



The investment development path literature: a review and research agenda

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Abstract

This study is the first systematic literature review of the Investment Development Path (IDP) that applies a thematic analysis approach, encompassing 51 journal articles published in CABS-ranked journals from 1981 to 2021. This study differs from previous studies on IDP in terms of the methodology deployed and the research focus. The deployment of IDP literature is quite extensive, covering many aspects of the IDP concept. The analysis reveals that four themes arise from the IDP literature: the assessment of a country's development in relation to the IDP concept, Foreign Direct Investment (FDI) phenomena in the IDP concept, the internal and external factors that influence a country's position in the IDP stages, and further development of the IDP concept. These findings lead to the generation of a novel framework that represents the interrelationship between FDI performance and the economic development of a country relative to its position on the IDP stages. They also lead to the identification of five approaches to the classification of IDP stages based on economic development, FDI performance, locational advantages, the strategies of Multinational Companies (MNCs), and the role of government. These approaches can assist researchers, policymakers, and firms in classifying a country on the IDP stages.

Keywords Investment Development Path · Systematic Literature Review Analysis · Thematic Analysis Approach

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1 Introduction

The Investment Development Path (IDP) is not a novel topic in the International Business (IB) research domain. The IDP concept is the most frequently employed empirical assessment reflecting a country's investment activities (Zhu et al. 2011; Lall 1996). This concept focuses on the assessment of a country's development through the performance of Foreign Direct Investment (FDI) and economic development and the interaction of FDI with the development of a country (Dunning and Narula 1996, 1994, 2002; Narula 1994; Narula and Dunning 2010). FDI performance is determined by the Net Outward Investment Position (NOIP), defined as the difference between Outward FDI (OFDI) and Inward FDI (IFDI) stocks (Tolentino 2003). Economic development is determined by Gross Domestic Product (GDP) per capita (Tolentino 2003). The IDP concept distinguishes and classifies a country based on its propensity and characteristics into a net inward direct investment or net outward direct investment (Dunning and Narula 1996). Additionally, this concept also postulates that each country proceeds through five stages of IDP (Dunning and Narula 1996). The essential tenets of the IDP concept are as follows:

- (a) The IDP concept represents and assesses the systematic relationship between the nature, pattern, and degree of FDI activities associated with a country's economic structure and development. Accordingly, this relationship reflects the level of development of the IDP stages (Narula and Dunning 2010).
- (b) The IDP concept explains the reason behind the motives of Multinational Companies (MNCs) expanding their value-added activities in foreign countries (Dunning and Narula 1996; Rugman and Brewer 2001).
- (c) The IDP concept recognises a reciprocal impact between the Ownership (O)- and Location (L)- advantages of the actors in FDI activities (i.e., the O-advantages of domestic companies, the O-advantages of MNCs, and the L-advantages of countries). These three-way relationships and interactions are the foundation for the establishment and development of MNCs from a given country to engage in FDI, leading to its development (Narula and Dunning 2010).
- (d) The IDP concept can be applied to all countries, but each country has an individual path that is particular to its development and its IDP stage classification. The transformation and evolution of a country in the IDP stages are also idiosyncratic owing to country characteristics and development conditions.

The initial concept of IDP was presented at the 1979 conference on "Multinational Enterprises from Developing Countries" by Dunning (Dunning and Narula 1996). Subsequently, this concept was published in a review of world economies by Dunning in 1981 (Dunning 1981a, b). Since then, IDP studies have addressed aspects such as theory, method, model formulation, research context, and unit of analysis (i.e., the selection of countries or groups of countries and analysis approaches).

This study differs from previous studies on IDP in terms of the methodology employed and the research focus. The objectives of this paper are to review

and summarise the pertinent literature on the IDP from its inception in 1981 and to identify further research on the implementation of the IDP concept in the IB research domain. This study applies a systematic literature review analysis using a thematic analysis approach of peer-reviewed articles focused on IDP from 1981 to 2021 published in CABS-ranked journals. This study differs from the previous works of Zhu et al. (2011), Narula (1993), and Scott-Kennel and Enderwick (2005) in terms of the research focus. The authors focused on one or two factors (i.e., technology development, innovation, and human–environment factors) that influence the IDP position of a country (Zhu et al. 2011; Narula 1993) and the role of inter-firm (micro-level) linkages in supporting the development of domestic companies' O-advantages to engage in OFDI (Scott-Kennel and Enderwick 2005). This study focuses on the macro-level analysis of FDI performance, L-advantages (macroeconomic conditions), FDI motives, and policy implementation at each stage of IDP development.

Our findings reveal four themes within the selected articles that represent the extant literature on IDP: the assessment of a country's development in relation to the IDP concept, FDI phenomena in the IDP concept, the internal and external factors that influence a country's position on the IDP stages, and further development of the IDP concept. The findings of this study lead to the establishment of a novel framework that represents the interrelation between FDI performance and the economic development of a country to its position on the stages of IDP. They also lead to the identification and generation of five approaches to the classification of IDP stages (i.e., economic development, FDI performance, L-advantages, MNCs strategies, and the role of government).

This study benefits practice related to researchers, policymakers, and firms. The findings of this study reveal potential areas for further research by researchers. This paper benefits policymakers in providing a reference for assessing a country's position in the IDP. They can also apply the identified IDP classification approaches while framing their policies and regulations that boost FDI performance, stimulate economic performance, and thus advance a country's position on the IDP stages. It also benefits firms with an interest in investing in the host country by applying the IDP classification approaches to assess the development of a potential host country as a reference for the location decision-making process for their internationalisation strategies.

The structure of this paper is as follows: the introduction in section one presents the research focus and context and the contributions and benefits of the study. Section two presents the methodology for evaluating the pertinent literature on IDP. Section three encompasses the analysis process and presentation of the findings. Section four contains a discussion of the findings that led to the establishment of our proposed framework that represents the inter-relationship between FDI (IFDI and OFDI) and the economic development of a country to its position on the IDP stages and the generation of the IDP stage classification approaches. Section five encompasses the areas for further research on IDP. Finally, section six offers some conclusions.

2 Methodology

This study follows a Systematic Literature Review (SLR) method that focuses on the themes, sub-themes, theoretical underpinnings, and methods employed in one particular research topic (Gehrisch and Süß 2022; Keupp and Gassmann 2009; Paul et al. 2017; Rosado-Serrano et al. 2018). A SLR aims to review the pertinent literature on a particular research topic to identify the gap in the literature and generate an agenda for further research (Lisboa et al. 2010). Furthermore, a SLR also contributes to knowledge acceleration and mediates the theory development of a particular research topic (Fisch and Block 2018).

The SLR steps entail the literature search and selection protocols, and thematic analysis process. In the literature search and selection protocols, we developed the search criterion and steps involved in the article selection process. The findings of the review protocols are the selected articles for the analysis process. In the thematic analysis process, we involve manual and coding processes to ensure that the proposed themes and subthemes represent the pertinent literature on IDP and to ensure that there is no duplication of articles in each theme classification.

2.1 The literature search and selection protocols

The literature search and selection protocols generate an audit trail of the overall review process (Jones et al. 2011; Khandker 2022). The selected publications were journal articles because they were validated via a peer-review process and distinct sources of publications (Jones et al. 2011; Nadkarni and Prügl 2021; Podsakoff et al. 2005). Therefore, we excluded books, book chapters, reports, and conference papers from the sample selection process.

The protocol for searching literature is keyword-based. The keyword applied in the search was “Investment Development Path” and the search was performed on 10 August 2021. The databases used in this study followed previous SLR studies in the IB research domain and consisted of ABI Inform, EBSCO, JSTOR, Science Direct, Scopus, and Web of Science (Franceschet 2009; Harzing and Alakangas 2016; Levine-Clark and Gil 2008). Each database provides a comprehensive range of articles and access to leading IB journals (Franceschet 2009; Harzing and Alakangas 2016; Levine-Clark and Gil 2008). The search process led to the identification of 500 publications related to IDP from the six databases. Table 1 presents the results of the search for each database.

From the literature search process, we identify articles for the initial review. In the literature selection protocol, we apply the inclusion and exclusion criteria as recommended by Kuckertz and Block (2021). We first upload the identified articles into an individual spreadsheet based on each database in Microsoft Excel program. We then classify each article into 11 categories: the year published, author(s), type of publications, unit of analysis, research topic(s), titles of the articles, journal sources, database sources, CABS-ranked, abstract, and full-text

Table 1 Results from the searched databases for the IDP literature

Databases	The number of articles found related to IDP
ABI/Inform	89
EBSCO	59
JSTOR	184
Science Direct	78
Scopus	59
Web of Science	31
Total	500

availability. Lastly, we combine all spreadsheets and apply the manual selection process based on several categories as exclusion criteria.

Figure 1 presents the process of article selection by applying several exclusion criteria:

- (a) We apply the first exclusion criterion to journal articles published in English from 1981 to 2021. In the selection process, if IDP is in the title, the paper is included in the reviewed articles. If IDP is not in the title, we follow the next step of the content analysis. If the content analysis results are relevant to the IDP concept, this paper is included in the reviewed articles. As a result of this process, 329 articles are excluded from the initial 500 articles leaving 171 articles for the following step.
- (b) We then apply the second exclusion criteria involving the removal of duplicate articles and the assurance of full-text availability from all the eligible articles. As a result of this step, 66 articles are excluded leaving 105 articles for the following step.
- (c) Lastly, we apply the third exclusion criterion related to the CABS-ranked journal articles. As a result of this step, 51 articles remain for review.

2.2 The thematic analysis

Thematic analysis is a methodology deployed to organise, identify, analyse, and report themes within a unit of analysis in a comprehensive manner (Braun and Clarke 2006; Khandker 2022). Thematic analysis builds an interpretation of the proposed research context or question (Braun and Clarke 2006; Khandker 2022). In line with our objective, this study applies both manual and coding processes of thematic analysis to ensure that we capture all the crucial keywords in the IDP literature, generate themes/subthemes in the pertinent IDP literature, and identify potential avenues for further research.

2.2.1 Manual thematic analysis

In the manual thematic analysis process, we apply characteristics of the unit of analysis i.e., country characteristics and analysis approaches. These are applied as additional keywords for coding thematic analysis. The reasons for the chosen keywords are as follows:

- (a) The phenomena captured in a study might be distinct due to the different levels of development (i.e., developed or developing countries). Developed country studies tend to focus on OFDI, whereas studies in developing countries tend to focus on IFDI development and emerging activities in relation to OFDI.
- (b) Each country has peculiar characteristics due to its internal (i.e., economic development, policies and regulations, patterns of foreign investment, and geographical conditions) and external aspects (i.e., economic or financial crises, political and social conflicts, and global economic conditions). Therefore, the internal and external aspects and the development level of a country (i.e., developed or developing) can influence L-advantages, government policies and regulations, and the strategies of firms (both MNCs and domestic companies) to compete in the market.
- (c) According to the IDP concept, developing countries are classified in the early stages of development (i.e., stages 1, 2, and 3), whereas developed countries are classified in the later stages of development (i.e., stages 4 and 5) (Dunning 1981a, b; Dunning et al. 2001; Duran and Ubeda 2005; Gorynia et al. 2020). Therefore, the development of countries differs according to the stage classification and characteristics.
- (d) It is necessary to distinguish IDP studies based on single-country or cross-country analyses because of the peculiarity of a country's characteristics and its development process. Therefore, the analysis method is critical for conducting research on IDP.

