



REVIEW ARTICLE

# A review of location, politics, and the multinational corporation: Bringing political geography into international business

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## Abstract

How has international business (IB) research evolved to account for the politicization of the context in which multinational corporations (MNCs) operate? To address this question, we review research at the nexus of location, politics, and the MNC from 2000 through 2021. Rooted in classic IB theories, our review reveals three directions in current IB research: (i) expansion of MNC agency in shaping the political environment, (ii) a wider diversity of actors involved in the business–government–society interface, and (iii) extension of the levels of analysis from country level to sub- and supra-national levels. This three-fold evolution has moved IB research closer to the field of political geography, but the shift has remained largely implicit and its theoretical linkages are few. Drawing on key theoretical insights from political geography, we discuss the opportunities and challenges of bringing political geography into IB research.

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## INTRODUCTION

The political environment of international business is increasingly politicized for a variety of reasons. Over the past decade, we have observed a shift in a yet-to-be-determined direction away from pro-globalization ideology (Witt, 2019). Significant pushback has arisen to the progressive neoliberalism and ideology of growth that emerged in the 1980s. Globalization is increasingly associated with socio-economic inequality, concern about climate change, monopolistic rents by big tech and big pharma, national security threats, as well as war and geopolitical tensions (e.g., Benischke, Guldiken, Doh, Martin, & Zhang, 2022; Buckley & Casson, 2021; Buckley, Doh, & Benischke, 2017; Ghauri, Strange, & Cooke, 2021; Rodrik, 2018). Facilitated by communication technology and social media,

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grassroots movements across the world are actively involved in mobilizing local resistance against globalization, thus reshaping the division of socio-political power at the business–government–society interface (Devinney, 2011; Dorobantu, Henisz, et al., & Narthey, 2017; Witt, 2019). Furthermore, political populism has been on the rise, cultural differences are increasingly framed in terms of national identity, and the political space has been renationalized (Buckley & Casson, 2021; Mudambi, 2018; Norris & Inglehart, 2019; Timothy, 2020). Multinational corporations (MNCs) are confronted with an increased need to better account for the changing interests of their stakeholders (Pananond, Gereffi, & Pedersen, 2020; Wowak, Busenbark, & Hambrick, 2022). Collectively, these developments have led to recent calls for new perspectives (Deng, Delios, & Peng, 2020) and concepts (Boddewyn, 2016) in IB research to further disentangle the contemporary business–government–society interface and related power dynamics (Pananond et al., 2020).

While business–government–society relationships have often been discussed in the emerging market context (e.g., Henisz, Dorobantu, & Narthey, 2014; Oetzel & Getz, 2012; Shapiro, Hobdari, & Oh, 2018), changing stakeholder expectations towards MNCs are increasingly played out in global cities and urban settings, including those in developed markets (e.g., Lorenzen, Mudambi, & Schotter, 2020; Ritvala, Granqvist, & Piekkari, 2021). For instance, climate litigation cases, such as the ruling of The Hague District Court against Royal Dutch Shell, are processed in MNCs' home countries rather than in remote locations far from corporate headquarters. Such contestations are not limited to individual countries or cities, but are taking place on a global scale. Also, global value chains have become targets of geopolitical contestation because they cut across the political geographies of several cities, countries, and regions. Since their benefits are unevenly distributed across the world (Nachum, 2021), global value chains are believed to cause rising inequality within and between core cities and periphery (Benito & Narula, 2007; Chakravarty, Goerzen, Musteen, & Ahsan, 2021; Lorenzen et al., 2020; McDonald, Buckley, Voss, Cross, & Chen, 2018). The above developments imply that the context in which MNCs operate is becoming increasingly politicized (Wowak et al., 2022).

The relationship between location and the political environment of MNCs has shaped the research agenda of international business (IB) since its

inception as a field. Our review starts from this rich theoretical tradition in IB, which has addressed the relationship between location, politics, and the MNC, and extends it by analyzing the changing dynamics at the interface of business–government–society in the past 20 years. We define 'politics' as an activity concerned with the (re-)distribution of power and resources in society through institutions, rules, and policies (Cohn & Hira, 2021). This broad definition allows us to include relevant meanings of politics and political environment depending on the research tradition in question. We find that since the early 2000s, IB research has evolved in three parallel directions. First, the agency of the MNC has expanded; it is increasingly recognized that MNCs do not merely adjust passively to their environment but also shape it actively. Second, bilateral MNC–government relationships have been complemented by a wider diversity of actors including, but not limited, to local governments, cities, and non-governmental organizations. Third, the analysis levels in studies of location, the MNC, and politics have been extended to include the sub-national and supra-national levels alongside the country level. Our review also shows that politics has become the focus of specific subdomains of IB research, such as research on MNC nonmarket strategies, corporate political activity (CPA), and political corporate social responsibility (CSR).

These three developments in research directions have generally taken place in relative isolation and developed along parallel trajectories. Collectively, however, IB research on location, politics, and the MNC has – implicitly – evolved towards the field of political geography (for an explicit call for cross-fertilization between IB and political geography see Arikan & Shenkar, 2022; Dai, Eden, & Beamish, 2013; Ehrnström-Fuentes, 2022). The three directions we distill in our review – (1) expanded MNC agency; (2) a wider diversity of actors; and (3) multiple levels of analysis – are fundamental to the way political geographers study contemporary capitalism and the role of MNCs therein (Agnew, Mamadouh, Secor, & Sharp, 2015; Massey, 1994, 2004; Rossi & Vanolo, 2012). Unlike IB scholars, political geographers focus less on the inner workings of the MNC, and more on the process and nature of the interaction between non-business actors and the MNC, their context, as well as the spatial and political processes taking place in particular locations (Flint, 2017). The central role attributed to the subjective meaning of place and

the politicization thereof is itself a distinguishing feature of a political geographical analysis of location, politics, and the MNC (Agnew, 2016; Escobar, 2001). Specific attention is given to the agency of states and cities in enhancing their competitiveness to attract capital and talent (Moisio, 2018). Hence, for political geographers, cities are not merely locations of international business activity, but are themselves international businesses. We discuss the evolution towards political geography, which is driven by shared research phenomena rather than theoretical foundation. This rapprochement provides opportunities to “come to grips with ... the ‘subjective’ aspect of place” (Devinney, 2011: 330), but also poses significant methodological and theoretical challenges to IB research on location, politics, and the MNC.

The aim of our review is threefold: (i) to take stock of IB studies that analyze location, politics, and the MNC; (ii) describe the theoretical evolution of this field of research, and (iii) sketch the opportunities and challenges of an emerging research agenda. In the following, we first detail our review methodology. This is followed by our findings from reviewing previous research at the nexus of location, politics, and the MNC over the period from 2000 through 2021. We conclude by deriving the theoretical and methodological implications of bringing political geography into IB.

## REVIEW METHODOLOGY

### Sample Selection

This paper is based on a review of 415 articles published in both IB journals and general management journals from 2000 through 2021. We started the review process by carrying out a systematic and broad screening of relevant articles published in eight IB journals for the period in question: *Critical Perspectives on International Business*, *Global Strategy Journal*, *International Business Review*, *Journal of International Business Policy*, *Journal of International Business Studies*, *Journal of International Management*, *Journal of World Business*, and *Management International Review*. While a systematic search based on keywords such as location, place, geography, and politics in various forms resulted in the identification of 103 relevant articles, we soon realized that this approach had several shortcomings. First, there were very few articles that dealt specifically with the MNC, location, and politics. Second, relevant research dealing with politics often used

terminology such as nonmarket strategy or MNC–host government relationships that differed from our original keywords, thus leaving us with few hits. Third, due to the nature of the topic, many relevant contributions by IB scholars were not only published in IB journals but in general management journals as well.

Given this, we redirected our search to cover also the following management journals: *Academy of Management Journal*, *Academy of Management Review*, *Administrative Science Quarterly*, *Human Relations*, *Journal of Management*, *Journal of Management Studies*, *Organization Science*, and *Strategic Management Journal*. We scanned both IB and management journals manually from 2000 until the end of 2021, and selected relevant articles for a more detailed read. This review methodology is appropriate when the topic is scattered across several research streams and there is little clarity on constructs, variables, and terms (Suddaby, Bitektine, & Haack, 2017). Approaching the topic from the perspective of articles published outside the narrow subset of IB journals helped us in further crafting the overall framework and identifying the various research directions.

