figure 1. Number of articles per journal outlet

(v) geography; (vi) country selection; and (vii) host-country. This search yielded a total of 137 articles. Figure 1 lists the breakdown of the number of articles identified from each journal. Unsurprisingly, the core IB journals take up the majority share of the research output, with JIBS accounting for almost a third (44) of the total article counts. SMJ hosts the largest number of foreign-location-choice articles (10) among the non-IB journals.

The third step was to categorize the 137 articles according to common topics. We began this process by listing all the keywords provided by articles[1] and grouping similar keywords together to identify main research topics. The primary challenge associated with this process was that different keywords often refer to the same topic (e.g. developing country multinational, emerging market multinational, BRICs multinationals), while certain keywords are clearly subtopics of larger topics (e.g. property rights is a subtopic of institutions). Simply listing all article keywords would render the categorization process intractable; therefore, for the sake of parsimony and consistency, we clustered similar concepts together and placed subtopics within larger topics, as illustrated in Table 1. Through this process, we derived seven common topics: institutions; emerging markets; new economic geography (NEG); strategic-asset seeking; regions; networks; and offshoring. Figure 2 summarizes the breakdown and the article count for each topic. Note that a single article can be categorized under multiple topics. For example, Quer *et al.*'s (2012) study on how 'political risk' (keyword 1) and 'cultural distance' (keyword 2) influence the location choices of 'Chinese multinationals' (keyword 3): we categorize Quer *et al.* (2012) under the topics of 'emerging economies', as Chinese multinationals are EMNEs, and 'institutions' as 'political risk' and 'cultural distance' are both subtopics of 'institutions'.

Findings from literature review of recent research

The overall research trend is quite consistent with the key developments identified in the previous section, with 80 out of the 137 articles reviewed dealing with at least one of the following three topics: institutions, emerging markets and EMNEs. New economic geography comes in next, with subnational spatial dynamics such as agglomeration externalities becoming increasingly important in understanding the location choices of MNEs. Other topics with notable presence include strategic-asset seeking, regions, networks and

[1]Of the 137 articles, 33 do not provide keywords. For these articles, we identified the keywords based on our own careful reading.

Table 1. Topics and keywords

Topic	Keywords
Institutions	culture, corruption, governance risk, mimetic entry, legitimacy, political risk
Emerging markets	China, developing countries, emerging economies, India, transition economies
EMNEs	developing country multinationals, BRICS multinationals
New economic geography	agglomeration, cities, clusters, economic geography
Strategic-asset seeking	knowledge seeking, research and development, research laboratory
Regions	regional economic integration, regional strategy, regionalization, semiglobalization
Offshoring	Outsourcing
Networks	immigrants, social-ties, social network, ethnic-ties, social capital

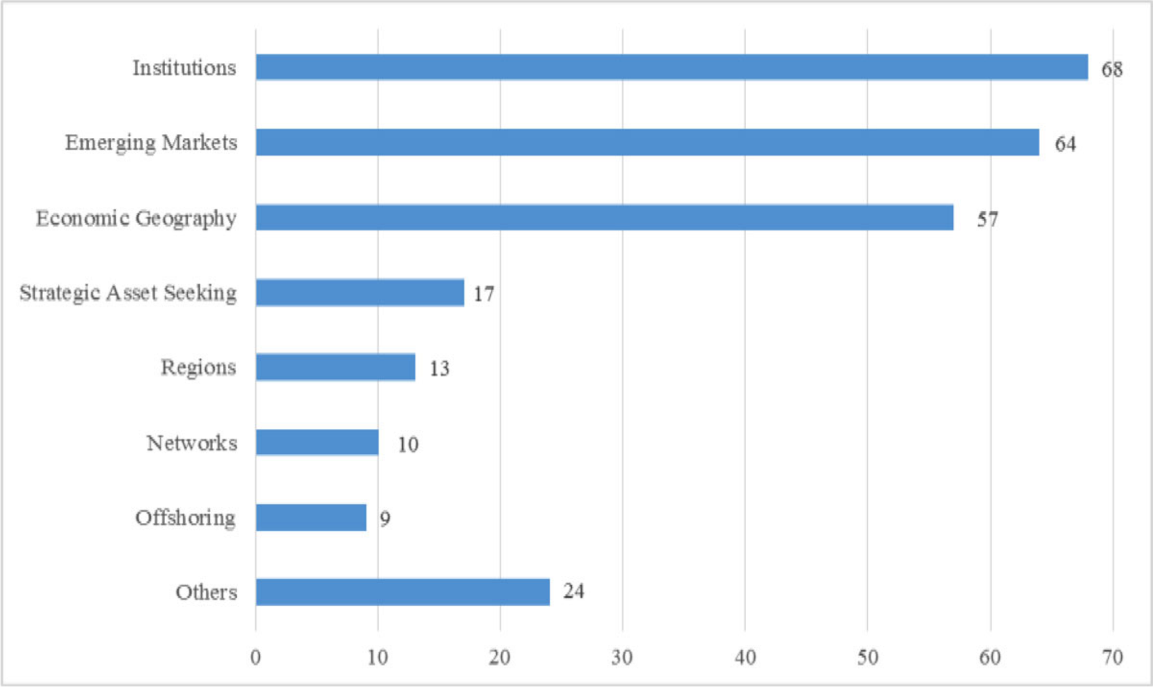

Figure 2. Keyword count per topic

offshoring. Note that most of the articles reviewed address multiple topics, suggesting a significant degree of cross-pollination across subject matters and theoretical approaches. Indeed, even a cursory glance across Table 2, which offers a detailed breakdown of each article, would suffice to conclude that the majority of papers integrate multiple topics and/or theoretical frameworks.