2.2.2 Coding thematic analysis

We employ NVivo 12 for coding thematic analysis. This program provides tools for data/documents management while allowing the user coding capabilities via browsing and interpreting data/documents (Azeem et al. 2012; Johnston 2006; Khandker 2022). Additionally, it generates a synthesis of identified ideas and develops a better understanding of identified categories and themes (Azeem et al. 2012; Johnston 2006; Khandker 2022). The steps involved in the coding thematic analysis are as follows:

- (a) In step one, we apply a word cloud analysis of the more frequent words from all selected articles. These words then need to be analysed to generate relevant keywords that represent the IDP context.
- (b) In step two, we generate codes based on the identified keywords. We analyse the relevance of the identified keywords from the previous step and consider

the findings from the manual thematic analysis to generate suitable codes that capture the pertinent literature on IDP.

- (c) In step three we generate nodes (categories) based on the selected codes. The codes generated from step two are analysed to determine the potential nodes for the following step.
- (d) The last step is to generate themes based on the identified nodes. The nodes from step three are analysed and developed into clusters (themes). The purpose of generating themes in the literature review paper is to investigate what topics are covered in the IDP literature and to identify the potential areas for further research within each topic.

3 Analysis

Based on our literature search and selection protocols, we identify 51 articles for the analysis process. These articles represent significant research involving the IDP concept since its inception by Dunning in 1981. From Fig. 2, it is apparent that IDP is quite prevalent in CABS-ranked journals, with the number of articles peaking in 2010.

Table 2 presents the distribution of IDP papers distribution in CABS-ranked journals from 1981 to 2021. We conclude that most of the studies pertaining to IDP are published in CABS1 journals with 20 articles and in CABS2 journals with 17 articles. The rest of the studies are published in CABS3 and 4 journals with 12 and 2 articles, respectively.

Figure 3 presents the steps involved in the analysis process of the SLR, including the steps involved in the manual and coding thematic process.

3.1 Findings from manual thematic analysis

As mentioned in Sect. 2.2.1, we consider additional keywords of developed and developing countries, as well as cross-country and single-country analyses for our analysis process. The percentages of the studies focused on developing and developed countries are 56.35% and 33.33%, respectively. Studies on developing countries have focused on attracting IFDI, generating a conducive investment climate, and encouraging domestic companies to engage in OFDI. Meanwhile, studies in developed countries have focused on the factors influencing investment activities and improving their competitive advantages globally. Most studies (62.5%) focused on Central and Eastern Europe (CEE) countries as a unit of analysis in the case of developed countries, while China as a unit of analysis accounted for 33.3% of studies in the case of developing countries. Moreover, the percentages of studies focused on single-country and cross-country analyses are 54.2% and 45.8%, respectively. The underlying reason why most IDP studies focus on single-country analysis is related to the IDP concept of acknowledging the peculiarity of a country's characteristics and its development stages.

Table 2 Journal distribution on the CABS-ranked journal

Publications	Number of articles	CABS-ranked
Journal of International Business Studies	1	4*
Regional Studies	1	4*
Management International Review	1	3
International Business Review	7	3
Journal of International Management	2	3
International Marketing Review	1	3
International Journal of Contemporary Hospitality Management	1	3
Review of the World Economics	3	2
Transnational Corporations	8	2
Oxford Development Studies	2	2
Asia Pacific Business Review	1	2
Asian Business and Management	1	2
Thunderbird International Business Review	1	2
Eurasian Geography and Economics	1	2
Journal of the Asia Pacific Economy	1	1
Economics of Planning	1	1
International Journal of Emerging Markets	5	1
Eastern European Economics	1	1
Journal of Asia Business Studies	1	1
Journal of East–West Business	2	1
Journal of Management Development	1	1
International Journal of Technology and Globalisation	1	1
Forum for Social Economics	1	1
International Journal of Business and Emerging Markets	1	1
International Review of Applied Economics	1	1
Journal of Developing Areas	1	1
Global Business and Economics Review	1	1
Post-Communist Economies	1	1
Cogent Business and Management	1	1

Therefore, studies that focus on single-country analysis can provide overarching findings.

3.2 Findings from the coding thematic analysis

The coding thematic analysis process begins with uploading 51 selected articles to the NVivo 12 program. We run each step of the analysis as follows:

- (a) In step one, we apply word cloud analysis. The more frequent words that emerge are IDP, stages, FDI, country development, markets, firms (both domestic and foreign companies), emerging and developed economies, location, ownership, government, and factors.
- (b) In step two, we generate the codes. The codes are country development (developed and developing countries), single- and cross-country analyses, FDI (IFDI and OFDI), markets (home and host countries), firms (both domestic and MNCs), and factors (government, L-advantages, O-advantages, country development, and economic aspects).
- (c) In step three, we generate nodes. We identify and generate the nodes that represent the pertinent literature on the IDP as the assessment of IDP (representing the concept and stages of IDP), phenomena of FDI (representing IFDI and OFDI), factors on IDP (representing the government, L-advantages, O-advantages, and country development), and further development of the IDP (representing other factors excluding the one that already mentioned before) in the context of developed and developing countries, and single- and cross-country analyses.
- (d) For the last step, we generate themes. The themes and subthemes generated are as follows.
 1. The first theme relates to the assessment a country's development in relation to the IDP concept. This theme is derived from studies that focus on assessing the applicability of the IDP concept to the investigation of a country's development based on FDI performance.
 2. The second theme relates to FDI phenomena in the IDP concept. This theme is derived from studies that focus on applying IDP to explain the FDI phenomena (IFDI and OFDI) in the IB research domain. We then generate subthemes within this theme, viz. the importance of IFDI in supporting the development of a country, the trend and pattern of OFDI in developed and developing countries, and the company strategy in terms of choice of location for engaging in OFDI.
 3. The third theme encompasses the internal and external factors influencing a country's position in the IDP stages. This theme is derived from studies that focus on the influential factors necessary to shift the position of a country in the IDP stages.
 4. The fourth theme is further development of the IDP concept. This theme is derived from studies that focus on the development of the IDP concept in terms of the variables employed and the selection of the unit of analysis and methodology. This leads to suggestions for further research on the IDP literature.

The percentage of studies based on each theme classification is shown in Fig. 4. Most studies (59%) focus on the investigation of FDI phenomena in the IDP concept. The remaining studies focus on the assessment of a country's development in relation to the IDP concept (19%), on further development of the IDP concept (14%), and on the internal and external factors that influence a country's position in

the IDP stages (8%). The following subsections present the studies for each theme classification.

3.2.1 The assessment of a country's development in relation to the IDP concept

Table 3 presents ten studies that focus on assessing a country's development path by applying the IDP concept. Four studies employ a cross-country analysis method (Dunning 1981a, b; Kuzel 2017; Park and Lee 2003; Ragoussis 2011), whereas six studies employ a single-country analysis method (Buckley and Castro 1998; Erdilek 2003; Gorynia et al. 2007, 2008; Marton and McCarthy 2007; Verma and Brennan 2011). The challenges for cross-country studies are related to the idiosyncratic characteristics of countries and the individual paths of their development process. Therefore, to cope with these challenges, it is necessary to apply an additional analysis for cross-country analysis, such as cluster analysis (Dunning 1981a, b), factor analysis (Durán and Ubeda 2001) or spatial analysis (Ragoussis 2011). Moreover, given the challenges of the cross-country analysis approach, we consider that the most suitable analysis method to assess the applicability of IDP in a country is by applying a single-country analysis because it considers the idiosyncrasies of a country's characteristics and provides a comprehensive analysis of a country's development.

Furthermore, several methods are applied in the selected articles to assess a country's position on the IDP. Five studies apply statistical modelling, such as quadratic and polynomial models, in a single- and cross-country analysis (Buckley and Castro 1998; Dunning 1981a, b; Gorynia et al. 2008; Marton and McCarthy 2007; Verma and Brennan 2011), two studies apply a survey analysis in a cross-country analysis (Kuzel 2017; Park and Lee 2003), one study applies a comparative analysis in a single-country analysis (Erdilek 2003), one study applies a spatial analysis in a cross-country analysis (Ragoussis 2011), and another study applies a classification analysis in a single-country analysis (Gorynia et al. 2007). Each method has its own benefits and characteristics according to the availability of data and purpose of the study.

3.2.2 FDI phenomena in the IDP concept

The IDP framework is widely used to investigate the relationship between IFDI, domestic companies' OFDI, and the host country's economic development (Dunning 1981a, b; Scott-Kennel and Enderwick 2005). Therefore, we generate three sub-themes within the FDI phenomena in the IDP concept. These sub-themes are addressed in the following subsections.