Following Suddaby et al. (2017), we were inclusive rather than exclusive in our selection of articles dealing with location, the political environment, or politics more generally. We also screened special issues published in the selected journals and identified seven that focused on location and 27 on politics; only two<sup>1</sup> of them explicitly zoomed in on both location and politics. Interestingly, 17 out of the 27 special issues devoted to politics were published in 2016 or later, pointing to the recent research interest in the relationship between location, politics, and the MNC.

While being inclusive in our approach, we had to draw boundaries in order to keep our sample manageable and relevant. Since our focus was on MNCs, we excluded studies on born globals and entrepreneurs. We also removed *macro-level* studies on foreign direct investment (FDI) flows, location, and institutions (e.g., Contractor, Dangol, Nuruzaman, & Raghunath, 2020; Houry & Peng, 2011) as well as articles on public policy and economic development (e.g., Dunning & Narula, 1996, 2003). While these streams of research acknowledge that MNCs shape the locations in which they operate through local linkages and spillovers (e.g., Mudambi, 2021), they refer to inter-firm linkages and aggregate FDI flows, which do not directly contribute to our understanding of *how* MNCs

engage with their political environment on the firm level. We also left out articles on micro-politics that primarily analyze the role of individual managers in internal political struggles within MNCs (Becker-Ritterspach & Dörrenbächer, 2011; Dörrenbächer & Geppert, 2006). As to institutions, we included articles on regulative (Scott, 1995) and formal institutions (North, 1990) to the extent that these covered political aspects. Finally, we excluded the vast literature on corporate social responsibility (CSR), unless it specifically discussed political aspects. This left us with a sample of 415 articles. The complete list of the articles included in the sample can be found in the Online Appendix.

### Data Analysis and Coding

The three research directions presented in this review paper are the outcome of our analysis, not the starting point. We used several analytical strategies to arrive at these research directions as explained below.

We first engaged in literature-driven reasoning by drawing on insights from special issue editorials, relevant handbooks (e.g., Gereffi, 2018; Shirodkar, Strange, & McGuire, 2019), and book chapters (e.g., De Villa, 2021; Mudambi, 2021). We initially coded the articles in the sample based on whether they build on the ownership-location-internalization (OLI) paradigm, the firm-specific advantages – country-specific advantages (FSA-CSA) framework, and/or the global integration-local responsiveness (IR) grid, because many of the articles dealing with location, politics, and the MNC published since 2000 build on these seminal frameworks or spinoffs thereof such as the place–space–organization (PSO) framework. Table 1 summarizes the key characteristics, origin, conceptualization of location, and the role of the political environment in each of these four frameworks. In a similar fashion, we drew on the main approaches to politics and political environment by reviewing the streams of literature on political risk, corporate political activity (CPA), and political CSR. Table 2 provides an overview of the key characteristics, focus and origin, and conceptualization of politics for each of these approaches.

Following the procedure outlined in Aguilera, Aragón-Correa, Marano and Tashman (2021), we wrote memos on the key findings and collected the theoretical insights and meanings attached by the authors to location and politics for all the articles in

the sample. Our review process was iterative and we collectively discussed the emerging findings and conceptual insights regularly. Five members of the author team read the articles independently and then discussed the borderline papers as a team until consensus was reached.

In the final step of our sense-making exercise, we focused on a subsample of 259 empirical articles to validate the three research directions that emerged from our conceptual discussion and sense-making. We coded the subsample of empirical papers with respect to the three directions. We focused on empirical rather than conceptual articles because the three directions – expanded MNC agency, a wider diversity of actors, and multiple levels of analysis – were more salient in this category of papers. This analytical strategy also allowed us to illustrate the evolutionary shift in the way IB scholars have studied location, politics, and the MNC.

Figure 1 presents a graphical summary of how the research directions evolved over time and shows significant growth in the sheer number of studies at the nexus of location, politics, and the MNC since 2015. Moreover, only a small – but nevertheless growing – proportion of these papers covered at least two of the three research directions, illustrating that the evolution of IB research in these three directions took place predominantly on parallel trajectories. Further details of the evolution of each research direction are shown in the graphs in Appendices 1-3.

### IB RESEARCH AT THE NEXUS OF LOCATION, POLITICS, AND THE MNC

The relationship between location and the political environment in which MNCs operate has featured on the IB research agenda during the past 60 years. Early IB researchers explicitly recognized the importance of MNC–government relationships both at home and abroad (Aharoni & Baden, 1977; Robinson, 1981; Vernon, 1971; for a reflection see Westney, 2021). They were particularly interested in political risk in host countries and bilateral bargaining between MNCs and host country governments (Dahan, Doh, & Guay, 2006; Prahalad & Doz, 1981). Both Dunning's ownership–location–internalization framework and Rugman and Verbeke's framework of firm- and

**Table 1** Key characteristics, focus, and origin of the main location frameworks

	Ownership-location-internalization (OLI)	Firm-specific advantages (FSAs) – country-specific advantages (CSAs)	Global integration-local responsiveness (IR)	Place-space-organization (PSO)
Seminal works	Dunning (1980, 1981, 1988, 1993, 1998), Narula & Dunning (2000) and Dunning & Lundan (2008a, b)	Rugman (1981, 1996) and Rugman & Verbeke (1992, 2001, 2004, 2008)	Prahalad (1975), Prahalad & Doz (1981), Doz et al. (1981) and Bartlett & Ghoshal (1989)	Beugelsdijk & Mudambi (2013), Beugelsdijk et al. (2010), Beugelsdijk (2022), Dunning (1998, 2009) and Mudambi, Li, et al. (2018), Mudambi, Narula & Santangelo (2018)
Main focus	Understand why and where firms engage in FDI. The framework integrates economic theories of investment and organizational models of internationalization to show how ownership of assets (O), the (dis)advantages associated with a location (L), and the optimum strategy to internalize (I) the advantages predict FDI	Bring together firm-specific advantages and country-specific advantages by building on internalization theory. Optimum ownership and location strategies are a function of FSAs and CSAs	Understand the strategic management of MNCs as tension between two competing demands in a given industry: pressure for global integration vs. pressure for local responsiveness	Unpack the Location pillar of the OLI framework by theorizing how place and space affect the MNC. PSO offers a general theory of the multi-localational firm in which the MNC is a special case
Predominantly informed by	Economics	Economics and strategic management	Organization theory and strategic management; Contingency theory	Economic geography
Conceptualization of location	Location takes on meaning as generic country-level locational characteristics related to culture, institutions, country risk, governance structures, education system, market size, natural resources and other aspects of a country's hard and soft infrastructure	The CSA axis in the FSA–CSA matrix resembles the Location pillar in the OLI framework. Some FSAs are location-bound, while others are mobile and can be transferred across national borders	Location takes on meaning in differences between host countries (e.g., customer needs, distribution channels, institutions, market structure, and national government demands) which drive the MNC to pursue competitive advantage through local responsiveness	A theoretical distinction is made between place and space to highlight the economic and social characteristics of a locality. Notions of distance and connectivity are central in understanding how place and space matter for organizing the multi-localational firm
Role of location in the framework	Location is seen as a locational advantage relating to different FDI motives (typically market-seeking, efficiency-seeking, resource-seeking). MNCs develop competitive ownership advantages at home and transfer these abroad through FDI (depending on locational advantages). It allows the MNC to internalize the ownership advantages	Location was originally part of the CSA axis and considered an exogenous country-level factor referring to classic country-level characteristics such as local product demand, natural resources, labor costs, availability of technological know-how, and human capital. Broader notions of CSAs also include access to complementary assets in the host country and emphasize the importance of third parties as owners of CSAs	Location is relevant to the extent that it puts pressure on the MNC to be locally responsive. The focus is on organizational responses to the exogenous locational demands that are predominantly defined at the country level	Place is attributed to discontinuities in geographic space, i.e., the point where formal and informal institutions change abruptly. This does not need to be at the national border, but can also be at the subnational and supranational level. The multi-localational firm connects places across multidimensional space organizationally, spanning geographic, institutional, and economic distance

Table 1 (Continued)