However, despite the ever increasing intellectual diversity within research on foreign-location choice, the premise driving this research stream finds remarkable continuity with the basic rubric established by the economics and behavioral tradition. Specifically, understanding why MNEs choose to establish their presence in specific locations requires careful attention towards how heterogeneity in firm-specific attributes, such as the content of ownership advantages and prior experiences, interact with the locational attributes of the foreign market (Dunning and Lundan 2008; Song 2002). The main value added of the recent contributions has been to integrate IB's old insights with new theoretical approaches and to apply them to a wider range of contexts (e.g. emerging markets). Hence, the distinctive feature of IB research on foreign-location choice – as opposed to that in other allied disciplines such as international economics – lies in its emphasis on how location is not a generic resource, but a firm-specific resource, as its value depends on the firm's capabilities to transform location resources into a source of advantage (Zaheer and Nachum 2011). With this general thread in mind, we proceed to discuss each of the first three

Table 2. Categorization of 136 reviewed articles by topic[a]

Article	Institutions		Emerging markets		Economic geography		Others							
	NIE	NIT	Expansion into EMs	EMNEs	Agglomeration	Subnational (cities, clusters)	Strategic-asset seeking	Networks	Regions	Offshoring	Oligopolistic reaction	Born globals	Decision theory	Misc.
Alcácer *et al.* (2013)											√			√
Alcantara and Mitsuhashi (2012)			√					√						
Arita and McCann (2002)					√	√								
Arregle *et al.* (2009)									√					
Arregle *et al.* (2013)	√								√					
Banalieva and Dharanarj (2013)	√								√					
Banalieva *et al.* (2012)									√					
Bartels *et al.* (2014)	√		√											
Beim and Levesque (2006)													√	
Belderbos *et al.* (2013)		√			√									
Berry *et al.* (2010)	√													
Beugelsdijk and Mudambi (2013)					√	√								
Bevan *et al.* (2004)	√		√											
Bhardwaj *et al.* (2007)	√													
Boeh and Beamish (2012)						√								√
Bryan-Jean *et al.* (2011)			√					√						
Buckley and Ghuari (2004)			√		√		√		√	√				
Buckley *et al.* (2007a)	√			√										
Buckley *et al.* (2007b)													√	
Burpitt and Rondinelli (2004)						√								√
Cantwell (2009)					√		√							
Cantwell and Mudambi (2000)							√							
Cantwell and Piscitello (2002)							√							
Castellani *et al.* (2013)	√			√			√							
Chan *et al.* (2006a)	√													
Chang and Park (2005)		√			√	√		√						
Chen and Chen (1998)				√				√						
Chen and Hsiao (2013)			√				√							
Chidlow *et al.* (2009)			√		√	√								
Clougherty and Grajek (2008)	√		√											
Coeurderoy and Murray (2008)	√											√		
Cuervo-Cazurra (2006)	√													
Cuervo-Cazurra (2011)				√										
Delios and Henisz (2003)	√	√	√											

Table 2. Continued

Article	Institutions		Emerging markets		Economic geography		Others							
	NIE	NIT	Expansion into EMs	EMNEs	Agglomeration	Subnational (cities, clusters)	Strategic-asset seeking	Networks	Regions	Offshoring	Oligopolistic reaction	Born globals	Decision theory	Misc.
Demirbag and Glaister (2010)							√			√				
Demirbag *et al.* (2010)	√			√										
Doh *et al.* (2009)										√				
Duanmu (2012)	√			√										
Duanmu (2014)	√			√										
Enright (2009)														√
Eren-Erdogmus *et al.* (2010)				√										
Erramilli *et al.* (1999)				√										
Felis and Rahman (2008)									√					
Felis and Rahman (2011)									√					
Flores and Aguilera (2007)	√								√					
Freeman *et al.* (2012)	√											√		
Galán and González Benito (2006)	√		√											
Galán *et al.* (2007)	√		√				√							
Garcia-Canal and Guillen (2008)	√		√											
Globerman and Shapiro (2002)	√													
Goerzen *et al.* (2013)					√	√								
Graf and Mudambi (2005)										√				
Gross and Trevino (2005)	√		√											
Guillen (2002)		√		√										
Gulamhussen (2009)														√
Guler and Guillén (2009)		√												
Guler and Guillen (2010)								√						
Habib and Zurawicki (2002)	√													
Hatonen (2009)										√				
Henisz and Delios (2001)	√	√	√											
Henisz and Macher (2004)	√													
Hernandez (2014)								√						
Holburn and Zelner (2010)	√		√	√										
Holburn and Zelner (2010)	√		√	√										
Holmes *et al.* (2013)	√													
Hutzschenreuter *et al.* (2011)	√													√
Ito and Rose (2002)											√			

Jandhyala (2013)	√									√				
Jensen and Pedersen (2011)							√			√				
Kang and Jiang (2012)	√			√										
Kedia *et al.* (2012)				√			√							
Kolk *et al.* (2014)									√					
Kolstad and Wiig (2012)				√										
Kuemmerle (1999)							√							
Kuilman and Li (2006)		√	√		√	√								
Kulchina (2014)	√		√			√								
Kundu and Contractor (1999)														√
Leamer and Storper (2001)					√	√								
Lei and Chen (2011)				√				√						
Li and Park (2006)	√		√		√	√								
Li and Yao (2010)		√	√			√								
Li *et al.* (2012)				√			√							
Lopez *et al.* (2009)									√			√		
Lu *et al.* (2014)	√			√										
Luo and Wang (2012)				√										
Ma and Delios (2007)	√		√			√								
Ma *et al.* (2013)	√		√			√								
Makino and Tsang (2011)	√		√								√			
Makino *et al.* (2002)				√			√							
Manning *et al.* (2013)			√		√	√	√			√				
Mataloni (2011)						√							√	
McCann *et al.* (2002)	√				√	√								
Meyer and Nguyen (2005)	√		√			√								
Meyer *et al.* (2011)														√
Morck *et al.* (2008)				√										
Mudambi *et al.* (2013)	√													
Nachum (2000)					√	√								
Nachum and Keeble (2003)					√	√								
Nachum and Song (2011)	√													√
Nachum and Wymbs (2005)					√	√								
Narula and Santangelo (2012)					√	√	√							
Nicholas *et al.* (2001)	√		√			√								