3.2.2.1 The importance of IFDI in supporting the development of a country Table 4 presents six studies that focus on the importance of IFDI in the IDP concept (Anwar and Nguyen 2010; Boudier-Bensebaa 2008; Chen et al. 2020; Filippaios and Kotlaridi 2013; Ly 2021; Pires et al. 2010). The IDP depicts the process by which IFDI propels the augmented performance of domestic companies to escalate their O-specific advantages to engage in OFDI (Scott-Kennel and Enderwick 2005). However, a country's pace may differ due to resource endowments, market characteristics, and

Table 3 Previous studies on the assessment of a country's development in relation to the IDP concept

No	Year	Author(s)	Unit of analysis	Country level	Method approached	Title	Publications	CABS-Ranked
The assessment of a country's development in relation to the IDP concept								
1	1981	Dunning	67 Countries	Developed and developing countries	Cross-country analysis	Explaining the International Direct Investment Position of Countries-Towards a Dynamic or Developmental-Approach	Review of World Economies	2
2	1998	Buckley and Castro	Portugal	Developed country	Single-country analysis	The Investment Development Path: The Case of Portugal	Transnational Corporations	2
3	2003	Park and Lee	China	Developing country	Cross-country analysis	Comparative Analysis of Foreign Direct Investment in China: Firms from South Korea, Hongkong, and the United States in Shandong Province	Journal of the Asia Pacific Economy	1
4	2003	Erdilek	Turkey	Developing country	Single-country analysis	A comparative analysis of inward and outward FDI in Turkey	Transnational Corporations	2
5	2007	Gorynia, Nowak, Wolniak	Poland	Developed country	Single-country analysis	Poland and its Investment Development Path	Eastern European Economics	1
6	2007	Marton and McCarthy	China	Developing country	Single-country analysis	Is China on the Investment Development Path?	Journal of Asia Business Studies	1

Table 3 (continued)

No	Year	Author(s)	Unit of analysis	Country level	Method approached	Title	Publications	CABS-Ranked
7	2008a	Gorynia, Nowak, Wolniak	Poland	Developed country	Single-country analysis	Poland Investment Development Path and Industry Structure of FDI Inflows and Outflows	Journal of East–West Business	1
8	2011	Ragoussis	196 Countries	Developed and developing countries	Cross-country analysis	The Investment Development Path in Space	Review of World Economics	2
9	2011	Verma and Brennan	India	Developing country	Single-country analysis	The Investment Development Path Theory: Evidence from India	International Journal of Emerging Markets	1
10	2017	Kuzel	Poland and Visegrad Countries	Developed country	Cross-country analysis	The Investment Development Path: Evidence from Poland and Other Countries of the Visegrad Group	Journal of East–West Business	1

Table 4 Previous studies on the importance of IFDI in supporting the development of a country

No	Year	Author(s)	Unit of Analysis	Level of country	Method	Title	Publications	CABS- Ranked
FDI phenomena in the IDP concept								
<i>a. The importance of inward FDI in supporting the development of a country</i>								
1	2008	Boudier-Bansebaa	CEE	Developed country	Cross-country analysis	FDI -Assisted Development in the Light of the Investment Development Path Paradigm: Evidence from Central and Eastern European Countries	Transnational Corporations	2
2	2010	Anwar, Nguyen	Vietnam	Developing country	Single-country analysis	Absorptive capacity, foreign direct investment-linked spillovers and economic growth in Vietnam	Asian business and management	2
3	2010	Pires, Stanton, Salavrakos	Less Developed Countries	Developing country	Cross-country analysis	The Interaction of Foreign Direct Investment with Electronic Commerce in Less Developed Countries	Forum for Social Economics	1
4	2013	Filippaios and Kottaridi	CEE	Developed country	Cross-country analysis	Complements or Substitutes? New Theoretical Considerations and Empirical Evidence on the Imports and FDI Relationship in Central and Eastern European Countries	International Review of Applied Economics	1

Table 4 (continued)

No	Year	Author(s)	Unit of Analysis	Level of country	Method	Title	Publications	CABS-Ranked
5	2020	Chen et al	China	Developing country	Single-country analysis	The effect of inward FDI on outward FDI over time in China: A contingent and dynamic perspective	International Business Review	3
6	2021	Ly	Cambodia	Developing country	Single-country analysis	The Implication of FDI in the Construction Industry in Cambodia under BRI	Cogent Business and Management	1

government support in generating a conducive environment and ensuring the transfer of spillover effects to domestic companies as a result of the presence of MNCs.

The development of a country reflects a significant change in its economic structure, and accordingly, this change induces a pattern of FDI (Lall 1996; Scott-Kennel and Enderwick 2005). Subsequently, a change in the L-advantages of a host country also indicates a change in the O- and Internalisation (I)-advantages of domestic companies (Boudier-Bensebaa 2008) and how a country's investment position might evolve from an FDI recipient to an FDI supplier to other countries (Lall 1996; Scott-Kennel and Enderwick 2005). Other factors that influence the pace of the transformation process from a net FDI recipient to a net FDI supplier are the presence of value-added and sustainable IFDI. Accordingly, this type of FDI might not only improve the economic conditions of the host country but also generate knowledge augmentation through training and skills development, improvement in high technology infrastructure and business processes, improvement of the management systems, and generation of a competitive environment in the host country markets. Such exposures might escalate the O- and I-advantages of domestic companies to engage in OFDI and hence transform the position of the host country in the IDP stages (Lall 1996; Scott-Kennel and Enderwick 2005).

Anwar and Nguyen (2010) applied Vietnamese panel data on 22 manufacturing industries to investigate the impact of FDI spillovers by domestic and foreign companies. The study found that human capital stock is a critical contributor to FDI spillovers in Vietnam's manufacturing industry (Anwar and Nguyen 2010). It was found that more human capital stock in the industry drives technology advancement and thus boosts economic growth (Anwar and Nguyen 2010). Another study by Filippaios and Kottaridi (2013) investigated the relationship between IFDI and trade in CEE countries. The study found that IFDI and imports complimented each other (Filippaios and Kottaridi 2013). The positive role of IFDI depends on the characteristics of the locations (i.e., market size, improvement of macroeconomic conditions, and labour force quality) (Filippaios and Kottaridi 2013). Pires et al. (2010) investigated the interaction between FDI in electronic commerce (e-commerce) and less developed countries. The study found that the factors that influence the attractiveness of IFDI in the e-commerce industry are the gap in technology infrastructure and conditions of legal, socio-economic, and technical support (Pires et al. 2010). Therefore, the government should generate supportive infrastructure for FDI attraction and curb constraints on investors to realise investment in the e-commerce industry. Another study by Chen et al. (2020) applied Chinese panel data at the provincial level to investigate the impact of IFDI on OFDI. The study found positive impacts of IFDI on OFDI in high economic development, but the corruption level reduced the impact of IFDI on OFDI (Chen et al. 2020). Ly (2021) investigated the implications of Chinese IFDI on Cambodia's economic development. The study found positive impacts of Chinese FDI on Cambodia via the generation of income and employment (Ly 2021). The challenge of such investments was the wage gap between Chinese and Cambodian workers. Therefore, the government should ensure wage parity and knowledge transfer to upgrade skilled labour in the country because of the presence of IFDI (Ly 2021).

Based on the explanations above, IFDI can increase a country's income, capital, employment, trade, and technological advancement and improve its economic conditions. IFDI can also contribute to creating a competitive environment in the domestic market. Accordingly, domestic companies can learn, develop, and escalate their competitive advantages and consider engaging in OFDI.

3.2.2.2 The trend and pattern of OFDI in developed and developing countries Besides IFDI, OFDI is an indicator of FDI performance. As a country's OFDI level increases, its position in the development stages shifts. This section explores studies pertaining to OFDI in developed and developing countries. The classifications of countries in the IDP stages based on the level of development are as follows: developing countries are classified in stages 1 to 3 of the IDP stages, and developed countries are classified in stages 4 and 5 of the IDP stages (Dunning 1981a, b; Dunning et al. 2001; Liu et al. 2005; Verma and Brennan 2011). Therefore, due to the diverse levels of development, we consider that the pattern and trend of OFDI in developing and developed countries may differ. Table 5 presents the studies pertaining to OFDI in developed and developing countries.

Four studies focus on the OFDI of a developed country in the context of the IDP (Barry et al. 2003; Bellak 2001; Kalotay 2004; Stoian 2013). Barry et al. (2003) applied a bilateral analysis between Ireland and the United States to investigate the performance of OFDI in the context of the IDP. They found that Ireland's OFDI focused on non-internationally tradeable sectors (i.e. packaging and paper, and materials for construction) and lower technology sectors that potentially have fewer spillover effects other than firm-specific assets in the home country (Barry et al. 2003). Therefore, the government should encourage MNCs to improve their home country's Research and Development (RandD) facilities to create high-skilled employment (Barry et al. 2003). Other studies by Kalotay (2004) and Stoian (2013) applied the IDP context to investigate OFDI in CEE countries. They found that the expansion of the European Union to CEE countries has encouraged MNCs to engage in OFDI. Most FDI destinations were to neighbouring CEE countries or even more developed countries (Kalotay 2004; Stoian 2013). OFDI in these countries also impacted home country performance in stimulating the development of privatisation on both a small and large scale, companies' restructuring, price liberalisation, foreign exchange and trading, changes in policies related to market competition, reform in the banking sector, liberalisation in interest rate, guarantee in market securities, and development of non-banking institutions that support financing (Stoian 2013). The government has played an important role in generating policies and instruments to support domestic companies engaging in OFDI. These entail liberating account capital and generating promotional strategies (both active and passive) (Kalotay 2004). The active promotion strategy entails the engagement in proactive promotion in the home country to domestic companies and in potential host countries (i.e., establishment of promotional agency specific to OFDI, introducing a scheme for investment guarantee, and encouragement of financial institutions to support OFDI) (Kalotay 2004). In addition, the passive promotion strategy includes engaging

Table 5 Previous studies on the trend and pattern of OFDI in developed and developing countries

No	Year	Author(s)	Unit of Analysis	Level of country	Method	Title	Publications	CABS- Ranked
FDI phenomena in the IDP concept								
<i>b. The trend and pattern of outward FDI in developed and developing countries</i>								
7	2003	Barry, Gorg and McDowell	Ireland-US	Developed country	Cross-country analysis	Outward FDI and the investment development path of a late-industrializing economy: Evidence from Ireland	Regional Studies	4*
8	2001	Bellak	Austria	Developed country	Single-country analysis	The Austrian Investment Development Path	Transnational Corporations	2
9	2004	Kalotay	CEE	Developed country	Cross-country analysis	Outward FDI from Central and Eastern European Countries	Economics of Planning	1
10	2013	Stoian	20 CEE	Developed country	Cross-country analysis	Extending Dunning's Investment Development Path: the Role of Home Country Institutional Determinants in Explaining Outward Foreign Direct Investment	International Business Review	3
11	1986	Dunning	25 Countries	Developing country	Cross-country analysis	The Investment Development Cycle Revisited	Review of World Economics	2
12	1997	Dunning Hoessel, Narula	Korea, Taiwan	Developing country	Cross-country analysis	Explaining the 'New' Wave of Outward FDI from Developing Countries: the Case of Taiwan and Korea	International business review	3

Table 5 (continued)

No	Year	Author(s)	Unit of Analysis	Level of country	Method	Title	Publications	CABS- Ranked
13	2005	Liu, Buck, Shu	China	Developing country	Single-country analysis	Chinese Economic Development, The Next Stage: Outward FDI	International Business Review	3
14	2006	Bonaglia and Goldstein	Egypt	Developing country	Single-country analysis	Egypt and the Investment Development Path: Insights from Two Case Studies	International Journal of Emerging Markets	1
15	2007	Daniels, Krug, Trevino	Latin America and Caribbean	Developing country	Cross-country analysis	Foreign Direct Investment from Latin America and the Caribbean	Transnational Corporations	2
16	2007	Lee and Slater	Korea	Developing country	Single-country analysis	Dynamic capabilities, entrepreneurial rent-seeking and the investment development path: The case of Samsung	Journal of International Management	3
17	2010	Goldstein and Pusterla	Brazil and China	Developing country	Cross-country analysis	Emerging Economies Multinationals: General Features and Specificities of the Brazilian and Chinese Cases	International Journal of Emerging Markets	1
18	2010	Narula and Dunning	Latin America, Asia, Africa	Developing country	Cross-country analysis	Multinational Enterprises, Development and Globalization: Some Clarifications and a Research Agenda	Oxford Development Studies	2

Table 5 (continued)

No	Year	Author(s)	Unit of Analysis	Level of country	Method	Title	Publications	CABS- Ranked
19	2010	Wei, Alon	China	Developing country	Single-country analysis	Chinese Outward Direct Investment: A Study on Macroeconomic Determinants	International Journal of Business and Emerging Markets	1
20	2016	Stoian and Mohr	29 Emerging Economies	Developing country	Cross-country analysis	Outward foreign direct investment from emerging economies: escaping home country regulative voids	International Business Review	3
21	2017	Gross, Songshan, Ding	China	Developing country	Single-country analysis	Chinese Hotel Firm Internationalisation: Jin Jiang's Joint Venture Acquisition	International Journal of Contemporary Hospitality Management	3
22	2017	You	China	Developing country	Single-country analysis	What Drives Outward FDI of China? A Regional Analysis	Journal of Developing Areas	1

in international treaties such as double taxation and bilateral investment treaties (Kalotay 2004).