	Ownership-location-internalization (OLI)	Firm-specific advantages (FSAs) – country-specific advantages (CSAs)	Global integration-local responsiveness (IR)	Place-space-organization (PSO)
Role of politics	Boddewyn (1988) enriched Dunning’s eclectic paradigm by explicitly incorporating political elements in OLI. Later studies acknowledge that MNCs not only adjust to the institutional environment but also shape them as a result of co-evolution (Cantwell et al., 2010; Dunning & Lundan, 2008a, b)	Rugman’s (1981) seminal work acknowledges that the existence of unnatural market imperfections generated by governments encourages internationalization by the MNC (Boddewyn, 1988)	Local responsiveness was originally defined in terms of host country governments’ demands on the MNC (Prahalad & Doz, 1981; Westney, 2021)	Global cities studied primarily from the connectivity perspective (e.g., Belderbos et al., 2017). However, less attention has been paid to the political role of MNCs, for instance in alleviating economic and social disparities in the context of global cities (Chakravarty et al., 2021)
Main topics	Location choice decision, amount of FDI, exports	Competence building within the MNC, regional strategies of MNCs	Transfer of organizational practices and knowledge within the MNC, internationalization of industries, management of conflicting institutional pressures	Agglomeration economies, global cities, city-regions, co-location, regional innovation clusters, connectivity across places at the subnational and supranational level, intra-country cultural and institutional diversity

country-specific advantages conceptualize the political environment as a critical dimension of location (Dunning, 2009; Dunning & Lundan, 2008a, b; Rugman, 1981, 1996; Rugman & Verbeke, 1992, 2001, 2004, 2008). The field of IB has a rich intellectual tradition and an ongoing interest in the co-evolutionary relationship between location, politics, and the MNC which has also attracted the attention of business historians (Boddewyn, 1988; Jones & Khanna, 2006; Medina, Bucheli, & Kim, 2019). More recent research has built on past frameworks and approaches but also complemented them. In what follows, we illustrate the evolution of the literature rather than chronicle it exhaustively (Busenbark, Krause, Boivie, & Graffin, 2016).

**Research Direction 1: Expanded MNC Agency**

The articles grouped under research direction 1 turn attention to the ways in which MNCs use their agency to manage the political contexts in which

they operate. Approximately one-third of the empirical articles fell into this category.

IB research has predominantly conceptualized political aspects as external country-level constraints (or ‘uncontrollables’) to which firms must adapt (Delios & Henisz, 2003) rather than as enactable or negotiated factors (Boddewyn, 1988). For example, the early versions of the Integration-Responsiveness grid (Doz, Bartlett, & Prahalad, 1981; Prahalad, 1975; see Table 1) defined local responsiveness “in terms of host government demands” (Westney, 2021: 30). More recent approaches still define political risk as a non-transferable (i.e., immobile) characteristic of the country; it is often conceptualized as a locational (L) (dis)advantage according to the ownership-location-internalization paradigm (see Table 1 for a review of OLI). In this stream of literature, politics takes on the meaning of political risk (see Table 2) that explains an MNC’s location choice (e.g., Bartels, Napolitano, & Tissi, 2014; Demirbag &

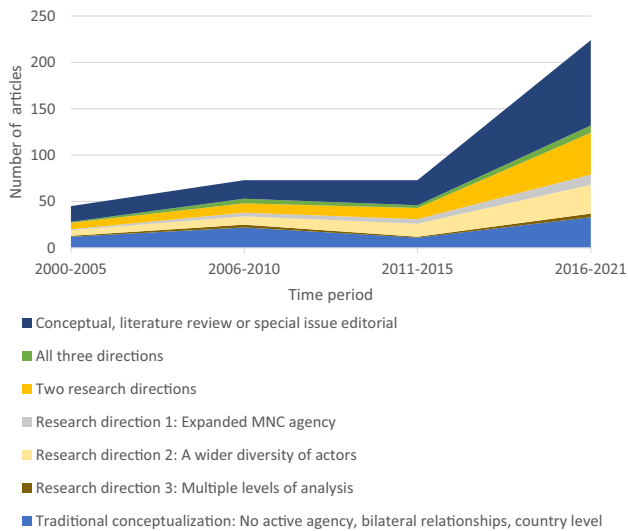
**Table 2** Key characteristics, focus, and origin of the main approaches on politics and the political environment

	Political risk and MNC–host government bargaining	Corporate political activity (CPA)	Political corporate social responsibility (CSR)
Seminal works	Hymer (1960), Vernon (1971, 1979), Robock, (1971), Kobrin (1979), Boddewyn, (1988) and Brewer (1992)	Baysinger (1984), Hillman & Hitt (1999) and Hillman, Keim, & Schuler (2004)	Banerjee (2008), Levy (2008), Matten & Crane (2005), Scherer & Palazzo (2007, 2011) and Whelan (2012)
Main focus	Understand how firms enter and survive in politically risky host countries. MNCs have bargaining power vis-à-vis host governments, with a particular focus on emerging markets	Understand how firms attempt to shape government policy to their own benefit. MNCs engage in CPA in order to influence political decision-making at various levels. The motivation is either to defend their position in the market or to create strategic opportunities	Understand the political role of firms and the blurring of boundaries between political and economic interests
Predominantly informed by	Economics, political economy, political science, sociology, organizational theory	Strategic management, institutional theory	Organizational theory and political science, critical management studies (e.g., institutional theory, stakeholder theory, Habermasian, post-colonial and post-Marxist perspectives)
Conceptualization of politics	Politics takes on meaning as a political risk that MNCs need to manage through particular means in their environment	Politics takes on meaning through the MNC's attempt to influence government policy or in the process of policy-making	Politics takes on meaning through deliberate firm activities in response to environmental, social, or governance concerns
Role of place	Place is seen as a country, a destination of FDI, market entry or place of market presence. Each country has its own institutional and regulatory environment that is a source of political risk	Place is relevant as CPA activities are local but treated solely as context. Place is conceptualized indirectly through governance and authorities at the level of country or city	Place is relevant but often remains in the background of analyses (e.g., global standard-setting). Studies where place is explicitly theorized typically focus on rural contexts
Main topics	Foreign expansion, entry strategies, FDI, emerging markets, international business-government relations	Lobbying, campaign contributions, public and government relations, political connections, bribing, suing, alliances with associations	Regulatory and governance gaps in global value chains and global supply chains, global standard setting

Glaister, 2010; Stoian & Filippaios, 2008), market entry mode (e.g., Luiz & Charalambous, 2009; Luo, 2001), and subsidiary survival (Dai et al., 2013). Similarly, the country-specific advantages (CSAs) in the FSA–CSA framework refer to exogenous characteristics and the benefits that may arise from locating certain activities in particular countries (Rugman, 1981, 1996; Rugman & Verbeke, 1992, 2001, 2004, 2008; see Table 1). MNC agency in articles drawing on the FSA–CSA framework mainly concerns “shopping around for the best deals” (Georgallis, Albino-Pimentel, & Kondratenko, 2021: 853) rather than influencing the

external environment directly. For instance, Kolk and Pinkse (2008) argue that considerable variation in national regulatory responses to global climate agreements has led to climate-related country-specific advantages that induce MNCs to invest in countries with climate-friendly policies (see also Patala, Juntunen, Lundan, & Ritvala, 2021).

Over time, IB has gradually conceptualized MNCs as active agents that shape and enact their political environments. This is not a completely novel discovery: the historical roots of this approach can be traced back to the literature on MNC–government relations (e.g., Vernon, 1971) because



**Figure 1** Evolution of studies at the nexus of location, politics, and the MNC from 2000 through 2021.

developing countries in particular regulated the entry of MNCs, thereby leading to MNC–host government bargaining (Ramamurti, 2001). Further refinement of the ownership–location–internalization paradigm acknowledges the institutional location advantages of countries, including those of the political environment and the institutional ownership advantages of firms, thereby allowing MNCs to transfer their norms and values to host countries and influence their institutional development (Dunning & Lundan, 2008a, b). This way, MNCs not only adjust their own structure and policies to better fit their operating environment, but also shape the formal and informal institutional environments by engaging in political activity (Cantwell, Dunning, & Lundan, 2010; Lundan, 2010; Lundan & Cantwell, 2020) and by responding to institutional regulatory pressures (Regnér & Edman, 2014; Saka-Helmhout, 2020). This co-evolution depends on endowments created by governments as well as on the capabilities and motivations of MNCs (Cantwell et al., 2010) and is the joint outcome of intentionality and environmental effects (e.g., Lewin & Volberda, 1999; Volberda & Lewin, 2003). Furthermore, IB scholars increasingly grapple with questions such as how the presence of MNCs impacts the values of local communities (Andrews, Nimanandh, Htun, & Santidhirakul,

2020; Brandl, Moore, Meyer, & Doh, 2021; Cannizzaro, 2020) and how negotiations at different government levels (city, state) may fail (Ritvala et al., 2021).