Table 2. Continued

Article	Institutions		Emerging markets		Economic geography		Others							
	NIE	NIT	Expansion into EMs	EMNEs	Agglomeration	Subnational (cities, clusters)	Strategic-asset seeking	Networks	Regions	Offshoring	Oligopolistic reaction	Born globals	Decision theory	Misc.
Pajunen (2008)	√													
Pak and Park (2005)			√											
Pangarkar and Yuan (2009)				√										
Park *et al.* (2006)	√			√							√			
Petrou and Thanos (2014)	√													
Quer *et al.* (2012)	√			√										
Ramaswamy *et al.* (2012)				√										
Rose and Ito (2009)											√			
Rothaermel *et al.* (2006)	√													
Rugman and Oh (2013)									√					
Sakarya *et al.* (2006)				√										
Schotter and Beamish (2013)	√												√	
Sethi *et al.* (2002)	√		√						√					
Sethi *et al.* (2003)	√		√											
Sethi *et al.* (2011)			√			√								
Shaver and Flyer (2000)		√			√									
Slangen and Beugelsdjik (2010)	√													
Song (2002)														√
Strange *et al.* (2009)			√			√								
Tan and Meyer (2011)	√	√	√		√	√								
Veliyath and Sambharya (2011)	√						√							
Verbeke and Kano (2012)						√			√					
Villaverde and Maza (2012)						√								√
Webster (2013)						√	√							
Wu and Strange (2000)	√		√			√								
Yeoh (2010)				√										
Yuan and Pangarkar (2010)				√										
Zaheer and Manrakhan (2001)					√	√								
Zaheer and Nachum (2011)														√
Zaheer *et al.* (2008)			√			√		√						
Zheng (2013)			√			√								
Zhou *et al.* (2002)	√		√			√								
Zhu *et al.* (2012)	√		√	√	√	√		√						

[a]NIE = new institutional economics; NIT = neo-institutional theory; EM = emerging markets; EMNEs = emerging market multinational enterprises; MISC = miscellaneous.

topics, institutions, emerging economies and new economic geography, separately and then bundle the four remaining topics, strategic-assets, regions, networks and offshoring, into a single sub-section.

Institutions

How formal and informal institutions such as regime type (Oneal 1994), government policies (Kobrin 1976; Root and Ahmed 1978) and cultural differences (Kogut and Singh 1988) influence the strategic choices of MNEs has been investigated for quite some time in IB. However, early research suffered from a lack of theoretically grounded mechanisms linking institutions to MNEs' strategic choices, with the exception of Vernon's (1971) obsolescing bargaining model (Brewer 1993; Mudambi and Navarra 2002). The integration of the economic (North 1990) and sociological (DiMaggio and Powell 1983; Scott 2008) variants of institutional theories to IB has substantially mitigated this weakness and established the nexus between MNEs and institutions as one of the most robust topics within IB research (Xu and Shenkar 2002).

The most influential strand of institutional theory within IB is undoubtedly the new institutional economics of Douglass North (1990). North's basic proposition is that whether a given society achieves prosperity depends on the constellation of formal and informal institutions, defined as the humanly devised constraints or formal and informal 'rules of the games' that shape societal transactions. Formal institutions refer to codified laws such as property rights, while informal institutions are tacit yet collective consent among societal constituents such as shared values, taboos and norms. Formal and informal institutions set the basic parameters guiding actors involved in the myriad transactions that materialize within a given society. Societies with the 'right' set of institutions are able to minimize transaction costs, facilitate more complex exchanges among social actors and, consequently, achieve sustained economic growth.

Since establishing and conducting value-added activities in foreign locations inevitably involves complex transactions between two parties separated by economic, political, geographic and socio-economic differences, the nature of the 'rules of the games' of each location has significant implications for MNEs. Within research on foreign-location choice, the most popular question explored through the application of North (1990) is whether and to what extent variance in institutions across locations influences MNEs decision to locate their activities. Accumulated findings overwhelmingly support the view that quality of institutions is indeed a critical factor driving decisions on MNE location (Globerman and Shapiro 2002; Holmes *et al.* 2013) and that incorporating institutional determinants along with traditional economic factors significantly enhances the explanatory power of models explaining foreign-location choices (Berry *et al.* 2010; Flores and Aguilera 2007).

Building on this platform, several studies have gone beyond the claim that 'institutions matter' and towards teasing out the intricacies underlying how specific dimensions of formal and informal institutions relate to choice of foreign location. For example, the conventional understanding that corruption negatively affects the decision for MNEs to invest (Habib and Zurawicki 2002) is now revised with a more nuanced view of corruption as an endogenous component of larger institutional factors (Mudambi *et al.* 2013). Furthermore, prior experience in corrupt environments (Cuervo-Cazurra 2006) and investment motivations (Petrou and Thanos 2014) may moderate this general tendency to avoid corrupt locations. Similarly, the established wisdom that cultural affinity between two locations reduces the barriers for MNEs to enter (Johanson and Vahlne 1977) is now replaced by a more sophisticated analysis of which specific component of culture matters more than others under different circumstances and why (Bhardwaj *et al.* 2007; Rothaermel *et al*. 2006; Siegel *et al.* 2013).

Most notably, a string of recent articles have focused on how the impact of institutions on foreign-location choices is moderated by firm-specific and investment-specific attributes. For example, superior technological capability (Henisz and Macher 2004), prior experience in diverse institutional conditions (Delios and Henisz 2003; García-Canal and Guillén 2008; Henisz and Delios 2001; Holburn and Zelner 2010; Jandhyala 2013) and investment motivations (Slangen and Beugelsdjik 2010) have been found to mitigate the MNEs' tendency to avoid institutionally unstable or dissimilar environments. Interestingly, foreign-location choice studies on born-global firms and international new ventures (Knight and Cavusgil 2004; Oviatt and Mcdougall 1994) demonstrate that these firms are particularly sensitive to regulatory environments related to intellectual property rights protection (Coeurderoy and Murray 2008) and institutional proximity (Lopez *et al.* 2009), although they are quicker than established MNEs in learning how to move from institutionally proximate markets to progressively more distant markets (Freeman *et al.*

2012). This is explained by their limited organizational resources, internationalization experience and lack of organizational inertia. In general, accumulated findings reinforce IB's original contention that understanding determinants driving MNEs' strategic choices requires careful attention to heterogeneity in firm-level attributes and investment motivations (Dunning 2000; Dunning and Lundan 2008).