Furthermore, 12 studies focus on OFDI in developing countries in the context of IDP (Bonaglia and Goldstein 2006; Daniels et al. 2007; Dunning 1986; Dunning et al. 1997; Goldstein and Pusterla 2010; Gross et al. 2017; Lee and Slater 2007; Liu et al. 2005; Narula and Dunning 2010; Stoian and Mohr 2016; Wei and Alon 2010; You 2017). Dunning (1986) investigated the emergence of Third World Multinational Companies (TWMNC) in the context of IDP. He defined the OFDI phenomenon of TWMNCs by their main motivations, such as the size of their domestic market, their market-oriented system, their technological and industrial trading strategies, their economic structure that is oriented to service and manufacturing activities, their population shifts in urban areas, their labour mobilisation in international job markets, their level of education in secondary or tertiary education, their supportive policies in relation to export-led growth, and their positive perspective towards IFDI and OFDI (Dunning 1986). These motivations led to the identification of the home country determinants that influenced MNCs' decisions to engage in OFDI. Another study by Dunning et al. (1997) stated that the phenomena of TWMNCs might be generated as a result of external factors, such as the changes in world economic structure towards regionalisation and globalisation activities, significant development of advanced technology within sectors, market liberalisation, and the establishment of trading blocs (Dunning et al. 1997).

Moreover, several studies have asserted the important role of government in OFDI (Bonaglia and Goldstein 2006; Daniels et al. 2007; Goldstein and Pusterla 2010; Lee and Slater 2007; Liu et al. 2005; Narula and Dunning 2010; You 2017). The recommendations from previous studies for the government in generating policies and regulations that are supportive of OFDI, are as follows:

- (a) The policies and regulations should encourage the development of the home country's L-advantages that are supportive to the establishment and development of O-advantages of its domestic companies. The government should generate such L-advantages to shift the motives of IFDI that are primarily market- or resource-seeking investment to strategic asset-seeking investment (Liu et al. 2005);
- (b) The implementation of policies and regulations should be more assertive at a regional level. The policies and regulations should stimulate the establishment and expansion of alliances and networks to leverage domestic knowledge and expertise, the development of market share in the host country, and an increase in efficiency-seeking investment to boost the development of advanced technology (Bonaglia and Goldstein 2006);
- (c) The policies and regulations should be supportive for risk-taking business. The government should pursue an active promotion strategy in relation to the domestic companies that have an interest in engaging in OFDI (Bonaglia and Goldstein 2006);
- (d) The policies and regulations at the country level should encourage the reform of the economy to drive the establishment and development of TWMNCs in the global economy (You 2017);

- (e) The government should ensure that the implementation of policies and regulations at the country level are evenly applied at the regional level (You 2017).

In addition to government policies and regulations, firm policies and strategies play an important role in the success of TWMNCs' OFDI. Lee and Slater (2007) investigated the success of Samsung Electronics as an example of TWMNCs by applying the IDP concept. They found that the motivation behind Samsung Electronics' significant achievement in OFDI is its aggressive risk-taker behaviour and effective policies in relation to the management of its technology development (Lee and Slater 2007). They confirm that a company's dynamic capabilities in relation to the transformation, reconfiguration, and learning process can improve its O-advantages and contribute to the home country's development (Lee and Slater 2007). Another factor that influences OFDI by domestic companies is the competitive disadvantage of the home country, that is, voids in the home country's regulation (Stoian and Mohr 2016). Therefore, the companies' strategy is to pursue investments that allow them to possess specific competitive advantages to overcome their foreign liabilities when they expand their business overseas (Stoian and Mohr 2016).

Based on the explanation above, we conclude that, in the case of developed and developing countries, three elements influence the performance of OFDI: the home and host country's economic conditions, government policies and regulations in the home country, and MNCs' policies and strategies.

3.2.2.3 The company strategy in terms of choice of location for engaging in OFDI As mentioned in the previous section, company strategy is one of the key factors that influences IFDI investment in the host country as well as OFDI from the home country. Table 6 presents eight studies that focus on the company location decision strategy to engage in foreign investment (Barnard 2008; Erdilek 2008; Filippov 2010; Galan et al. 2007; Ramírez-Alesón and Fleta-Asín 2016; Sim 2006; Sim and Pandian 2007; Yeoh 2011).

These studies identify influential factors that companies consider in the location decision process of foreign investment by MNCs from developed and developing countries. In the case of developed countries, managers consider strategic asset-investment factors as their motivation to engage in OFDI in European Union countries (Galan et al. 2007). They also consider cultural distance, historical respect, and social factors as the main determinants of investment in Latin American countries (Galan et al. 2007). Meanwhile, in the case of developing countries, the characteristics of the location choices for OFDI are: the size of MNCs and their focus on globalisation, provision of markets and competitive cost, and the advantages and disadvantages of their proposed strategies (i.e., adaptation to markets and relative cost of investment, entry mode strategy e.g., joint venture, and cultural and historical distance) (Sim 2006). The internationalisation strategies considered by firms in the case of TWMNCs are as follows:

Table 6 Previous studies on the company strategy in terms of choice of location for engaging in OFDI

No	Year	Author(s)	Unit of Analysis	Level of country	Method	Title	Publications	CABS- Ranked
FDI phenomena in the IDP concept								
<i>c. The company strategy in terms of choice of location for engaging in outward FDI</i>								
23	2006	Sim	Singapore and Malaysia	Developing country	Cross-country analysis	Internationalization Strategies of Emerging Asian MNEs—Case Study Evidence on Singaporean and Malaysian Firms	Asia Pacific Business Review	2
24	2007	Sim and Rajendran Pandian	Malaysian and Taiwanese	Developing country	Cross-country analysis	An Exploratory Study of Internationalization Strategies of Malaysian and Taiwanese Firms	International Journal of Emerging Markets	1
25	2007	Galan, Gonzalez, Zumiga-Vicente	Spain	Developed country	Single-country analysis	Factors Determining the Location Decisions of Spanish MNEs: an Analysis based on the IDP	Journal of International Business Studies	4*
26	2008	Erdilek	Turkey	Developing country	Single-country analysis	Internationalization of Turkish MNEs	Journal of Management Development	1
27	2008	Barnard	Developing Countries	Developing country	Cross-country analysis	Capability Development and the Geographic Destination of Outbound FDI by Developing Country Firms	International Journal of Technology and Globalisation	1
28	2011	Yeoh	India's MNC	Developing country	Single-country analysis	Location choice and the internationalization sequence	International Marketing Review	3

Table 6 (continued)

No	Year	Author(s)	Unit of Analysis	Level of country	Method	Title	Publications	CABS- Ranked
29	2010	Filippov	Russia	Developing country	Single-country analysis	Russian companies: the rise of new multinationals	International Journal of Emerging Markets	1
30	2016	Ramirez-Aleson and Fleta-Asin	117 Countries	Developed and developing countries	Cross-country analysis	Is the Importance of Location Factors Different Depending on the Degree of Development of the Country ?	Journal of International Management	3

- (a) In the case of Malaysian and Taiwanese companies, the drivers and motivations for OFDI are competitive cost and other L-advantages that are supported by the aspects of ethnic distance (Sim and Pandian 2007);
- (b) In the case of Turkish MNCs, the drivers and motivations for OFDI are liberalisation in both the home country's regulations in relation to its investment climate to push OFDI, and the host country's regulations to pull OFDI in terms of fiscal benefits, and access to natural resources, markets, technologies, and brands (Erdilek 2008);
- (c) MNCs with established O-advantages in the home country tend to seek investment in low-to-medium research industries (Barnard 2008);
- (d) In the case of Russian MNCs, the motives and drivers for OFDI are resource-seeking investments to acquire the host country's resources, market-seeking investments for entering new markets or developing existing markets, and efficiency-seeking investments to increase MNCs' efficiency by taking advantage of the host country's economies of scale (Filipov 2010);
- (e) In the case of Indian pharmaceutical companies, the motives and drivers for OFDI are to absorb and to acquire knowledge from the potential host country locations for OFDI, i.e., economic conditions, institutional factors related to knowledge association, and social networks (Yeoh 2011).

Based on the explanation above, it appears that each company has its own policies and strategies for entering a foreign country. Therefore, we confirm the important role of host country governments in reforming their policies and regulations to attract IFDI to the country and to ensure that the spillover effects of foreign investment occur. Domestic companies can gain benefits from the spillover effect and contribute to the country's development. We also confirm the important role of the home country's government in stimulating the establishment and development of domestic companies to compete with MNCs in the domestic market and to boost domestic companies' ownership advantages to engage in OFDI in the global market.

3.2.3 The internal and external factors that influence a country's position in the IDP stages

In the previous section, we mentioned the factors that can influence IFDI and OFDI and hence influence the position of a country in the IDP stages. In this section, we focus on studies pertaining to influential factors (i.e., internal and external factors) that can shift a country's position in the IDP stages. Table 7 presents four studies that focus on these factors (Dunning et al. 2001; Gorynia et al. 2020; Narula 1993; Yin et al. 2021).