### Global value chains

Co-evolution between MNCs and their locations is explicitly acknowledged in research on global value chains (Foss, Mudambi, & Murtinu, 2019). Whereas in the 1990s and 2000s, production and consumption were located in different countries along global value chains, megatrends in economic governance realignment, the new industrial revolution, sustainability pressures, and resilience-oriented restructuring are reshaping global value chains (Zhan, 2021). As a result, pressures for regionalization have grown and affected decisions regarding the location of MNC activities (Delios, Perchthold, & Capri, 2021; McWilliam, Kim, Mudambi, & Nielsen, 2020). The significant benefits of MNC investments for the economic upgrading of locations leads governments to compete with each other by improving their local business environment, including education and infrastructure, and granting financial incentives (Foss et al., 2019; Kano, Tsang, & Yeung, 2020; Lorenzen et al., 2020). Thus, MNCs are continuously both shaping and being shaped by forces of globalization and de-globalization (Dörrenbächer, Geppert, & Hoffman, 2021).

Global value chains are vehicles for affecting host environments through their environmental, social, and governance goals and policies (Goerzen, Iskander, & Hofstetter, 2021; Lee & Gereffi, 2015; Serdijn, Kolk, & Fransen, 2021). MNCs possess significant power to influence global value chains through private governance such as corporate codes of conduct and process standards that affect their suppliers (Lee & Gereffi, 2015; McWilliam et al., 2020). However, their ability to make local improvements is often regarded as inferior to that of states, since local regulatory frameworks can place clear limits on the efforts of lead firms to advance responsible forms of global value chains (Kano et al., 2020). Significant tensions exist between state policies aiming at economic improvements versus social and environmental upgrading in global value chains (De Marchi & Alford, 2022).



### Corporate political activity

The discussion on global value chains and the agency of MNCs is related to the emerging literature on nonmarket strategy and corporate political activity research, which focuses largely on the attempts of firms to shape government policy in their favor (Baysinger, 1984; Brammer, Pavelin, & Porter, 2009; Curchod, Patriotta, & Wright, 2020; Dorobantu, Kaul, & Zelner, 2017; Girschik, 2020; Nell, Puck, & Heidenreich, 2015). In the early 2000s, Henisz (2003) and Hillman and Wan (2005) shifted attention from market entry to post-entry political strategies and their impact on public policy. Politics is seen as the MNC's attempt to influence government policy or shape the process of policy-making (see Table 2). This involved convincing political actors "of the need for new or modified rules" (Dorobantu, Kaul, et al., 2017: 124) through lobbying (Choi, Jiménez, & Lee, 2020), campaign contributions (Holburn & Vanden Bergh, 2014), and political connections (Kotabe, Jiang, & Murray, 2017), including illicit activities such as bribery (Holtbrügge, Berg, & Puck, 2007; Kwok & Tadesse, 2006; Lee, Oh, & Eden, 2010). Contemporary research on corporate political activity is rooted in the early work by Vernon (1971).

Corporate political activity research in developed countries focuses on legal, firm-level engagement with institutionalized political actors and structures. In this context, MNCs engage in political activity to influence, shape, prevent, or gain an early understanding of regulatory developments (Barron, Pereda, & Stacey, 2017; Hillman & Wan, 2005; Lawton, McGuire, & Rajwani, 2013). Recent studies on corporate political activity are geared towards emerging market contexts (Liedong & Frynas, 2018; Rajwani & Liedong, 2015; Rodgers, Stokes, Tarba, & Khan, 2019; Shapiro et al., 2018; Zhang, Zhao, & Ge, 2016) where MNCs often resort to corporate political activity based on informal personal relationships (Sun, Mellahi, Wright, & Xu, 2015) to offset institutional voids (Rodgers et al., 2019). The type of political activity in which MNCs engage depends on the nature of the institutional context.

Overall, although IB theories have always left room for political agency on the part of MNCs, the notion of MNCs actively shaping their environment has become topical in more recent IB research. Traditional conceptualizations of location and political environment tend to assume that MNCs play a passive role and primarily adjust to their external political environment. More recent

studies have highlighted the ways in which MNCs actively shape the locations where they do business and engage with their political environments.

### Research Direction 2: A Wider Diversity of Actors

The articles classified under research direction 2 focus their attention on the diversity of political actors and MNCs' relationships with them. The empirical articles grouped in this category represent over half of the sample and this research direction dominates the other two.

From a historical vantage point, the seminal works of Vernon (1971) and Hymer (1960) laid the foundation for research on the antagonistic relations between governments and MNCs (see Bodewyn, 2016 for an overview). Deviating from this legacy, Dunning (1997) and Luo (2001) promoted cooperation strategies that recognized governments as partners (Mbalyohere & Lawton, 2018). Studies on bilateral MNC–government relations in our sample typically involve emerging economies (e.g., Dang, Jasovska, & Rammal, 2020), since due to market failures and institutional voids affiliation with powerful business groups or political actors may be an essential condition for successful operations in such regions (Mellahi, Demirbag, & Riddle, 2011). To date, the literature has covered a wide variety of bilateral MNC–host government bargaining regarding entry, operations, and exit (e.g., Dang et al., 2020; Müllner & Puck, 2018; Ramamurti, 2001).

Since the early 2000s researchers have called for recognizing and modeling actors such as non-governmental organizations (Doh & Teegen, 2002; Teegen, Doh, & Vachani, 2004) and policy networks (Dahan et al., 2006), including multilateral institutions like the IMF and the WTO (Ramamurti, 2001). This trend is reflected in theoretical extensions of the OLI framework around the same time. By partnering with various stakeholders at multiple levels such as local and national governments and civil society organizations, MNCs can develop advantages related to institutional ownership (Oi) (Dunning & Lundan, 2008a). Relationships between MNCs, home and host country governments, and a variety of stakeholder coalitions have led to a network model of bargaining (Nebus & Rufin, 2010). Bargaining takes on political meaning by referring to MNCs as shapers of their environments; they become political agents. Henisz and colleagues have extended the notion of active agency to local competitors and diverse stakeholders, both social and political, as well as to

shareholding and non-shareholding stakeholders (Dorobantu, Henisz, et al., 2017; Henisz & Macher, 2004; Henisz & Zelner, 2005; Henisz et al., 2014). Over time, growing attention has been paid to the diversity of nonmarket actors and the political strategies employed by MNCs (Doh, McGuire, & Ozaki, 2015; Mellahi, Frynas, Sun, & Siegel, 2016).

### **Political corporate social responsibility**

Political CSR develops “a new understanding of global politics where private actors such as corporations and civil society organizations play an active role in the democratic regulation and control of market transactions” (Scherer & Palazzo, 2011: 901). This stream of research dissociates itself from the firm-centric view of corporate political activity and considers MNCs an integral part of global society, especially when they undertake activities that have traditionally been the responsibility of governments (e.g., Maak, Pless, & Voegtlin, 2016; Scherer, 2018; Scherer & Palazzo, 2007). In such a view, MNCs “turn into political actors themselves” and become an inherent part of the political system (Scherer, Rasche, Palazzo, & Spicer, 2016: 274). Politics thus takes on the meaning of deliberate firm acts to respond to environmental, social, or governance concerns (see Table 2). For instance, how MNCs as political actors address governance gaps in developing and emerging countries by setting global social (e.g., safety standards) or environmental (e.g., certification schemes) standards through multi-stakeholder dialogues is a question that has recently attracted attention in IB research (e.g., Levy, Reinecke, & Manning, 2016; Reinecke & Donaghey, 2021; Richter, 2020).

The emerging and fragmented field of political CSR encompasses diverse perspectives, ranging from the instrumental (e.g., Whelan, 2012) and consensus-driven (e.g., Scherer & Palazzo, 2007, 2011) to the critical (Alamgir & Banerjee, 2019; Banerjee, 2008; Banerjee & Venai, 2018). Critical contributions argue that politicization of MNCs favors private compliance measures at the expense of the public good. An emerging body of research focuses on local contestations and collaboration between MNCs and workers, factory owners, and trade unions in creating new private forms of governance through democratic processes on the factory floor (Alamgir & Banerjee, 2019; Ehrnström-Fuentes, 2022; Reinecke & Donaghey, 2021; Rousey, Balas, & Palpacuer, 2019). In these studies, MNCs are politicized in the context of different social classes. Location, in turn, takes on meaning

through narratives that marginalize the voices of the stakeholders most affected by environmental or social externalities. For instance, the studies by Pal (2016) and Ehrnström-Fuentes (2022) examine local struggles against forestry extractivism. They show how marginalized actors silently resist government policies toward MNCs that threaten their place-related identities and bring about territorial transformation. Most studies offer insights into local conflicts, indigenous relationships, and ecologies in rural settings where locations become conceptualized as places that typically gain meaning through attachment to land, stewardship, and sustainability.