While the sociological variant of institutional theory – specifically neo-institutional theory – shares new institutional economics' basic contention that institutions are durable elements in society that shape the interaction between societal actors, it starts from the premise that social considerations may eclipse technical considerations when societal actors respond to institutional pressures (DiMaggio and Powell 1983). Neo-institutional theory rejects what it sees as excessive functionalism of new institutional economics – which conceptualizes institutions from a transaction cost minimizing perspective – and instead argues that organizations conform to institutional pressures because of their need to attain legitimacy (Kostova and Zaheer 1999). The theory emphasizes the role of three interrelated yet distinct sets of structures – coercive (regulative), mimetic (cognitive) and normative (Scott 2008) – that submit societal actors to become isomorphic with the environment as they strive for legitimacy.

Scholars incorporating neo-institutional theory are interested in uncovering how the institutional forces in a foreign location impact the legitimacy of MNEs and, in turn, determine their strategic behavior (Peng 2012). In particular, the relationship between mimetic (cognitive) forces and location choice has received considerable attention. The phenomenon of imitative internationalization occurring in waves among rival firms is also studied from an industrial organization perspective as an oligopolistic reaction (Alcácer *et al.* 2013; Ito and Rose 2002; Knickerbocker 1973; Rose and Ito 2009), but institutional theory offers a sociological interpretation of the same phenomenon based on non-efficiency criteria. The general argument is that MNEs may increase their chances of survival in a foreign environment by imitating location strategies of other firms in their bid to reduce uncertainty and gain legitimacy in a foreign location. Relevant studies find that MNEs with less overseas experience have a higher tendency to mitigate uncertainty via mimesis (Henisz and Delios 2001), and are attracted to locations with a higher density of similar firms, or other MNEs that command local legitimacy are already in operation (Belderbos *et al.* 2011; Li and Yao 2010). Another interesting finding is that, while MNEs are more likely to engage in mimetic entry in the early stages of internationalization, they are less likely to do so once a critical mass of MNEs have established operations in the particular location (Chan *et al.* 2006a; Guillén 2002; Kuilman and Li 2006).

The main insight that emerges is that 'firms are heterogeneous in their perception of institutional constraints and opportunities in foreign markets, and in their ability to cope with them' (Guler and Guillén 2009, p. 186). Consistent with the core tenets of the economics and behavioral traditions in IB, research shows that how institutions influence foreign-location choice depends greatly on the firm-specific attributes such as ownership advantages and prior internationalization experience (Hutzschenreuter *et al.* 2007, 2011; Nachum and Song 2011). By integrating institutional theory within this general framework, IB scholars have significantly sharpened the set of analytical tools that they can apply in order to dissect how cross-border differences along social, political and cultural dimensions influence the spatial decisions of MNEs.

Emerging markets/EMNE

Emerging markets refer to economies that are experiencing a rapid pace of economic growth and are in the process of implementing government policies favoring economic liberalization (Hoskisson *et al.* 2000). The most pertinent point for IB scholars is that the emerging economies are characterized by 'institutional voids', which refer to the lack of market-supporting institutions such as property rights protection and financial intermediaries, which are considered essential for facilitating complex business transactions (Khanna and Palepu 1997). The word 'void' implies that market-supporting institutions, generally taken-for-granted features in developed economies, are absent, or are found to varying degrees in emerging economies (Peng 2003; Wright *et al.* 2005). Hence, a significant number of location choice studies analyze how MNEs expanding to and from emerging economies make spatial decisions when 'the rules of the game are changing and not completely known' (Peng *et al.* 2008, p. 924).

Indeed, having better or more similar institutions vis-à-vis the home country of MNEs (e.g. cultural affinity, shared legal tradition) is found to be a much more critical determinant for attracting MNEs to emerging economies than to developed economies

(Bartels *et al.* 2014; Bevan *et al.* 2004; Galán and González-Benito 2006; Galán *et al.* 2007; Makino and Tsang 2011; Sakarya *et al.* 2007; Sethi *et al.* 2002, 2003). Relatedly, subnational variance in institutional quality across administrative units is found to be a key determinant accounting for the spatial concentration of MNE activities in particular places (e.g. provinces) within emerging economies (Li and Park 2006; Meyer and Nguyen 2005; Sethi *et al.* 2011). Furthermore, the tendency for MNEs to mimic the spatial decisions of other MNEs is more pronounced for those investing in emerging economies (Tan and Meyer 2011). Others have focused on whether specific measures such as international accreditation (Clougherty and Grajek 2008), policy measures (Grosse and Trevino 2005), special economic zones (Zhou *et al.* 2002) and increased media coverage (Kulchina 2014) adopted in emerging economies are effective in reducing the impact of institutional voids and providing a more conducive environment for investment by MNEs.

An equally important but less robust stream of research concerns the location choices of EMNEs. Organizational scholars have long noted that the attributes of the given external environment play an important role in explaining how firms implement strategy, create value and grow over time (Ingram and Silverman 2002; Stinchcombe 1965). Hence, EMNEs, with emerging economies as their home bases, offer an interesting research context, since their home environments generally lack market-supporting institutions, and non-market factors (e.g. government ownership, connections to the government) may be much more critical in determining their location decisions. Furthermore, because EMNEs face a relatively integrated global economy early in their growth cycle, they may internationalize not only to exploit ownership advantages, but also to acquire and develop strategic assets in foreign locations, usually in developed economies (Bonaglia *et al*. 2007; Luo and Tung 2007). The traditional dictum that superior ownership advantage developed through market competition within the home country is a precondition for internationalization may not be entirely applicable in explaining the cross-border diversification behavior of EMNEs.