Based on the identified articles, the influential factors are as follows:

- (a) Internal factors are generated within the country, such as the government's role. The government plays an important role in strengthening a country's macroeconomic conditions, providing a competitive environment in the domestic market, and fostering national champions (Yin et al. 2021). It also supports the

Table 7 Previous studies on internal and external factors that influence country's position in the IDP stages

No	Year	Author(s)	Unit of Analysis	Level of country	Method	Title	Publications	CABS-Ranked
Internal and external factors that influence the country's position in the IDP stages								
1	1993	Narula	Theory			Technology, International Business and Porter's "diamond": synthesizing a dynamic competitive development model	Management International Review	3
2	2001	Dunning et al	Korea, Taiwan	Developing country	Cross-country analysis	Incorporating trade into the Investment Development Path: a Case Study of Korea and Taiwan	Oxford Development Studies	2
3	2020	Gorynia et al	CEEC	Developed country	Cross-country analysis	Integration and Investment Development Paths of CEE Countries. Does EU Membership Make a Difference	Eurasian Geography and Economics	2
4	2021	Yin et al	China	Developing country	Single-country analysis	Assessing the Effects of Policies on China's Outward Foreign Direct Investment	International business review	3

transformation of IFDI spillover effects to establishing and developing domestic companies' O-advantages to engage in OFDI. These factors are as follows:

- (b) Development of international trade in relation to import- and export-oriented industries can influence the establishment of created-asset-intensive industries. Hence, this approach can influence the development of advanced technology and human resources in a host country, thus stimulating the development of domestic companies to transform into MNCs (Dunning et al. 2001).
- (c) Participation in regional economic integration, trade liberalisation, investment liberalisation, improvement of investment climate, and extended market size. These factors can improve the L-advantages of host country to attract more IFDI and escalate the O-advantages of domestic companies to compete with MNCs in the domestic market (Gorynia et al. 2020).
- (d) Refinement of policies and regulations to generate a favourable investment climate, provision of supervision in terms of investment realisation and investment licensing services, and the application of an active promotion strategies for attracting IFDI and encouraging domestic companies to engage in OFDI (Yin et al. 2021).
- (e) External factors are generated from external entities such as MNCs and global conditions. MNCs bring technological development and innovation to the host country (Narula 1993), thus generating spillover effects to the host country's economic conditions and improving domestic companies' O-advantages to engage in OFDI.

3.2.4 Further development of the IDP concept

This section presents studies that focus on the development of the IDP framework by applying a different method, adding more variables, or applying IDP concept in a different research context. The issues that have been raised about the IDP concept are discrepancies between the dynamic determinant factors of a country's economic development and direct investment (e.g., idiosyncrasies of country characteristics, company strategy, industries, and government policies and regulations) (Narula 1993); the different patterns of IFDI and OFDI and different structures of economic development in developed and developing countries (Dunning 1986; Lall 1998); the benefits of IDP with respect to the government role or other factors in explaining the existence or failure of MNCs (Twomey 2000); and the underlying determinants (both economic development and investment factors) that might create changes in the IDP stages (Dunning and Narula 1994). Table 8 presents seven studies that explore the development of IDP concepts (Chen 2015; Durán and Ubeda 2001; Georgopoulos et al. 2018; Gorynia et al. 2019c, 2019a; Zhu et al. 2011; Scott-Kennel and Enderwick 2005).

To address the issues raised about the IDP concept, the development of the IDP concept that are proposed in the previous studies is as follows:

- (a) Selecting a different timeframe for IDP analysis and providing a comprehensive investigation on the evolution of FDI trends and patterns of a country within the selected timeframe (Durán and Ubeda 2001).

Table 8 Previous studies on further development of the IDP concept

No	Year	Author(s)	Unit of Analysis	Level of country	Method	Title	Publications	CABS- Ranked
Further development of the IDP concept								
1	2001	Duran and Ubeda	74 Countries	Developed and developing countries	Cross-country analysis	The Investment Development Path: A New Empirical Approach and Some Theoretical Issues	Transnational Corporations	2
2	2005	Scott-Kennel, Enderwick	Theory	FDI and Inter-Firm Linkages: Exploring the Black Box of the Investment Development Path	Transnational Corporations			2
3	2011	Zhu et al	Theory	Extending the Investment Development Path Model to Include the Human Environment Factor	Thunderbird International Business Review			2
4	2015	Chen	China	Developing country	Single-country analysis	Determinants and Motives of Outward Foreign Direct Investment from China's Provincial Firms	Transnational Corporations	2
5	2018	Georgopoulos, Sogias, Salavrakos	Greece	Developed country	Single-country analysis	Foreign Divestment in the Integration Development Path of Greece	Global Business and Economics Review	1

Table 8 (continued)

No	Year	Author(s)	Unit of Analysis	Level of country	Method	Title	Publications	CABS- Ranked
6	2019	Gorynia, Nowak, Trapezyński and Wolniak	CEE Countries	Developed country	Cross-country analysis	Friend or Foe? On the Role of Institutional Reforms in the Investment Development Path of Central and East European Economies	International Business Review	3
7	2019	Gorynia, Nowak, Trapezyński and Wolniak	Poland	Developed country	Single-country analysis	Geographic Patterns of Poland's FDI: the Investment Development Path Perspective	Post-Communist Economies	1

- (b) Applying the Ownership-Location-Internalisation (OLI) paradigm in addition to the IDP concept to assess the development of a given country and generate a comprehensive trajectory of its development (i.e. expanding the characteristics of O-advantages for both indigenous and foreign affiliation companies, investigating the provision of L-advantages in a given country at the national or regional level, and investigating the extent to which the O-advantages of both indigenous and foreign affiliate companies associate with the L-advantages of home and host countries to generate I-advantages over cross-border investment) (Scott-Kennel and Enderwick 2005).
- (c) Adding human assets development stages to the IDP concept since human assets and capabilities can influence the existence or failure of MNCs, and hence contribute to economic development (Zhu et al. 2011).
- (d) Applying the IDP concept to provincial-level data (Chen 2015).
- (e) Applying FDI's geographic analysis to the IDP concept (Gorynia et al. 2019b).
- (f) Investigating the effects of institutional reforms and the quality of institutional infrastructure on the attraction of IFDI and the fostering of OFDI (Gorynia et al. 2019a).

Based on these findings, it can be concluded that there is an opportunity for further development of the IDP concept by adding more variables, applying different IB theories, applying the IDP concept to different research contexts, and adding different perspectives.

4 Discussion

Based on the findings of our analysis, we represent the IDP concept according to the generated themes and subthemes into a novel framework. The proposed IDP framework provides a better understanding of the relationship between FDI and economic development in the IDP stages. In addition, the identified themes and subthemes explain the role of FDI (both IFDI and OFDI), and the economic development of a given country in representing a country's position on the IDP stages. Therefore, we identify and generate the IDP stages classification approaches to assist in assessing a given country's position on the IDP. The following subsections present the proposed framework of IDP concept and the generated approaches to the IDP stages classification.

4.1 Proposed IDP Framework

Figure 5 presents the framework that represents the interrelationship between FDI (IFDI and OFDI) and the economic development of a country to the IDP stage classification. Based on the generated themes and subthemes, we identify the factors that influence FDI decisions (i.e., L-advantages, government policies and regulations, and MNC strategies). These factors influence the economic development of a country and hence determine the position of a country on the

IDP stages. Each factor has a specific role in reflecting FDI and economic performance in influencing the shift in a country's position on the IDP stages.

Further research can apply our proposed framework in determining a country's position on the IDP by investigating the relationship between FDI activities and economic development and assessing the FDI decisions factors that can influence a country's position along the IDP stages.

4.2 Approaches to the IDP stages classification

The objectives of the IDP concept are to depict the performance of FDI and the economic conditions of a country, to assess the current FDI and economic conditions, and then to frame the potential improvement for a country by its L- and O-advantages of domestic companies that can boost its economy. Therefore, the application of the IDP involves the determination of a country's position on the IDP stages and identification of the factors that can shift a country's position on the IDP. In this subsection, we present five classifications that determine the country's position in the IDP stage. Each classification is based on a distinct set of determinant factors, and the number of stages for each classification varies. Table 9 summarises the distinguishing characteristics of each classification stage.

4.2.1 First approach that based on a country's economic development

The first approach to classifying IDP stages is based on GDP per capita as *an indication of economic development*. The four categories of the IDP stage classification based on GDP per capita (Dunning 1981a, b; Dunning et al. 2001; Liu et al. 2005; Verma and Brennan 2011) are as follows:

- (a) Stage 1 is the position of a country with a GDP per capita of less than US\$ 1,036. The World Bank (2020) categorises this classification as a low-income country.
- (b) Stage 2 is the position of a country with GDP per capita between US\$ 1,036 and US\$ 4,045. The World Bank (2020) categorises this classification as a lower-middle-income country.
- (c) Stage 3 is the position of a country with GDP per capita between US\$ 4,046 and US\$ 12,535. The World Bank (2020) categorises this classification as an upper-middle-income country.
- (d) Stages 4 and 5 are a position for a country with a GDP per capita greater than US\$ 12,535. The World Bank (2020) categorises this classification as a high-income country.

The advantage of this approach is that GDP per capita data are relatively accessible from domestic and international sources. The disadvantage of this approach is that each country is unique and idiosyncratic. Therefore, we recommend that further analysis is necessary to justify the position of a country in the IDP stages

Table 9 Summary of the five approaches to the classification of IDP stages

Approach to IDP stages classification	Classification determinants	The influential factors	Number of stages
1	Economic development	GDP per capita	4
2	FDI performance	Net Outward Investment Position (NOIP)	5
3	Locational advantages	Macroeconomic conditions, demographic, infrastructure, and education	5
4	MNCs strategies	FDI motives	5
5	The role of government	Inward FDI policies and regulations	5

(i.e., the country's L- advantages, FDI performance, MNCs strategies, and government policies and regulations).

4.2.2 The second approach based on FDI performance

The second approach to the classification of IDP stages was developed by Dunning (1981a, b, 1986), based on the Net Outward Investment Position (NOIP) as an indication of FDI performance. The stage classifications are as follows:

- (a) Stage 1 represents an underdeveloped country in which IFDI is non-existent or exists at an insignificant value. OFDI is non-existent. Therefore, the NOIP varies from approximately negative to zero.
- (b) Stage 2 represents a developing country in which IFDI exists at a significant level. The level of OFDI emerges at an insignificant level compared to OFDI. Therefore, NOIP increases but remains in a negative position.
- (c) Stage 3 represents a developing country, where the level of IFDI remains the same or even starts to slow down. The level of OFDI has increased significantly. Therefore, the NOIP is still negative, but increasing or less negative than in the previous stages.
- (d) Stage 4 represents a developing country transitioning to a developed country, where the level of IFDI remains the same or even continuously slowing down. The level of OFDI increases to an equal level to or even surpasses the IFDI level. Therefore, NOIP becomes positive.
- (e) Stage 5 represents a developed country, where the level of IFDI equals OFDI. Therefore, NOIP first decreases and then fluctuates around zero.