### **Global value chains**

Political conflicts increasingly take place in global value chains where power asymmetries between MNCs, suppliers, and governments are prevalent (Azmeah & Nadvi, 2014; Ghauri et al., 2021; Lechner, Lorenzoni, Guercini, & Gueguen, 2020; Pananond et al., 2020). Such conflicts may even lead to controversial plant shutdowns (e.g., Contu, Palpacuer, & Balas, 2013; Vaara & Tienari, 2008), violations of human rights (Wettstein, Giuliani, Santangelo, & Stahl, 2019), or imbalanced value distribution across the global value chain (Nachum, 2021). Studies of global value chains typically focus on how lead firms coordinate fragmented value chains (Gereffi, 2018; Kano et al., 2020). They devote less attention to other stakeholders (Horner, 2022; Serdijn et al., 2021). Although research on global value chains has tended to pay limited attention to location and politics (McWilliam & Nielsen, 2020; McWilliam et al., 2020), this is changing as a result of the rise of economic nationalism, protectionism (Gereffi, 2020; Gereffi, Lim, & Lee, 2021; Ghauri et al., 2021), and “jurisdiction shopping” where MNCs choose to invest in global value chains in countries with more generous policy (Georgallis, et al., 2021: 853). Megatrends such as digitalization and sustainable development, sometimes labeled as “the new IB realities” (Boddewyn & Rottig, 2017: 3-4; Petricevic & Teece, 2019), may have (geo)political consequences that alter the power dynamics within global value chains.

In sum, the IB field has moved from a static, bilateral conceptualization of MNC-state bargaining towards one of dynamic multi-party negotiations. The increasingly wider diversity of actors with which MNCs interact reside in various locations; these actors are increasingly networked with

each other, thereby creating interdependencies across global value chains. Increasingly, IB scholars study interaction between social movements, MNCs, and their governmental and NGO stakeholders in solving complex global issues across global value chains and jurisdictions (Lawton, Dorobantu, Rajwani, & Sun, 2020; Sun, Doh, Rajwani, & Siegel, 2021).

### Research Direction 3: Multiple Levels of Analysis

While the vast majority of empirical studies in IB are still performed at country level, both supra- and sub-national levels have become more prominent. However, the number of articles in this category is still considerably smaller than in the first two research directions.

In response to Dunning's (1998, 2009) call to unpack location, Beugelsdijk and Mudambi (2013) introduced the Place-Space-Organization (PSO) framework, which integrates economic geography with IB (see Table 1 for the key characteristics). By distinguishing between the concepts of place and space and unpacking the mechanisms through which firms tap into locational advantages and manage their spatial transaction costs, the place-space-organization framework highlights the diversity of the locational environment in which MNCs operate – including the economic and social characteristics (Beugelsdijk, McCann, & Mudambi, 2010; Mudambi, Li, et al., 2018; Mudambi, Narula, et al., 2018). The place, space and organization framework assumes that the socio-economic context in which a firm operates is not homogenous but characterized instead by qualitative changes that distinguish one place from another. These changes are not limited to national borders, but can be found at all spatial levels: cities, regions, states, industrial districts, countries, and supranational clusters of countries (Beugelsdijk, 2022). In this framework, place refers to the geographic unit of analysis and is thus not restricted to the country level (cf. Chan, Makino, & Isobe, 2010). The boundaries of place are defined by the point where the socio-economic context changes abruptly. Space in this perspective refers to any characteristic that generates variation and heterogeneity among places (Beugelsdijk & Mudambi, 2013).

This spatial variation between places is not only based on objective characteristics such as level of economic development, cultural values, language spoken, or rules and regulations. Subjective perceptions of specific places are also acknowledged in the spatial variation, for example the perception that a

particular country is psychically closer than other countries (Beugelsdijk & Mudambi, 2013). The key point in the PSO framework is that discrete border effects are not unique to national borders but can also be found at other spatial levels (Alcácer & Delgado, 2016).

Another major development in the debate about the level of analysis concerns the regional rather than global nature of MNC operations. This debate, which has been associated with the FSA–CSA framework, questions whether globalization is really about operating globally. Rooted in Ohmae's (1985) prediction that global economic activity would be concentrated in the triad regions of the United States, the EU, and Japan, Rugman and Verbeke (2004: 6) argued that "irrespective of MNCs' efforts to augment their alleged non-location-bound FSAs with a location-bound component, no balanced geographical dispersion of sales is achieved in most cases." Much of the international activity of MNCs is conducted at the intra-regional rather than the interregional level (with region defined as the home country triad) (Rugman & Verbeke, 2007). Subsequent studies have broadly confirmed this empirical pattern and associated findings on the supranational nature of the liability of foreignness (e.g., Asmussen, 2009; Asmussen & Goerzen, 2013; Rosa, Gugler, & Verbeke, 2020).

### Global cities

Although the effects of place-based variation on the MNC's location choice, strategy, and performance have been studied at the supranational regional level (e.g., Arregle, Miller, Hitt, & Beamish, 2016), applications of the PSO framework are dominated by analyses of the subnational level, specifically the global city level. Baaij and Slangen (2013) theorize how disaggregation of corporate headquarters (HQ) activities alters the dominant theorizing on cross-country geographic distance as a determinant of the communication costs between headquarters and subsidiaries. A series of studies have explored how global cities and local agglomeration affect MNC location choice, unpacking the dominant notion of country as the unit of analysis (e.g., Belderbos, Du, & Slangen, 2020; Ma, Delios, & Lau, 2013; Stallkamp, Pinkham, Schotter, & Buchel, 2018). Monaghan, Gunnigle and Lavelle (2014) and Hu, Natarajan and Delios (2021) investigated subnational regional and city levels. Belderbos, Du and Goerzen (2017) show that location choices for the regional headquarters of MNCs are determined by global city connectivity.

Although global cities are at the intersection of location and politics as they are “pre-eminent cultural, political, economic, and social centers” (Goerzen, Asmussen, & Nielsen, 2013: 430), the analysis of *political processes* in global cities has hitherto remained marginal among IB scholars (Chakravarty et al., 2021). The study by Lorenzen et al. (2020) is an exception; they study catchment areas of city-regions and theorize how MNC activity impacts their local connectedness. They find that when local connections are replaced by ‘superior’ international ones and MNCs “serve global value chains, to the detriment of local value chain relationships,” populist reactions are likely to emerge (Lorenzen et al., 2020: 1201).

We observe a shift in IB research towards a more fine-grained analysis of the role of distance and connectivity between locations and the role of MNCs as organizing actors connecting those places at both the supra- and subnational level of analysis. Although the various frameworks have different theoretical roots (see Table 1), they complement one another by enriching the analysis of location in IB and going beyond location as a country-level construct. The dominance of the country has given way to other levels of analysis, partly because “local contexts are themselves embedded in broader regional contexts; issues may pertain, for example, to cities, provinces, nation states, or even supra-national units” (Meyer, Mudambi, & Narula, 2011: 243).

### BRINGING POLITICAL GEOGRAPHY INTO INTERNATIONAL BUSINESS

Our discussion so far shows that IB research on location, politics, and the MNC has evolved in three directions: (1) expanded MNC agency; (2) a wider diversity of actors; and (3) multiple levels of analysis. Table 3 summarizes our argument so far.

Our review illustrates that these three developments took place in relative isolation. That is, only a few studies combined notions of active agency on the part of MNCs with multiple actors interacting at various spatial levels of analysis. Notable exceptions include Albino-Pimentel, Dussauge and Shaver (2018), Monaghan et al. (2014), Murphree and Breznitz (2020) and Ritvala et al. (2021). These studies have started to unravel negotiations, power-games and urban contestations that occur at the interface between MNCs, governments and society at large. Collectively and implicitly, IB research on location, politics, and the MNC has in effect moved closer to the field of political geography.