Naturally, the external validity test of whether and to what extent conventional theories of foreign-location choice, developed based on the experience of MNEs from developed economies, are generalizable to that of EMNEs is an area that has garnered considerable attention (Eramilli *et al.* 1999; Eren-Erdogmus *et al.* 2010; Yeoh 2010; Yuan and Pangakar 2010). The general consensus is that, while conventional theories are largely relevant in explaining EMNEs, certain distinguishing features of EMNEs also need to be taken into consideration (Alon *et al.* 2011; Luo and Wang 2012; Morck *et al*. 2008). Specifically, findings show that EMNEs are less hesitant than their Triad counterparts in investing in institutionally unstable or underdeveloped locations (Buckley *et al.* 2007a; Cuervo-Cazurra and Genc 2008; Duanmu 2014; Kang and Jiang 2012; Kolstad and Wiig 2012) and often establish operations in developed economies to acquire strategic assets and gain new knowledge rather than simply to exploit advantages, even at relatively early stages of their internationalization (Li *et al.* 2012). Thus, EMNEs seem to be engaging in simultaneously augmenting and exploiting their assets, using developed economies to achieve the former objective while locating in other developing/emerging economies to achieve the latter objective (Demirbag *et al*. 2010). Other scholars focus on the remarkable degree of heterogeneity that exists among EMNEs and how such heterogeneity leads to different spatial behaviors (Lu *et al*. 2014). For example, EMNEs with higher government ownership (Duanmu 2012; Ramaswamy *et al.* 2012), more family control (Strange *et al.* 2009), stronger social/ethnic ties to agents within host locations (Bryan-Jean *et al.* 2011; Chen and Chen 1998; Zhu *et al.* 2012), knowledge assets (Makino *et al.* 2002) and prior experience with multiple industries within the home country (Cuervo-Cazurra 2011; Pangarkar and Yuan 2009) have been found to invest in riskier and more distant locations.

With the rise of players and locations outside the developed economies, IB researchers are paying considerable attention to the determinants of multinational activities to and from emerging economies, and research into foreign-location choice has been an important component within this larger effort. By combining IB's traditional strength in analyzing the organization of cross-border activities with new frameworks such as institutional theory, IB scholars have managed to generate unique insights into how the nexus between globalization and MNEs is unfolding in emerging economies. We expect this trend to continue in the foreseeable future, as the center of gravity within the global economy continues to shift towards emerging economies.

New economic geography

Although its origins date back to Alfred Marshall (1920 [1890]), NEG formalized its main features relatively recently through the works of Krugman and his co-authors (Fujita *et al.* 1999; Krugman 1991). New economic geography contends that, despite the alleged 'death of distance' (Cairncross 1997) and the imminent arrival of a 'flat world' (Levitt 1984; Ohmae 1985), the contemporary global economy is characterized by persistent spatial variations in value-added activities across and within national economies (McCann *et al.* 2002; Sassen 2001). The central thrust of NEG research is to uncover the general principles underlying this spatial heterogeneity in economic activities (Fujita and Thisse 2002).

New economic geography's most important contribution to IB is to provide a set of concepts to analyze the subnational-level mechanisms that pull (or push) firm activities to particular locations. In traditional IB research, the place and space of interest are, by default, nation-states, and spatial effects are typically conceptualized as differences in mean tendencies between the home and host countries. The panoply of cross-national distance constructs that are widely applied in IB represent the reification of such conceptualizations (Berry *et al.* 2010; Kogut and Singh 1988). However, such treatment obfuscates the specific micro-level forces that pull or push certain corporate activities to particular locations, since country-level analysis is too 'coarse grained' to encompass the relevant nuances that materialize at the subnational level (Beugelsdijk and Mudambi 2013). This shortcoming is all the more problematic because MNEs ultimately pick particular locations within a country (Mataloni 2011) and generally do not operate in environments that represent the average tendencies of each host nation. For example, a US MNE operating in China typically locates its administrative and sales offices in the most cosmopolitan cities of China (e.g. Shanghai), where educated bilingual staff are available, whereas it establishes its production plants in special industrial districts configured to the specific needs of MNEs (e.g. Pearl River Delta). New economic geography tackles this conundrum by unpacking locations into place and space, with the former referring to any relevant geographic unit of analysis (e.g. cities, districts, clusters), and the latter to any characteristic that generates heterogeneity among places (Beugelsdijk and Mudambi 2013). Such partitioning of locations into two distinct but interrelated dimensions enables IB scholars to think beyond the country level of analysis and infuses much needed granularity to research on foreign-location choice (Beugelsdijk *et al.* 2010).

At the same time, IB contributes to NEG by incorporating features that distinguish MNEs from purely domestic firms into NEG research. Specifically, an underlying premise of NEG is that benefits of agglomeration are created through links between independent firms present in proximity to each other within a defined space. However, MNE subunits (e.g. sale subsidiaries, branch offices, R&D laboratories) are not independent from the wider transnational network composed of interrelated units across borders. Such dual embeddedness of MNE units violates NEG's basic assumption that the spatial pattern of economic activity is generated by agglomeration and dispersion of independent firms (Arita and McCann 2002; McCann and Mudambi 2005). Indeed, the spatial behavior of MNE subunits cannot be divorced from the organizational dynamic that crystallizes within the wider transnational networks in which they are embedded. Therefore, more attention is required towards how 'different types of clusters have different advantages for different types of MNEs, and distinguishing which type of firm will benefit from which particular cluster will require consideration of organization, information and institutional issues' (McCann *et al.* 2002, p. 649).

Therefore, IB scholars adopting NEG have blended their deep knowledge on the organizational dynamics of MNEs with NEG's insights into the subnational spatial dynamics that engender the agglomeration or dispersion of firm activities to and from particular locations (Nachum 2000). Shaver and Flyer (2000), for example, demonstrate how MNEs with superior technical capabilities tend to locate their subsidiaries in peripheral areas, while MNEs with weaker technical capabilities prefer to locate their subsidiaries in central areas where there is a higher density of similar firms. They argue that such disparate behavior emerges because subsidiaries of MNEs with strong ownership advantage have much to lose or spillover to proximately located firms, while subsidiaries of MNEs with weaker technical capabilities have much to gain from co-location. Alcácer (2006) further adds that the tendency for agglomeration varies per the respective value-chain activity conducted by each MNE unit. Other related studies have integrated the insights of neo-institutional theory, organizational learning theory and NEG to show that mimetic isomorphism, experiential learning and agglomeration economies work in tandem to determine the spatial behavior of MNE units at the subnational level (Chang and Park 2005; Nachum and Wymbs 2005; Tan and Meyer 2011; Zhu *et al.* 2012).