The advantage of this approach is that, as long as IFDI and OFDI data are available, the NOIP (OFDI less IFDI) can be calculated. The disadvantage of this approach is that NOIP is determined by IFDI and OFDI levels, and, for some developing countries, OFDI data are unavailable or missing for some periods of time (Cardillo et al. 2004). Therefore, we recommend that it is also necessary to investigate the pattern, trend, and nature of IFDI and OFDI, the economic

conditions of a country, the MNCs strategies, and the investment policies and regulations of a country in the IDP analysis.

4.2.3 The third approach based on locational advantages

The third approach to the classification of IDP stages is based on economic conditions and location characteristics, as *an indication of L-advantages*. All the pertinent literature on IDP aligns with this approach. The classification of IDP stages is explained as follows:

- (a) The stage 1 characteristics of the country are insufficient to attract IFDI other than natural resource endowment. The location characteristics of the country are: minimal market demand; unattractive economic conditions and government policies for foreign investors; inadequate infrastructure (i.e., transportation and communication facilities); and insufficient provision of labour (i.e. educated, trained, and motivated labour) (Boudier-Bensebaa 2008; Galan et al. 2007; Ly 2021; Narula and Dunning 2000, 2010; Narula and Guimon 2010; Park and Lee 2003; Scott-Kennel and Enderwick 2005). While IFDI can support a host country's economic development as it can contribute to investment stocks, revenues, and human capital development. The host country must generate suitable L-advantages to attract IFDI.
- (b) The stage 2 characteristics of the country are sufficient to attract IFDI. The location characteristics of the country are: the size of the domestic market might have grown as well as the purchasing power parity, therefore making viable local production by MNCs to serve the domestic market; the economic conditions and government policies are designed to attract IFDI; the provision of infrastructure is sufficient or even significant to attract IFDI; and the host country has a competitive advantage in terms of the provision of cheap labour as well as trained and motivated labour (Boudier-Bensebaa 2008; Galan et al. 2007; Ly 2021; Narula and Dunning 2000, 2010; Narula and Guimon 2010; Park and Lee 2003; Scott-Kennel and Enderwick 2005). We suggest that the presence of IFDI can encourage domestic companies to observe, learn, and apply systems in which MNCs have to compete in serving the domestic market.
- (c) The stage 3 country characteristics offer more endowment factors to attract IFDI. The location characteristics of the country are: the emergence of demand for higher-quality products, hence creating a competitive environment for MNCs and domestic companies to serve the market; the economic conditions are more advanced compared to the previous stages; the government's role focuses on encouraging specific industries or sectors that need further development to compete; the provision of infrastructure is more advanced in transportation, communication, and technology, but some regions might need reinforcement in the provision of infrastructure to create comparable facilities nationally; and a decrease in labour-intensive activities as a competitive advantage, since wages have increased (Boudier-Bensebaa 2008; Galan et al. 2007; Ly 2021; Narula

- and Dunning 2000, 2010; Narula and Guimon 2010; Park and Lee 2003; Scott-Kennel and Enderwick 2005). Given the presence of IFDI, domestic companies can improve their O-advantages in serving the domestic market and in exploring foreign markets. By pursuing OFDI in the later stages of the IDP, domestic MNCs can gain benefits from knowledge spillovers and apply this knowledge to their parent companies in the home country through training and learning.
- (d) The stage 4 country characteristics offer more advanced endowment factors to attract IFDI. The location characteristics of the country are as follows: because of higher wages, demand starts to become sophisticated; the government plays an important role in protecting and maintaining the competitive advantages of the country as well as competition in the market; the country offers created-assets value to foreign investors; and production processes and techniques are more crucial than labour (Boudier-Bensebaa 2008; Galan et al. 2007; Ly 2021; Narula and Dunning 2000, 2010; Narula and Guimon 2010; Park and Lee 2003; Scott-Kennel and Enderwick 2005). We suggest that, in the presence of IFDI, domestic companies can develop O-advantages and create assets. Domestic companies can also establish a competitive advantage in the global market.
- (e) The stage 5 country characteristics are truly internationalised. The location characteristics of the country are: the demand level is more sophisticated; the government plays little or no role; the country offers a more advanced infrastructure to support the gradual transformation from Heckscher-Ohlin (different countries produce different products and services) to producing similar products and services between countries; and the presence of asset creation investment in the capital-intensive and open-innovation industries helps the country develop knowledge-intensive sectors (Boudier-Bensebaa 2008; Galan et al. 2007; Ly 2021; Narula and Dunning 2000, 2010; Narula and Guimon 2010; Park and Lee 2003; Scott-Kennel and Enderwick 2005). It can be concluded that, at this stage, no single country has predominant capabilities.

The advantage of this approach is that it can be used as a reference for a country to shift its position by generating and improving its location advantages. The implications of IFDI in each IDP stage can also be treated as a reference for the home country's government to frame appropriate policies and regulations to create a favourable investment climate. The disadvantage of this approach is that it focuses only on providing suitable L-advantages to attract IFDI. However, the home country should also consider attracting IFDI to encourage the development of OFDI.

4.2.4 The fourth approach based on MNCs strategy

In addition to the L-advantages, trends, and patterns of FDI in a country, we recommend exploring the motives of MNCs to engage in OFDI. This information can be used as a reference for a country to assess and frame its L-advantages and design its policies and regulations to attract IFDI (targeted-IFDI). Hence,

the home country can gain benefit from the presence of IFDI to generate more OFDI. Accordingly, the fourth approach is based on Narula and Dunning (2010), in which we capture the motives of MNCs to engage in OFDI and, hence, *the motives of IFDI* to the host country in terms of IDP stages, as follows:

- (a) In stage 1, the motive for IFDI is natural resource seeking-investment due to the lack of natural resource endowment in the home country.
- (b) In stage 2, the motive for IFDI is investment driven. Thus, MNCs' motives to engage in IFDI might be natural resource seeking as well as market-seeking investment due to MNCs' interest in exploring other markets and serving the domestic and adjacent regional markets.
- (c) In stage 3, the motive for IFDI is innovation driven. The natural resource-seeking motive is already decreasing for IFDI, and MNCs' motives focus on market-seeking investment, efficiency-seeking, and strategic asset-seeking investment due to the availability of advanced infrastructure, markets, and labour.
- (d) In stage 4, the motives for IFDI are increasing in relation to service-and knowledge-intensive investments. The market-seeking investment motive is already decreasing for IFDI, and the MNCs motives focus on efficiency-seeking and strategic asset-seeking investments to produce and serve the market effectively and efficiently.
- (e) In stage 5, the motives of OFDI are increasing at a significant level in terms of efficiency-seeking and strategic asset-seeking, where there is no single country that has predominant capabilities to produce and serve the market.

The advantage of this approach is that the motives of IFDI and OFDI in IDP stages can be treated as a reference for the host and home country governments to develop a conducive investment environment by providing supportive policies and regulations to attract more IFDI and to generate more OFDI. The disadvantage of this approach is that it only focuses on MNCs strategies. The government also plays an important role in providing suitable policies and regulations related to MNCs strategies. Therefore, we suggest an additional approach for IDP stage classification by considering government roles.

4.2.5 The fifth approach based on the role of government

The government can play an important role in advancing and regressing the position of a country in the IDP stages. The home country's government should be selective in framing policies and regulations, as well as promoting and accepting IFDI. Moreover, the home country's government should also consider framing and generating policies and regulations that support not only IFDI attraction but also OFDI generation. Therefore, we suggest the fifth approach to the classification of the IDP stages based on *the role of government* in framing IFDI policies developed from previous studies that applied the IDP concept (Dunning 1981a; Zhu et al. 2011; Narula and Dunning 2010). The stages are as follows:

- (a) In stage 1, the government's role in framing policies and regulations is insignificant due to inadequate government and economic systems to attract IFDI, and the non-existence of OFDI. In this stage, the main motive of IFDI is natural resource-seeking investment. Therefore, the role of government consists of designing policies and regulations to ensure access, fair price, and the quality of natural resources; ensuring the provision of infrastructure and transportation facilities for exploitation and shipping processes; generating and ensuring knowledge transfer or capital-intensive resource creation with domestic companies in order to exploit natural resources; and encouraging national and regional champions in relation to the natural resources endowment, the production processes of semi-finished/finished goods and services, and hence contributing to export goods and services.
- (b) In stage 2, the government's role in framing policies and regulation is significant in providing adequate government and economic systems to attract IFDI, as well as the emergence of OFDI. In this stage, IFDI is motivated by natural resource- and market-seeking investments. The role of government consists of enlarging the markets through regional integration, bilateral or multilateral agreements; generating competitive transportation costs, tariffs, and non-tariff trade barriers; improving the education system to generate skilled labour and professional workers; improving and ensuring the equalisation of infrastructure at national and regional levels; engaging in persuasive promotion activities for investment both at national and regional levels; designing and generating policies and regulations that are attractive for IFDI; stimulating joint partnerships between domestic companies and MNCs to generate spillover effects that can boost the competitive advantages of domestic companies to engage in OFDI; and ensuring a fair competitiveness environment in the market for MNCs and domestic companies.
- (c) In stage 3, the government's role in framing policies and regulations is less in attracting IFDI. The focus is on less competitive industries or regions. The level of OFDI in this stage increases to a significant level. Therefore, the home country government needs to ensure that the home country's MNCs contribute to the economy via the transfer of capital assets, knowledge, and technology to the home country. In this stage, the motives of IFDI are decreasing in natural resource-seeking investment and increasing significantly in market-seeking investment, while efficiency-seeking and strategic asset-seeking investment emerge. The government plays an important role in creating economic agglomeration zones or industrial or specific zone clusters; generating a conducive investment climate to attract IFDI, that is, simplifying investment procedures, providing incentives for investment, providing land and infrastructure, and providing problem-solving assistance for investment issues; improving the human resources capacity through education and training; and ensuring that knowledge and technology spillovers occur from the presence of MNCs for domestic companies to escalate their O-advantages and engage in OFDI.
- (d) In stage 4, the government ensures the country's competitive advantages and domestic companies in the global market. The government also works to ensure capital, knowledge, and technology transfers from MNCs to the home country's economic development.

- (e) In stage 5, the government plays a lesser or insignificant role in attracting IFDI and stimulating OFDI. MNCs are fully internationalised and have their own policies and approaches to selecting the host country.

4.2.6 Summary of five approaches

The above five approaches for the classification of IDP stages are interconnected with one another. These approaches highlight the important role of the home country's government in providing attractive L-advantages; generating and framing investment policies and regulations to attract more IFDI; creating a conducive investment climate to stimulate and boost FDI performance in the home country; identifying the motives and strategies of MNCs; and generating and framing a suitable promotion strategy directed towards the right investor (targeted-IFDI). The five approaches provide a comprehensive analysis of the determinants of a country's position on the IDP. These approaches generate a better understanding of a country's position on the IDP and determine the necessary development to shift its position on the IDP. The home country's government can treat these classifications as a reference for framing policies and regulations to attract more IFDI, which can contribute to generating OFDI and thus shift the country's position in the IDP stages. Further research can consider the application of these approaches in assessing a country's progress on the IDP and investigating the development strategies that can shift its position along the IDP stages.