### Political Geography

Political geography, which is a subfield of human geography, studies themes such as geopolitics, the spatiality of nation-states and nationalism, borders, social movements, and places and identities. The field can be roughly divided into three main perspectives: the spatial-analytic, the political-economic, and the social constructivist political geography (see, Agnew & Muscarà, 2012; for a broad overview of different political geography approaches, see Agnew et al., 2015).

Our perspective to political geography draws on both the political-economic and the social constructivist perspectives. Both are premised on the view that place and space are socially and politically constructed (Escobar, 2001), which differs from IB, and that the territorialization of political power is an important aspect in the age of globalization. In this conceptualization, politics refers to societal struggles and contestations over spaces, social relations and meanings – but also involves collaboration. The spatial dimensions of power, together with the associated struggles over spatial organization of societies and economic activities, are key research foci. Importantly, this perspective highlights that political struggles over space range across spatial scales from the global down to the local (Brenner, 2004) including the virtual as discussed below (Kitchin, Lauriault, & McArdle, 2015).

In the political geography perspective presented in this paper, place is a unique entity which has a political history and which is loaded with meanings (cf. Tuan, 1979). The notions of place and space are closely intertwined because “what begins as undifferentiated space becomes place as we get to know it better and endow it with value.” (Tuan, 1977: 6). In other words, “space [is] treated as general and place as particular: space is everywhere, place somewhere” (Taylor, 1999: 10). This kind of political geography examines the development of global capitalism from the perspective of inequalities and consequences of the economic restructuring, crises, and contestation over meanings, at interrelated spatial scales (see, e.g., Hudson, 2019; Sheppard, 2011). From such a perspective, economic processes of MNCs are inseparable from the political, social, cultural, and institutional dimensions of spaces and places. Despite the apparent overlap between emerging IB research in this area and political geography, these research traditions conceptualize location, politics and the MNC in critically different ways. We have summarized these differences below.



IB research, including the place–space–organization (PSO) framework discussed earlier, tends to treat location as a measurable aspect of the socio-economic and political context in which an MNC operates. Location in our political geography perspective, however, is conceptualized not only as a place of investment and regulation but above all as a place that is socially and politically constructed with different meaning for different actors. Political actors such as local authorities, NGOs, and grassroots social groups have their own ideologies – sets of beliefs tied to positions of power in the society – that lead to negotiation of the competing meanings attached to a particular place and sometimes to outright political conflicts (Mannheim, 1936). These meanings and related political actions are an inherent part of the research agenda we are proposing in this paper. An emerging stream in IB research also critically considers engagement with place, politics, power, and identity (Alamgir & Banerjee, 2019; Banerjee & Venaik, 2018; Dai et al., 2013; Ehrnström-Fuentes, 2022). Also the PSO framework assumes that the subjective meaning given to places matters for understanding firm and stakeholder behavior (Beugelsdijk, 2022), but gives less attention to political and ideological struggles.

Political geographers have taken a keen interest in unraveling negotiations, power games, and contestations that occur in global cities and global value chains at the interface between MNCs, governments, and society (Moisio, 2018). Unlike IB, however, the political geography perspective in this paper represents a move from firm-centered analyses to examination of the complex ways in which a diversity of actors, politics, space, and place come together in the contemporary global economy (cf. Rossi, 2017). Political geographers have a long-standing tradition of unpacking the different ideologies and territorial power that a diverse set of actors have (especially national and local governments, NGOs, and grassroots movements). The levels of analysis in political geography are continuous rather than distinct, leading to the co-presence of the global and the local scale. More than in IB, political geographers often emphasize the political agency of non-firm actors in spaces of global political competition, and regard places (especially cities) as international businesses due to their efforts to attract investments and talent (Agnew et al., 2015; Massey, 1994, 2004; Moisio, 2019; Peck, 2005; Rossi & Vanolo, 2012).

In the remainder of our review, we juxtapose the three-directional evolution in IB with the political geographical analysis of location, politics, and the MNC. We argue that this evolution has implications for the research questions being asked, for the theories-in-use and the methodologies employed in IB as illustrated by the research topics on global cities and global value chains. Both IB scholars and political geographers acknowledge that global cities host much of the competition and contestation faced by MNCs, and that global value chains are spaces that cut across places (including global cities) through which economic and human capital flow. Both IB and political geography regard global cities and global value chains as relevant research topics, but as we highlight below, the two fields differ essentially in their approaches.

### A Political Geographical Perspective on Global Cities

The political geography perspective that we introduce in this paper regards cities as places of political and economic competition and contestation where firms, governments, and grassroots movements entangle. A city is more than a location or territory with clear administrative boundaries (Angelo & Wachsmuth, 2015) – it is a particular place, socially and politically constructed and transformed by various actors. Like IB scholars, geographers interested in political economy emphasize the relevance of cities in the contemporary world economy (Scott, 2001). The city is a place of major economic relevance as a result of the spatial reorganization of global capitalism (Brenner, 2004; Glaeser, 2012; Herrschel, 2021; Thrift, 2005). Global cities have “emerged as a strategic site for a whole range of new types of operations – political, economic, “cultural,” subjective” (Sassen, 2005: 40). Besides hypermobile global capital, major cities also host “translocal communities and identities” (Sassen, 2005: 38) due to increased mobility and migration. These developments make inter-city competition equally if not more relevant than inter-state competition (Buckley, 2016). Inter-state competition is increasingly taking an urban form (Moisio, 2018).

Although both IB scholars and political geographers underscore the role of global cities in the contemporary global economic system, there is a critical difference between them. IB scholars conceptualize cities as locations that provide MNCs with resources such as talent, high-end services, human capital, and connectivity (Belderbos et al., 2017, 2020; Mudambi, Li, et al., 2018; Mudambi,

**Table 3** Review of location, politics, and the multinational corporation

Starting point	We observe that the <b>multinational</b> corporation (MNC) and the home and host country <b>context</b> in which the MNC operates are <b>increasingly politicized</b>
Goal of this paper	We <b>review the literature</b> on location, politics, and the multinational corporation (MNC) to: <ul style="list-style-type: none"> <li>(i) take stock of theories used in IB to analyze location, politics, and the MNC,</li> <li>(ii) describe the theoretical evolution of this field of research, and</li> <li>(iii) sketch the opportunities and challenges of an emerging research agenda</li> </ul>
Analysis	The field of international business has a long-standing tradition in theorizing on location (see Table 1), politics (see Table 2) and the MNC. Since the early 2000s, <b>IB research has generally evolved in three parallel directions</b> with respect to: <ul style="list-style-type: none"> <li>(1) Agency: From passive adjustment to expanded MNC agency</li> <li>(2) Actors: From bilateral relationships to a wider diversity of actors</li> <li>(3) Analysis levels: From country to sub- and supra-national levels of analysis</li> </ul>
Outcome	Collectively, this three-directional evolution may imply that IB has in part moved closer to the realm of <b>political geography</b> with important <b>implications for the analysis of location, politics and the MNC</b> . Our review suggests that increasingly, location is re-defined as a place that is <b>socially and politically constructed</b> . Place is more than a site of investment and regulation, and has <b>subjective meanings</b> for different actors. The meaning of places is shaped by the nature of the interaction between actors, including MNCs, local and national governments, citizens, and NGOs. Places are dynamic and change over time because of changing power relationships. <b>politics gets conceptualized as a process</b> of contestation and collaboration caused by actions and strategies of actors including the MNC, national and local governments, intergovernmental actors, NGOs and grassroots movements. All actors have <b>political agency</b> . the MNC is seen as a political actor. Places are shaped by the actors operating in a particular place and the <b>power struggles</b> and interactions between a range of state and non-state actors. analysis levels are <b>continuously fluctuating spatial scales</b> ranging from global macro regions to nation states to city-regions, cities, and the main focus <b>political processes</b> including negotiations, relationships, and spatial change based on place-based struggles shifts to
Implications of political geography for IB research on location, politics and the MNC	<b>Theoretical:</b> by integrating political geographical notions of place and space, the very definition of location that is central to IB research changes in a fundamental manner, challenging the objective meaning of location and turning constructs that typically serve as independent variables into dependent variables (e.g., instead of city rankings as input to compare investment locations, the construction and multiple meanings of such rankings for different actors become the subject of research) <b>Empirical and methodological:</b> processual research that is sensitive to time, power dynamics, and multiple interpretations of places requires qualitative methods and implies a gradual shift away from the positivist tradition in IB leading to pluralism in the form of qualitative methodologies and non-positivist traditions

Table 3 (Continued)