In their assessment of NEG's potential for advancing IB research, Beugelsdijk and Mudambi (2013, p. 422) conclude that 'IB scholars can add their extraordinary knowledge of firm organization to economic geographers' . . . sophisticated knowledge of place and space. Taken together, this approach offers the best hope for IB to rekindle its research fire.' We concur with this assessment, as analyzing the myriad changes taking place in the global economy requires moving beyond IB's traditionally country-centric approach and towards disaggregating spatial units of analyses into smaller chunks such as states/provinces (Chidlow *et al.* 2009; Chung and Alcácer 2002; Nicholas *et al*. 2001; Villaverde and Maza 2012; Webster 2013; Wu and Strange 2000), clusters (Manning *et al*. 2010; Nachum and Keeble 2003; Zaheer and Manrakhan 2001) and cities (Boeh and Beamish 2012; Goerzen *et al.* 2013; Ma and Delios 2007; Ma *et al.* 2013). The IB field's expertise regarding the organizational process of MNEs can be usefully integrated with NEG scholars' expertise in the subnational spatial dynamics of economic activities and applied towards pushing the boundaries of research on foreign-location choice.

Other topics

Four other topics have emerged from this review: strategic-asset seeking, regions, networks and offshoring; we briefly discuss each topic below.

An important feature that distinguishes contemporary MNEs from their historical counterparts is the extent to which they seek strategic assets, most notably knowledge, in foreign locations (Dunning 1998). Because strategic-asset investments are motivated to augment rather than to exploit pre-existing ownership advantages, they are generally more sensitive to the presence of spillovers caused by co-location of other firms and to the availability of related and supporting industries at the national and subnational level (Cantwell and Mudambi 2000; Cantwell and Piscitello 2002; Kuemmerle 1999; Narula and Santangelo 2012). The exploitation of pre-existing strategic assets is moderated by firm-level attributes such as industry membership, strength of ownership advantage and prior internationalization experience (Chung and Alcácer 2002) as well as the specific investment motivation driving the cross-border transaction (Chen and Hsiao 2013; Veliyath and Sambharya 2011). EMNEs offer a particularly interesting context in which to study strategic-asset-seeking investment, as they have considerable incentive to acquire strategic assets in developed economies even at relatively early stages of their internationalization via acquisitions (Kedia *et al.* 2012). Empirical studies at the intersection between EMNEs and strategic-asset-seeking investment demonstrate that EMNEs are more sensitive to distance effect relative to MNEs from developed economies (Castellani *et al*. 2013), while sectors within emerging economies that receive FDI from developed economies tend to engage less in outward strategic-asset-seeking investment, indicating a potential substitution effect between inbound and outbound strategic-asset-seeking FDI (Li *et al*. 2012).

Next is the regional dimension of foreign-location choice. The importance of regions, i.e. supranational groupings of proximate nation-states, has long been acknowledged in IB literature (Hoffman 1987; Morrison 1991; Ronen and Shenkar 1985), yet the first systematic treatment of this topic is credited to Alan Rugman and his colleagues (Rugman 2005; Rugman and Verbeke 2004). These scholars build their arguments on two pillars: first, at the macro level, economic integration has progressed more effectively at the regional than at the global level (Frankel and Rose 2002; Sideri 1997), creating a global economy that is unevenly and imperfectly integrated across geographies – a condition labeled 'semiglobalization' (Ghemawat 2003). Second, at the micro level, the fungibility of firm assets is spatially bounded at the regional level (Arregle *et al*. 2009), and MNEs tend to incur less location specificity when expanding within the home region than they do in foreign regions (Rugman and Verbeke 2007; Verbeke and Kano 2012). Therefore, while MNEs enjoy the benefits of an extended 'home market' through regional economic integration (Kolk *et al*. 2014), they also face extra costs of doing business abroad when operating across regional boundaries (Rugman and Verbeke 2007). The most common response to this issue is for MNEs to limit their geographic scope to their home regions (Rugman and Oh 2012). Studies further show that MNEs expanding within the home region uncover spatial patterns different from those in foreign regions (Enright 2009; Felis and Rahman 2011) and that MNEs with stronger non-location-bound firm-specific assets tend to be less home-region bounded (Banalieva and Dhanaraj 2013; Banalieva *et al*. 2012). Others demonstrate how MNEs make location decisions by evaluating the merits of each country relative to other countries within the same regional bloc (Arregle *et al*. 2013; Pajunen 2008) and/or among a network of related and proximate countries (Felis and Rahman 2008; Nachum *et al*. 2008). More generally, this research stream emphasizes the increasing need for MNEs to go beyond local responsiveness and global integration (as in Bartlett and Ghoshal 1989; Prahalad and Doz 1987) and organize activities at the intermediate spatial level, and has profound implications for locational decisions of MNEs (Kim and Aguilera forthcoming; Rugman *et al*. 2011).

Another research topic that has received increasing attention is the network view of MNEs, focusing on how relationships with entities outside the MNE, such as suppliers, buyers and members of the same ethnic group, influence location choices. The basic premise is that MNEs exist in a web of relationships (Bandelj 2009; Granovetter 1985) and that attributes of the network as well as the relative position of MNEs within the network influence foreign-location choices (Martin *et al.* 1998). Specifically, prior relationships and MNEs' position within the network may mitigate the liability of 'outsidership' and decrease the adjustment cost that MNEs incur in the process of establishing their operations in a foreign location (Johanson and Vahlne 2009). For example, factors such as the network position (Guler and Guillén 2010; Lei and Chen 2011), strength of interfirm ties in the home country (Alacantra and Mitsuhashi 2012) and ethnic ties between the MNE's country of origin and local actors in the foreign country (Bryan-Jean *et al.* 2011; Hernandez 2014; Zaheer *et al.* 2008) have been found to influence the location choices of MNEs. Furthermore, the importance of network ties in location choice is much more pronounced in emerging markets, where institutions are still in flux (Chen and Chen 1998). Research on the link between networks and MNEs has been critical in promoting a relational (as opposed to the atomistic) view of MNEs' strategic decisions and is increasingly becoming a significant part of research on foreign-location choice.