5 Areas for further research on the IDP

Based on the generated themes and subthemes, the proposed framework, and the identified approaches to the IDP stages classification, we identify potential areas for further research. We present the areas for further research according to the generated themes and subthemes.

The first theme relates to assessing a country's development in relation to the IDP concept. At first, we identify the potential area for further research based on the analysis approaches. We consider that each analysis approach has challenges related to the idiosyncratic characteristics of selected country(s) and the individual path of the development process. Therefore, we propose that the further research focusing on the cross-country analysis approach can apply additional analysis (i.e., cluster analysis, factor analysis, spatial analysis, or others) to assess country development in IDP stages. In addition, we also propose that the further research focusing on the single-country analysis approach can apply a comparative analysis of the established IDP models (i.e., quadratic or polynomial models) to investigate which IDP model provides a better fit for a country or apply a policy analysis to assess the current FDI policies and generate recommendations to assist a country in advancing its position on IDP.

There is also a potential area for further research in relation to country selection. Figure 6 shows the number of countries based on the World Bank GDP per capita classification that have not been subject to analysis using IDP. It shows that 74% of the total number of high-income countries have been subject to analysis given the availability and accessibility of FDI data (Cardillo et al. 2004). There is a potential area for further research to assess the applicability of the IDP concept in the remaining high-income countries (26%). Further research can address the emerging challenges that the high-income countries face concerning their IFDI and OFDI and the role of government in addressing these challenges. Furthermore, IDP studies focusing on lower-middle-income and upper-middle-income countries are quite prevalent. The figure shows that 70.3% of the total number of lower-middle-income countries and 68.5% of the total number of upper-middle-income countries have been subject to analysis in previous studies on the IDP. These studies provide examples of governments' role in implementing policies to attract more IFDI, securing benefits from the presence of MNCs, and generating a favourable investment climate to not only attract IFDI but also to develop OFDI. Further research can assess the applicability of the IDP concept in the remaining lower-middle and upper-middle countries (29.7% and 31.5%, respectively). In relation to the lower-middle-income countries, future research can focus on how these countries attract targeted-IFDI that can generate OFDI from domestic companies and on the role of the government in ensuring that IFDI brings benefits to domestic companies so they can escalate their O-advantages to engage in OFDI. In relation to the upper-middle-income countries, further research can address the home country determinants for OFDI, the impacts of OFDI on the home country, the role of government in ensuring that OFDI by domestic companies benefits the home country's economic development, and the strategy of domestic companies to engage in OFDI. Lastly, the smallest proportion of IDP studies focus on low-income countries. Figure 6 shows that 44% of the total number of low-income countries have been subject to analysis using IDP due to the unavailability of FDI data and insignificant level of FDI development (Cardillo et al. 2004). Further research can investigate the role of government in generating an attractive investment climate for IFDI. In addition, further research can apply our proposed framework and generated approaches to the IDP stages classification to assess a country's position on the IDP stages. Future research can also apply the IDP concept not only at the aggregate level (national level) assessment but also at the disaggregate level (i.e., regional, provincial, sectoral, or industrial level) assessment.

The second theme relates to FDI phenomena in the IDP concept. We divide our analysis into three sub-themes: the importance of IFDI in supporting the development of a country, the trend and pattern of OFDI in developed and developing countries, and the MNCs strategy in terms of choice of location for engaging in OFDI. In the first sub-theme, the findings from the previous studies confirm that IFDI benefits home and host countries' economies. Therefore, we identify three areas for further research regarding IFDI. The first area focuses on the type(s) of investment covering the assessment of the IDP concept to the potential sector(s) or industry(s) that preferably generate more value-added and sustainable IFDI as a key for the sustainable investment and economic performance of a country. The second area focuses on the investment location covering the application of the IDP concept to investigate the

determinant(s) factors of IFDI in the home and host country perspectives in a specific sector or industry considering the motives of investment (i.e., market-seeking, natural resource-seeking, efficiency-seeking, or strategic-asset seeking investments). The third focuses on the impacts of the investment activities covering the application of IDP to investigate the government's role in framing and designing policies and regulations that support IFDI attraction and stimulate OFDI generation. In the second sub-theme, the previous studies confirm three influential factors for OFDI (i.e., economic conditions, government policies and regulations, and MNCs policies and strategies in the home and host countries). From the home country's perspective, further research can apply the IDP concept to investigate the transformation process of IFDI in generating OFDI. In relation to the establishment and development of MNCs from the home country's perspective, further research can investigate the determinant(s) factors of OFDI, impacts of IFDI that influence the generation of OFDI, government policies and regulations that can stimulate the OFDI performance and maximise the benefit of OFDI to economic development. In the third sub-theme, previous studies confirm that MNCs strategy is crucial for IFDI and OFDI. Therefore, further research can apply the IDP concept to assess and classify the motives of MNCs, investigate the failure and success factors of MNCs, and investigate the location decision process in a specific company or sector.

The third theme is the internal and external factors influencing the country's position in the IDP stages. Previous studies confirmed the significant effects of these factors on a country's position in the IDP stages. Therefore, further research can investigate other internal factors (i.e., the role of investment promotion agencies, the corruption levels, employment, the impact of economic integration, and the provision of infrastructure) and other external factors (i.e., the stages in global value chains, the stages in the internationalisation process, pandemic conditions, financial crises, and geopolitical conditions) for assessing the relationship between these factors to a country's position on the IDP stages.

The last theme is the further development of the IDP concept. Previous studies confirm and justify the opportunities for further research in the IDP concept. Accordingly, further research on IDP can add more variables to the analysis (i.e., human development stages, technology development stages, institutional factors stages, research and development stages). Further research can also compare or combine the IDP concept to other IB theories as additional analysis (i.e., stages in a global value chain, resource-based view, Upsala models, internationalisation process, and product life cycles).

6 Conclusion

This study investigates the evolution of IDP literature over time using a SLR. This study is distinctive because it is the first SLR that applies a thematic analysis approach to IDP literature by drawing on six major data sources. Prior studies in the field of IB have drawn on only one or two data sources, focused on one or two factors of IDP (i.e., technology development, innovation, and human–environment factors), and applied different methods. This study reveals potential areas for further

research on the IDP concept. It also proposes a novel framework that encompasses the pertinent literature on IDP and presents the interrelationship between FDI and economic development to the country's position on the IDP. There are benefits for researchers, policymakers, and firms in treating this study as a reference for assessing a country's position on IDP by applying the five approaches to the IDP stages classification. The overall conclusions from the SLR of IDP studies are as follows:

- (a) The IDP is a comprehensive concept that depicts the performance of FDI and economic development in a country. It also illustrates the relationship between determinant factors that contribute to economic development and FDI in a country.
- (b) In the thematic analysis, we generate four themes within the selected articles.
 - (1) The first theme is the assessment of a country's development in relation to the IDP concept. This theme covers studies that focus on assessing the applicability of the IDP concept in investigating country development. Ten articles are classified under this category.
 - (2) The second theme is FDI phenomena in the IDP concept. This theme covers studies that focus on applying IDP to explain FDI phenomena in the IB research domain, viz. the importance of IFDI in the economic development of a country, the trend and pattern of OFDI from developed and developing countries, and the MNCs strategy to engage in OFDI (i.e., location decision strategy). Thirty articles are classified under this theme.
 - (3) The third theme is the internal and external factors that influence a country's position in the IDP stages. This theme covers studies that focus on influential factors that can shift the position of a country in the IDP stages. Four articles are classified under this category.
 - (4) The fourth theme is further development of the IDP concept. This theme covers studies that focus on the investigation and development of the IDP concept by adding additional variables, the selection of the unit of analysis, and the choice of methodology. Seven articles are classified under this category.
- (c) We develop a framework based on the pertinent literature on the IDP, representing the interrelationship between FDI performance and the economic development of a country and its position in IDP stages. Further research can apply this framework to depict the relationship between FDI and economic development and to assess the FDI decisions factors that can influence a country's position along the IDP stages.
- (d) We also elaborate on five approaches to the classification of IDP stages (i.e., economic development, FDI performance, L-advantages, MNCs strategies, and the role of government) that can assist further research, policymakers, and firms in assessing a country's position on the IDP stages.
- (e) We identify potential areas for further research on IDP concerning the selection of research approaches and contexts (i.e., country selection and time frame). In relation to IFDI, we propose three areas of further research related to the types of

investment, investment location, and impacts of investment. In relation to OFDI, our proposed topic for further research entails a focus on the transformation process of a country from net inward direct investment to net outward direct investment. In relation to the MNCs strategy, further research can apply the IDP concept to assess and classify the motives of MNCs, investigate the failure and success factors of MNCs, and investigate the location decision process in a specific company or sector. Lastly, in relation to influential factors (both internal and external) for a country's position on the IDP stages, further research can investigate internal and external factors additional to those addressed in previous studies and assess their impact(s) on shifting a country's position on the IDP stages.

There is an opportunity to apply a thematic analysis approach to SLR on other topics (e.g., global value chain, resource-based view, global factory, and Uppsala model) in the IB research domain. There is also an opportunity to extend the SLR of IDP by applying different methods of analysis (i.e., meta-analysis, bibliometric analysis, or framework-based analysis). Future research should focus on addressing such opportunities.

Appendix

See Figs. 1, 2, 3, 4, 5, 6.