Illustrative examples of emerging research questions	<p>As research on global value chains and global cities cuts through both IB and political geography, the above developments are especially relevant in these two domains. Illustrative examples of emerging research questions include:</p> <p><b>Global value chains</b> (key words: power, dependency, and interaction between MNC and other actors; Social and political construction of national and local competitiveness; Cities as central political arenas in global value chains):</p> <p><i>How do the geopolitics of global value chains in urban settings advance our understanding of contemporary business–government–society dynamics? How could MNCs better account for and respond to the changing interests and pressure exercised by their stakeholders in the midst of growing geopolitical tensions, (trade)wars, pandemics, climate change, and energy issues, also at home?</i></p> <p><b>Global cities</b> (key words: cities as international business; city rankings; attraction game for MNC investments; heterogeneity of MNCs including global consultancies, real estate companies; virtual place shaping by MNCs, states and local governments from a distance):</p> <p><i>How are cities seeking to represent themselves as attractive urban locations?</i></p> <p><i>How do global consultancies, real estate investors, and property management companies exercise virtual influence and shape global cities as part of global attraction game? How do MNCs engage in place-shaping during their location choice processes?</i></p>
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Narula, et al., 2018). In our political geography perspective, in turn, we regard the city itself as an international business. Accordingly, the city involves processes of economic value creation and extraction, ranging from urban land rent and built environment to “ecosystems of innovation” and platform economies (Herschel & Newman, 2017). Urban and regional governments are hence increasingly acting as “value entrepreneurs” (Barman, 2016: 20), attempting to establish legitimacy in order to engage in global competition for high-end, cross-border activities and the related investments (Belina & Petzold, 2020; Harvey, 1990; Jessop, Brenner, & Jones, 2008; Jonas & Ward, 2004; Moisio & Rossi, 2020; Scott, 2017; Storper, 2013). In this view, each city is a product of a global network of other cities and places, which is why Sassen (2005: 41) argues that there is “no such entity as a single global city.”

The coupling and decoupling of places and global capital embodied in MNCs is seen as a dynamic, place-based political process (MacKinnon, 2012; Yeung, 2016) during which power relations play out (Massey, 2009). As discussed in our review of IB research, Lorenzen et al. (2020) are among the few who have explicitly examined the relationship between MNCs and local communities from the perspective of politics. Their idea of “local spawning” (p. 1199) resonates with the notion of creating “shared value” according to which firms follow policies and practices that not only strengthen their competitiveness, but also advance social and economic conditions in the local communities where they operate (Porter & Kramer, 2011). Political geographers customarily argue that the local cannot be disentangled nor understood without the global. The term “global sense of place” in political geography emphasizes that “[t]he global is in... the very process of the formation of the local” (Massey, 1994: 120). This implies that the identity of a place is constructed in contestations between social groups that have their own shifting meanings of place. In other words, while political struggles over place are often played out in local settings, they are also often influenced by different global forces.

Understanding cities as international business turns attention to the ways in which cities are commodified as attractive business locations. Global consultancy firms, architectural and urban design firms, real estate investors, and property management companies are part of what political geographers refer to as the global attraction game (Moisio, 2018) in which local governments engage

in international competition with other cities. Cities use rankings, indices, and other metrics as tools, such as the most livable cities or greenest cities, for marketing themselves as attractive places to live in, move to, or invest in (Barkley, 2008; Elgert, 2018). Although quantitative data are often considered neutral and apolitical (Espeland & Stevens, 2008; Porter, 1996), the metrics used are selective and political in nature (Broome & Quirk, 2015; Hansen & Mühlen-Schulte, 2012). By contrasting a set of cities, the global producers of these metrics create (virtual) spaces of competition which are highly performative; i.e., they have the power to affect the locational decisions of MNCs as well as the responses of governments. In such a political geography perspective, the meaning of places can even be entirely virtual and lack a physical presence of any kind.

### A Political Geography Perspective on Global Value Chains

While IB scholars define a global value chain as “the nexus of interconnected functions and operations through which goods and services are produced, distributed, and consumed on a global basis” (Kano et al., 2020: 579), the political geography perspective that we present in this paper conceptualizes global value chains as geopolitical spaces where MNCs and diverse political actors negotiate with each other (Moisio, 2018; see also Coe & Yeung, 2015).

Our review shows that relatively few studies in IB address the power, dependency, and interaction between MNCs and political actors in global value chains. Recent calls for cross-disciplinary research on global value chains also present this research topic as a lacuna and invite scholars to produce findings relevant to practice and policy (Gereffi, 2020; Kano et al., 2020; Mudambi & Puck, 2016; Sinkovics, Sinkovics, Hoque, & Czaban, 2015). In other words, we observe a quest to explore global value chains from a broader political actor-based perspective (Serdijn et al., 2021), which resonates with the view of political geographers on those same global value chains. However, their focus is on the agency of entrepreneurial states (Mazzucato, 2013) and entrepreneurial cities (Harvey, 1989) that relocate themselves vis-à-vis their peers, particularly in the upper tiers of global value chains (Moisio, 2018).

Our review also suggests that the role of cities as central political arenas in global value chains has

been largely overlooked in IB, mostly because IB research has focused on distortions of value distribution (Lee & Gereffi, 2015; Nachum, 2021) and the possibilities for social and economic upgrading for developing countries (Di Maria, Micelli, Mene-sello, & Brocca, 2022). From our political geography perspective, global value chains unfold as a space for political competition in investments, jobs, and other value-adding activities, sorting states, cities and wider city-regions into winners and losers, and cores and peripheries. The global value chain is conceptualized as a geopolitical space within which states, subnational actors (cities and regional clusters) and even supranational polities such as the European Union seek to ‘locate’ themselves. In particular, the discourses of national competitiveness and innovation ecosystems (including various spaces of incubators and accelerators) construct global value chains as geopolitical spaces where political communities, increasingly at city level, compete and negotiate with MNCs (Moisio, 2018; Rossi, 2017). These discourses guide governments to harness the innovation potential of their territories strategically, allowing them to thrive in global competition (Porter, 1990). The geopolitics of global value chains thus affects the positioning of states and cities within global capital flows (Sparke, 1998), and remains a crucial issue for national governments.

The global attraction game over investments and high-value adding activities (e.g., in R&D) is fundamentally political as it aims to redirect the spatial distribution of high-end activities across the globe. In this game, an increasing number of cities are seeking to represent themselves as attractive urban locations; global consultancies, real estate investors, and property management companies have also become key players in the game. They paint the image of cities as vibrant “innovation machines” (Florida, Adler, & Mellander, 2017: 86) and entrepreneurial hubs (Harvey, 1989) in entrepreneurial states (Mazzucato, 2013; Moisio & Rossi, 2020). Nevertheless, these professional services firms represent a largely neglected type of MNCs in IB research.

In this section, we have illustrated the meeting ground between IB research and political geography with the two topics of global cities and global value chains. Next we will discuss the implications for future IB research.





### IMPLICATIONS FOR FUTURE RESEARCH IN IB

A mutually beneficial dialogue with political geographers requires literacy in multiple research paradigms (Romani, Primecz, & Topçu, 2011). Given their shared research interests, two-way blending (Oswick, Fleming, & Hanlon, 2011) between the disciplines may be possible, allowing IB scholars to benefit from the intellectual tradition in political geography, and vice versa. We see three related challenges to IB research on location, politics, and the MNC posed by drawing on key theoretical insights from political geography. These challenges relate to the theoretical definition of location and the conceptualization of the MNC, the nature of the research questions asked, and the research methods employed.

First, IB and political geography define certain key concepts differently. Our review highlights that location is traditionally defined in IB as a geographical territory with clear administrative boundaries, and IB scholars often consider location an exogenous factor that determines the locational advantages of MNCs. As Devinney (2011: 330) argues, "IB researchers have concentrated almost exclusively on objective locations such as states, regions, or markets that are not assumed to be influenced by individual experiences and perceptions." In our review, we described how recent IB research on location and politics has started to embrace subjective aspects of place, but primarily in empirical rather than theoretical terms.

However, by bringing political geography into IB – acknowledging the social and political construction of places by various political actors with their capacity to act (e.g., city councilors), and embracing a subjective, socio-political meaning of place – we alter the very definition of location in a fundamental manner. A similar observation holds for the conceptualization of the MNC as an actor with agency in a political space. Bringing political geography into IB does not so much alter the very definition of the MNC itself (unlike the fundamental change in the way location is defined) but instead suggests a processual take on otherwise traditional IB questions such as location choice, entry mode decisions, headquarters–subsidiary relations, and stakeholder management.