The final topic concerns the locational determinants of offshoring. This is an under-researched topic within IB, despite its critical implications for corporate strategy, economic development and public policies (Doh 2005; Gereffi and Fernandez-Stark 2011; Ramamurti 2004). A notable feature within this research stream is an emphasis on how 'situation-specific factors such as the nature of the business process and customer expectations' (Graf and Mudmabi 2005, p. 256) influence foreign location decisions of offshored activities. That is, the location decision of offshoring depends heavily on the relationship between traditional locational factors (e.g. labor cost, cultural proximity) and the particularities of the specific value-chain activity being outsourced (Hatonen 2009). Demirbag and Glaister (2010), for example, study the foreign-location choice of offshored R&D activities and find that research-oriented and development-oriented R&D activities respond differently to the same set of locational factors. In their study of services offshoring, Doh *et al*. (2009, p. 939) conclude that 'services characteristics – interactivity, repetition, and innovativeness – influence the location of specific services activities'. These efforts add much-needed details behind the increasing fine slicing and dispersion of MNE activities across the world, since offshoring of specific value-chain activities is one of most important types of externalization shaping contemporary global economic geography (see also Jandhyala 2013; Jensen and Pedersen 2011; Manning *et al*. 2010).

Directions for future research

The previous sections reviewed the past and present of research on foreign-location choice in IB to illustrate that research on foreign-location choice has a rich past and burgeoning present. In this section, we turn to the future by discussing two research directions that merit further attention as well as certain shortcomings that need to be addressed.

Institutions as configurations

As discussed above, institutional analysis has carved out a substantial presence within IB and research on foreign-location choice; however, the manner in which institutional theory has been incorporated into IB is often criticized for being 'narrow' (Kostova *et al.* 2008) and 'thin' (Jackson and Deeg 2008). Specifically, scholars following new institutional economics operate under the implicit assumption that societies can be classified along a continuum of 'good' to 'bad' or 'different' to 'similar' institutions (vis-à-vis MNE's home country), with those having 'good' or more 'similar' institutions expected to offer more conducive environments for MNE activities. Therefore, institutions are incorporated as independent components that shape the 'rules of the games' in society. Operationally, institutions, as a concept, are disaggregated into constructs or independent variables – typically some measures of property rights protection, political risk and culture. Then the researcher examines the independent impact of each of these independent variables on choice of foreign location.

Most of the 56 papers categorized under the new institutional economics category in Table 2 follow this basic rubric.

The prescriptive insight that emerges from these studies is that X% increase in a particular institutional feature would, *ceteris paribus*, increase the probability of MNEs investing in location by Y%. Cumulatively, the 56 papers are essentially building a system of hypotheses and constructs in order to derive 'silver-bullet causalities' under the implicit assumption that an increase/decrease in the X dimension would lead to an increase/decrease in Y across all societal contexts (Kogut and Ragin 2006). Unfortunately, our review of the 56 articles in Table 2 indicates that results are often inconsistent across studies, depending on the empirical context as well as the specific operationalization of important variables. One may contend that this simply means that we should be applying the established research rubric on a wider range of empirical contexts and refining its operationalization (e.g. consistency in variable operationalization, adding interaction effects). Of course, we do not deny the added value of this type of research effort; however, our assessment is that continuing to tread the beaten path is reaching a point of diminishing returns and that a more fruitful direction would be fundamentally to reconsider some of the implicit assumptions underlying IB research on the nexus between institutions and choice of foreign location.

In that regard, an alternative perspective that holds promise is to conceptualize institutions as holistic systems composed of interrelated components that govern and organize the social actions, rather than as constructs that can be categorized along a single continuum (Jackson and Deeg 2008). The best known such approach is the rich body of work categorized under the umbrella of comparative capitalism (CC), which avers that configurations of institutional elements work in tandem to generate competitive advantage in different ways for different societies. From the CC perspective, there is no silver bullet to the issue of creating 'good' vs. 'bad' institutions; rather, institutions are configurations of societal elements that shape collective economic actions (Hall and Soskice 2001; Whitley 1999). That is, institutions are not simply distinguished in terms of degree of desirability, but differentiated in types, and whether the presence or absence of certain institutional features affects the strategic decisions of organizations depends on their relationship with other relevant institutional elements.

Applied to the issue of location choice, answering the question of whether and to what extent institutions influence the decision of MNEs to locate their activities in particular territories requires looking at the attributes of the strategic coordination taking place among different institutional components in a given society (Jackson and Deeg 2008). Put differently, whether the presence or absence of certain institutional features affects the location decisions of MNEs demands incorporating how its presence or absence plays out in combination with other relevant institutional components. Thus, incorporating CC perspective into location choice research means acknowledging that 'attractiveness or non-attractiveness of FDI are likely to result from a combination of causal factors, and the same outcome . . . may . . . result from several different combinations of factors' (Pajunen 2008, p. 653) because 'countries are evaluated by MNEs as whole entities consisting of specific combinations (rather than quantitative changes in any individual components) of institutional conditions' (Pajunen 2008, p. 656).

It is important to note that this conceptual shift from variable-based thinking to configurational thinking needs to be supported by the right methodological approach. The variable-based approach, with multiple regressions being the standard method, is limited in terms of operationalizing the configurational approach to institutions. Interaction effects can only go so far and, even if one manages to capture all possible combinations through interactions, the principle of 'equifinality', i.e. the principle that the same outcome can be reached through the combination of different elements, becomes lost in the process. Instead, we suggest that recent methodological advances based on fuzzy-set Qualitative Comparative Analysis can be a viable alternative for location choice research that incorporates the configurational approach to institutions. The essential idea underlying this method is to use set-theoretic logic to reveal how different configurations of complementary institutional dimensions (rather than each independent variable) influence the location decision of MNEs. A detailed explanation of the method is beyond the scope of the current review, but we direct interested readers to Bell *et al.* (2014), Fiss (2011), Kogut and Ragin (2006) and Ragin (2000) for more details and examples.