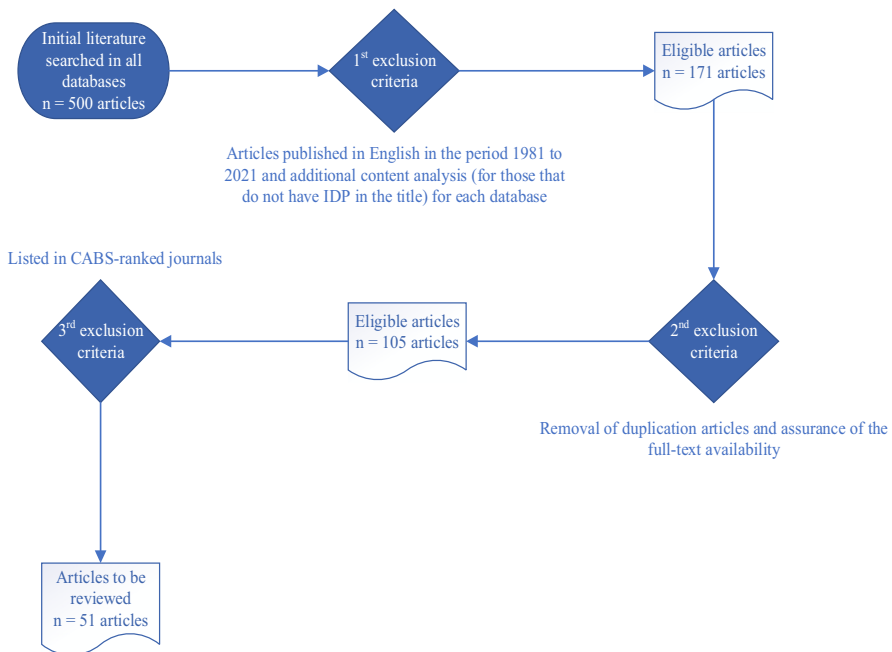


Fig. 1 The selection process applied to literature

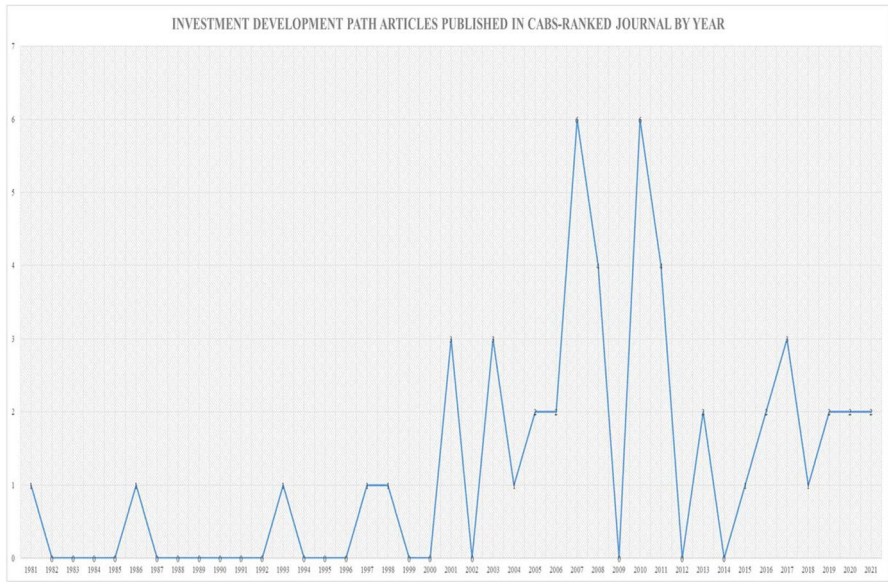


Fig. 2 The deployment of the IDP literature in CABS-ranked journals

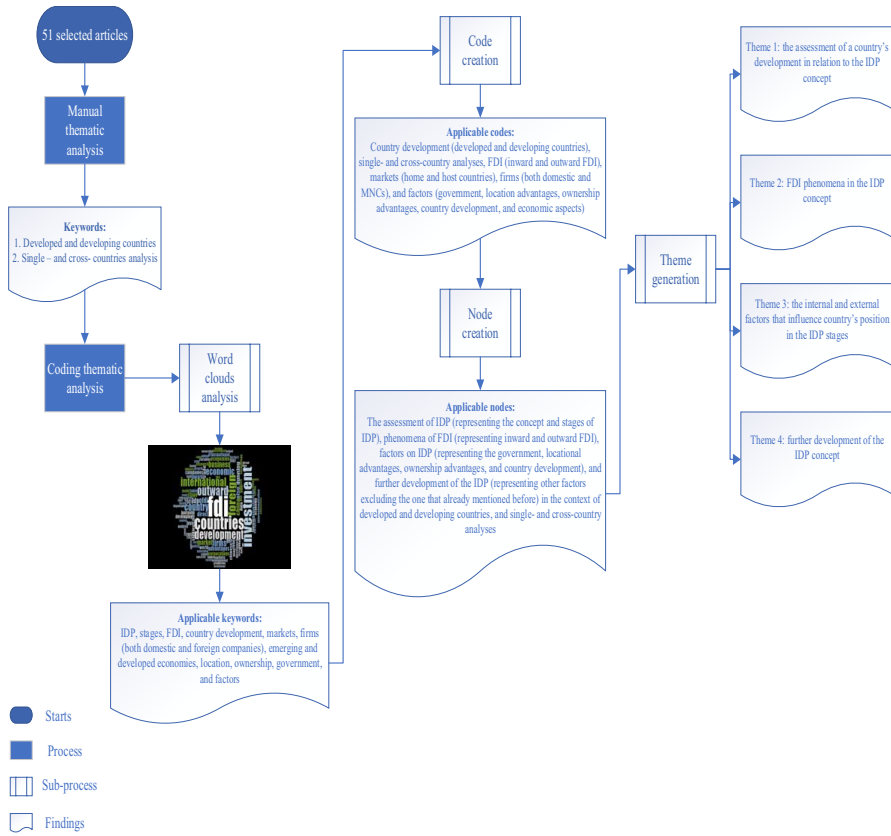


Fig. 3 Steps involved in a systematic literature review using thematic analysis

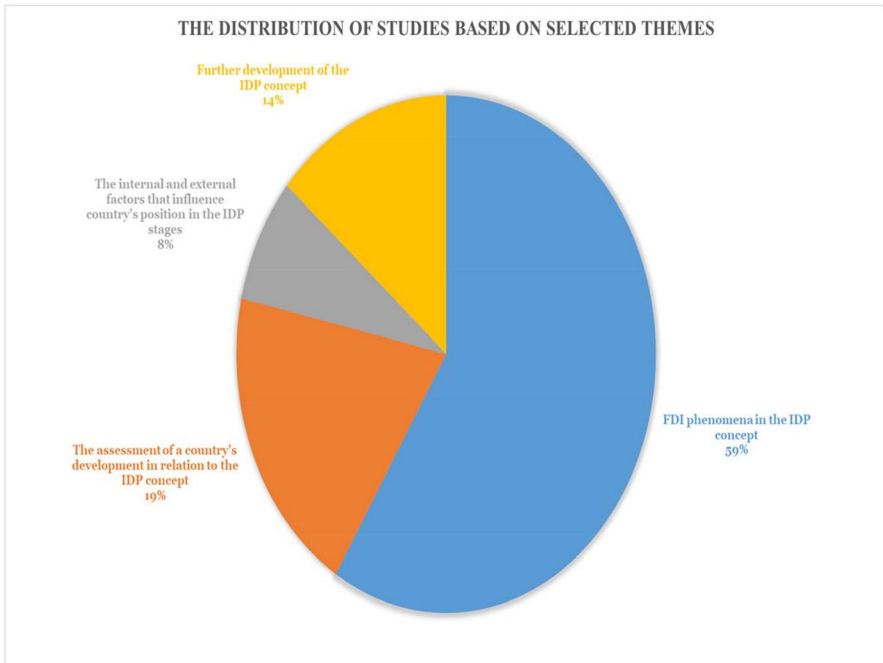


Fig. 4 The distribution of studies based on selected themes

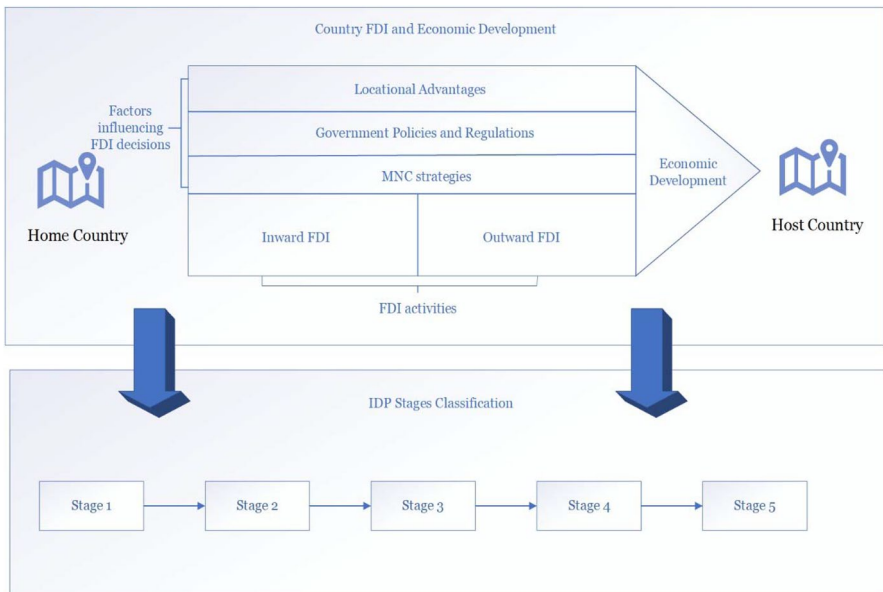


Fig. 5 Framework for the inter-relationship between FDI and the economic development of a country to the IDP stages classification

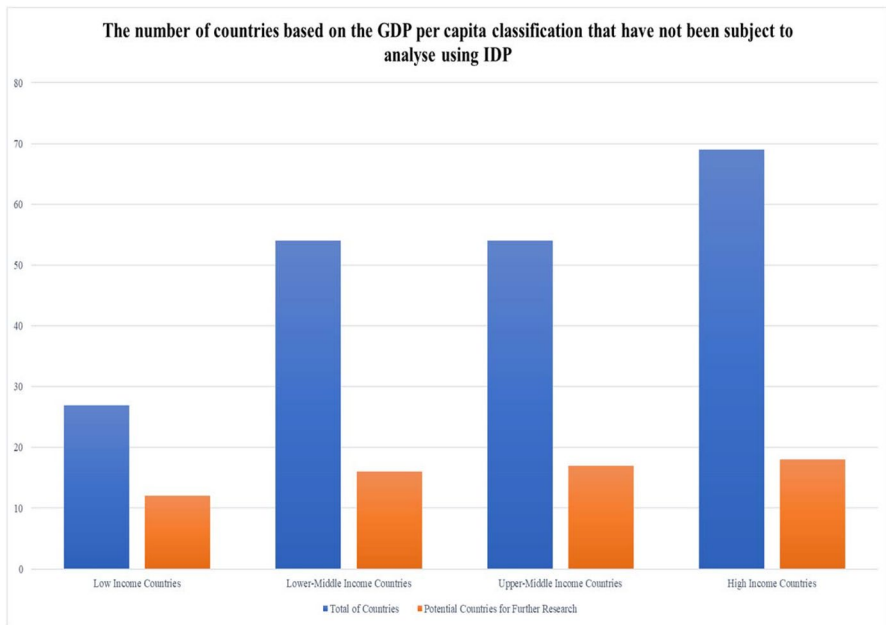


Fig. 6 The number of countries based on the GDP per capita classification that have not been subject to analyse using IDP

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Declarations

Conflict of interests The authors have no relevant financial or non-financial interests to disclose.

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