The redefinition of location and the processual and political analysis of the MNC imply that levels of analysis can no longer be defined in discrete terms (at country, supra-national or city level).

Instead, spatial scales become continuous and fluctuating as various actors interact across scales and shape the places in which MNCs operate. This coincides with recent calls in IB to extend analysis levels and undertake multi-level research (Welch, Paavilainen-Mäntymäki, Piekkari, & Plakoyiannaki, 2022). Note, however, that taking into account the embedded and nested nature of places and their multiple spatial scales goes beyond the traditional multi-level interpretation of IB research.

Second, bringing political geography into IB alters the nature of research questions and triggers questions about *explanans* and *explanandum* in IB research. For example, what kinds of role, if any, do city rankings and other metrics *de facto* play in the locational decision-making processes of MNCs? IB scholars would tend to treat city and region rankings as an independent variable shaping MNC location choice. In contrast, rankings become a dependent variable in the political geography perspective to IB. They are seen as part of the political processes between various actors including the MNC, global consultancy firms producing these rankings, as well as the local and national governments that leverage these rankings in their global attraction game.

Our political geography perspective also shifts attention to the role of MNCs in shaping places virtually. Amazon's request for proposals from cities to locate its HQ2 illustrates that MNCs have the power to affect and shape tax rates as part of the bidding process from a distance (Adler & Florida, 2020). Like Amazon, global consultancy firms and real estate companies increasingly provide meaning (and value) to particular places and also engage in virtual place-shaping. Examining the virtual place-shaping effects of global professional service firms may open entirely new avenues for IB scholars to appreciate the full extent of the MNC impact on entry and location decisions. Similarly, the conceptualization of global value chains as a geopolitical space in which the MNCs and local and national governments seek to maximize their economic value can enrich our understanding of the coordination and negotiation processes between firm and non-firm actors. This clearly goes beyond the traditional global value chain research in IB that has tended to look more at MNC organization and strategies (De Marchi, Di Maria, Golini, & Perri, 2020).

As per the aims and scope of the *Journal of International Business Studies*, the domain of IB research includes “interactions between MNCs and other actors, organizations, institutions, and markets” (bullet 2 in the editorial statement of the *JIBS*), and “how the international environment (e.g., cultural, economic, legal, political) affects the activities, strategies, structures and decision-making processes of firms” (bullet 4). The new research opportunities brought about by political geography invite IB scholars to move into a territory with which they may not (yet) be familiar (see Table 3 for illustrative examples). Some may even say that the integration of theoretical insights from political geography leads to research questions that stretch the domain of IB (see also Casson, 2021). Indeed, this is one of the goals of our paper. Our review showed how IB research on location, politics and the MNC has evolved. We described why and how this evolution moves IB closer to the field of political geography. And we described that doing so raises new research opportunities but also comes with a fundamental re-conceptualization of location, politics and the MNC.

Third, whereas the political geography perspective discussed in this paper is shaped by non-positivist research traditions, IB research is predominantly anchored in an objectivist, positivist paradigm. Relative to IB research, it is more common for political geographers to undertake conceptual research or qualitative narrative or case-based research. While future studies looking into the subjective, socio-political meaning of place would benefit from access to primary data, the proportion of articles drawing on primary data has been steadily declining in IB (Cerar, Nell, & Reiche, 2021; Nielsen, Welch, Chidlow, Miller, Aguzzoli, Gardner, Karafyllia, & Pegoraro, 2020). Bringing political geography into IB research on location, politics, and the MNC may lead to a reversal of this trend because many of the traditional tools used in IB research are not well suited to answering the emerging research questions outlined above. This even applies to modern methods such as multi-level techniques that are quite capable of unpacking the variation in data nested at multiple levels (e.g., city in region in country), but are unable to deal with the multi-level processual nature of the political relationships and with actors’ subjective interpretations of places, including those of MNCs.

## CONCLUSION

Triggered by the need to explain the increasingly politicized space in which MNCs operate, we reviewed the literature on location, politics, and the MNC. Our review showed that IB research has a long-standing research tradition in theorizing on location, politics, and the MNC. Building on classic frameworks such as the OLI paradigm, the integration-responsiveness framework and the FSA–CSA framework, more recent research has evolved in three directions: from passive adjustment to expanded MNC agency, from bilateral MNC–government relationships to a wider diversity of actors, and from the country to the sub-national and supra-national levels of analysis. We interpreted this as the field of IB moving to the field of political geography.

The nascent research agenda described in this paper provides a vocabulary to describe and analyze the current processes of politicization, collaboration and contestation that occur at the business–government–society interface. We have shown how IB scholars can draw inspiration from political geography when studying power, inequality, and the boundaries between traditional centers and peripheries; or when turning their magnifying glass on global cities along global value chains and the relationships with governments and political communities. Political geography does raise questions about the definition of location, the actors and perspectives that we include in our analyses, and the methodological choices we make to analyze these relationships empirically. The emerging research agenda provides complementary readings of the political encounters that MNCs face and also pays attention to city and government authorities, NGOs, and the diverse grassroots social groups that populate places.

Finally, the conceptualization of place in political geography breaks the binary between the global and the local that has long been upheld in IB. It has the potential to help us better understand complex power relationships and interdependencies between different social groups and places that are crucial in explaining the current politicized space in which MNCs operate. Although integrating insights from political geography offers promising research avenues that may enrich the IB research agenda, it may also push research in this area to the edges of what is commonly defined as the domain of IB.



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## NOTES

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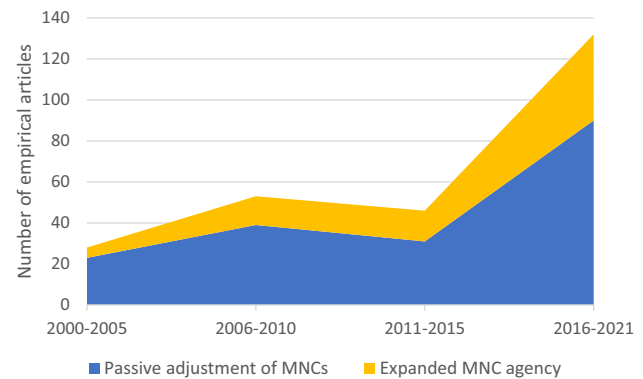




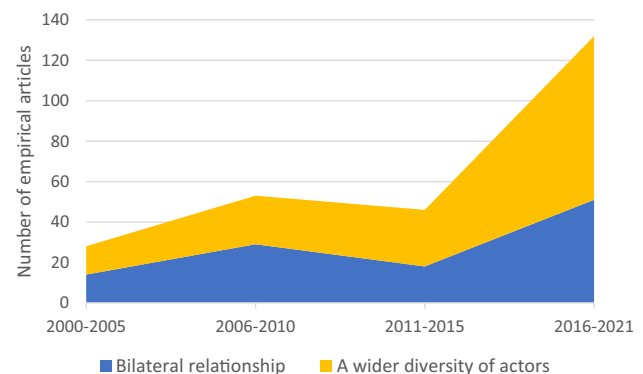
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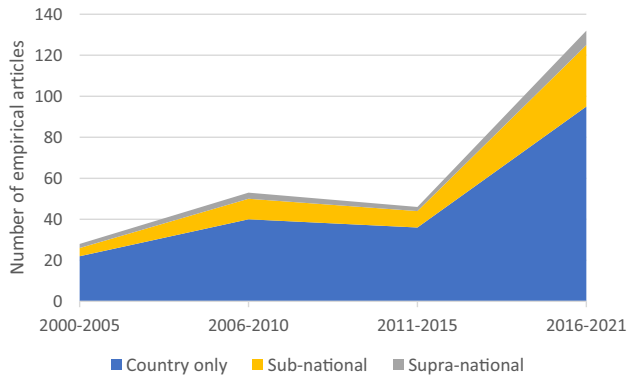
## APPENDIX 1: RESEARCH DIRECTION 1: FROM PASSIVE ADJUSTMENT TO EXPANDED MNC AGENCY



## APPENDIX 2: RESEARCH DIRECTION 2: FROM BILATERAL RELATIONSHIPS TO A WIDER DIVERSITY OF ACTORS



### APPENDIX 3: RESEARCH DIRECTION 3: FROM COUNTRY TO SUB-NATIONAL AND SUPRA-NATIONAL LEVELS OF ANALYSIS



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