To sum up, we contend that the current practice of applying a set of constructs derived from new institutional economics and neo-institutional theory to diverse research contexts to understand the relationship between MNEs and institutions is hitting a point of diminishing returns. Rather than continuing on the beaten path, we suggest that scholars of foreign-location choice should rethink some of the taken-for-granted assumptions underlying our conceptualization and operationalization of institutions. We further propose that incorporating the CC approach based on the principle of equifinality can reconcile empirical inconsistencies, breach some of the topic silos that emerge from Table 2 and open up fresh insights into this important line of inquiry.

MNEs as networks of value-chain activities in multi-level spaces

One of the main conclusions that emerges from our systematic review of the 137 articles and visual representation in Table 2 is that, while there is some degree of cross-pollination in terms of incorporating different topics, examining the contemporary IB reality requires an even deeper integration across boundaries as well as dealing with higher levels of complexity. However, we find most extant research to be multidisciplinary rather than interdisciplinary, as it tends to focus more on applying different mechanisms derived from multiple disciplines to analyze a specific phenomenon, rather than actually fusing 'different assumptions, causal mechanisms and levels of analysis to form a new internally consistent whole' (Cheng *et al*. 2009, p. 1071).

However, explaining the foreign-location choice of MNEs increasingly demands such deeper integration across disciplines. As stated above, MNEs have evolved substantially in the last few decades from the horizontally and vertically integrated cross-border hierarchies of the past towards the differentiated transnational networks of value-chain activities of the present (Gereffi and Fernandez-Stark 2011; Meyer *et al.* 2011). Corporate functions that used to be conducted largely in-house within the home country, such as administrative and R&D activities, are now increasingly dispersed across borders through a variety of ownership arrangements, most notably offshoring and strategic alliances, in order effectively to take advantage of the similarities and differences across locations (Rugman *et al.* 2011). This point is especially pertinent for EMNEs, which face a relatively well-integrated global economy in the early phase of their growth cycle and can engage in 'accelerated internationalization' by simultaneously exploiting as well as augmenting their ownership advantage in foreign locations (Bonaglia *et al*. 2007).

Consider, for example, Hyundai Motors' European operation, which consists of interlinked manufacturing plants in Czech Republic, Slovakia and Turkey, sales subsidiaries/agents in most major European markets, a regional headquarters in Frankfurt and a R&D facility located in Russelheim, Germany. The sales functions, composed of wholly owned sales subsidiaries and contracted local agents, operate on a national basis in order to maximize the required national responsiveness. In contrast, manufacturing plants, which consists of wholly owned subsidiaries, joint ventures and strategic alliances across the different suppliers and buyers in three countries (Czech Republic, Slovakia and Turkey), serve the entire European region in order to maximize scale economies and reduce redundancies. Furthermore, the R&D conducted in Russelheim has a geographic scope that extends beyond the European region as knowledge and innovation generated is transmitted through the entire transnational MNE network. The totality of these European activities is governed at the regional headquarters located in Frankfurt, where higher-level executives have the mandate to make key strategic decisions regarding Hyundai's European operations as a whole.

The general point that we wish to emphasize here is that MNEs are increasingly organizing their value-chain activities differently at the global, regional, country and subnational levels to maximize efficiency, reduce redundancies and minimize risks associated with operating across borders. Value-chain activities are no longer replicated on a country-to-country basis (as in Johanson and Vahlne 1990) or integrated on a global basis (as predicted by Levitt 1984), but they are dispersed across locations, with each activity having varying levels of geographic scope (Buckley and Ghauri 2004; Buckley and Hashai 2004). But most studies included in Table 2 either do not distinguish between different value-chain activities (e.g. Arregle *et al.* 2013; Flores and Aguilera 2007) or focus on the determinants driving the location choice of single value-chain activities (e.g. Demirbag and Glaister 2010; Henisz and Delios 2001). The few studies that account for differences across multiple value-chain activities (e.g. Alcácer 2006; Enright 2009; Goerzen *et al.* 2013) focus on a single geographic unit.

We suggest that, in order to study the locational determinants pulling/pushing each of the value-chain activities into a particular location, IB scholars need to adopt multiple spatial units, i.e. global, regional, national and subnational, with the particularities of each value-chain activity in mind. Thus, an important next step for research on choice of foreign location is to examine how differences across value-chain activities interact with different determinants at each geographic unit in order to provide a more 'birds-eye' view of the MNE as a differentiated transnational network. That is, future studies should look at the locational dimension of the entire network of differentiated activities that constitute the MNE network. Achieving this goal will require integration of how organizational dynamics of the MNE materialize in multiple geographic units for each value-chain activity (Meyer *et al.* 2011; Rugman *et al*. 2011). The outcome of this effort will hinge on how successful we are in terms of achieving deeper integration across topics and theoretical boundaries identified in Table 2, and adopting multiple levels of analyses into a single study (Cheng *et al*. 2009). By drawing the lines between the various value-chain activities dispersed across multiple geographic units, we can infuse a significant degree of existential realism into research on choice of foreign location and integrate fragmented past findings into a more holistic framework.

Conclusion

The changing global context demands IB scholars to adopt a more interdisciplinary and eclectic approach to studying foreign-location choice. This is because we are witnessing a watershed moment wherein many of the political, sociocultural and economic certainties are being eroded and replaced by non-ergodic uncertainties (Dunning 2009; North 1999). Most notably, the prediction of a worldwide convergence towards liberal-market democracy (Fukuyama 1992) and global economic integration (Levitt 1984; Ohmae 1985) is turning out to be premature at best, and most probably inaccurate as different societies are evolving towards ever more variegated modes of organizing their economic lives (Guillén 2001). In particular, with the deepening integration of players and locations outside the developed economies into the global economic system, interpreting the increasingly sophisticated spatial behavior of MNEs within the shifting global context requires IB scholars to reappraise old biases and to adopt a new zeitgeist or a spirit of the age (Dunning 2007). This zeitgeist consists of methodological pluralism, reflexivity and the willingness to break out of our comfort zones in the quest to enhance the existential realism, generalizability and precision of our scholarly works. We hope that the current review provides a platform for IB scholars to redirect their efforts towards elevating the rigor and relevance of research on choice of foreign location.

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Note: References preceded by * are included in Table 2.

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