

Location Choice Research: Proposing New Agenda

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Abstract Location decisions assume great significance for both managers and scholars as the choice of overseas location has the potential to either enhance or dissipate firms' profitability. The aim of the paper is to conduct a critical review of the research articles that have been published on the topic of location determinants since 1975. We analyzed 151 articles published since 1975 until September, 2015 in 17 leading management and international business journals. Our analysis suggests that a vast amount of literature on foreign direct investment (FDI) catalogues a long list of determinants that try to explain FDI by multinational companies in a particular location. However, it is noticeable that the results have, sometimes, been equivocal. Based on our analysis, we suggest that location determinants can be organized into two broad categories. We use these categories to propose a comprehensive model and four agenda that, we believe, will be helpful to both the scholarly and managerial communities. Further, we attempt to decipher some salient research questions on the basis of our analyses. Our paper enhances the literature on location decision by providing a comprehensive model and directions for future research that will be of interest to the readers of management international review.

Keywords Location choice · Location determinants · Developed country ·
Developing country · Foreign direct investment (FDI) · Review

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1 Introduction

The scholarly research on the determinants of host country location choices by multinational companies (MNCs) assumes significance as foreign direct investment (FDI) continues to be keenly attracted by various governments to develop their countries (Brooks et al. 2010). Besides host countries, firms, too, are eager to expand overseas to benefit from the location embedded competitive advantages. Given this, in past several decades, especially after Johanson and Wiedersheim-Paul's (1975) seminal work on the overseas locations chosen by Swedish MNCs, the location literature has received a definite boost. For example, our search of the literature resulted in a total of 151 publications¹ on location determinants in 17 leading management and international business journals in the past 40 years between 1975 (after Johanson and Wiedersheim-Paul's article) and September, 2015.

The stupendous progress in the literature has produced valuable insights into the determinants of location choices of MNCs. However, a disparate use of these determinants has us believe that a systematic categorization of these determinants and their unification into a comprehensive model are likely to advance the location choice literature. Keeping this in mind, this paper conducts a synthesized review of the 151 articles. In doing so, we also identify and address some issues pertaining to the variables used in the literature.

We categorize various location determinants under two broad categories. The first broad category has been labeled as firm- and industry-specific location determinants whereas the second category has been named as country-specific location determinants. For drawing our comprehensive model, we borrow from Dunning's (1998) eclectic paradigm. Our model includes two steps, as shown in Fig. 1. In the first step, we identify some firm- and industry-specific location determinants that facilitate MNCs' resource exploitation or exploration internationally. Facilitated by the determinants in the first step, firms, if they want to internationalize, proceed to the second step of the model where they examine country-specific location determinants to evaluate the attractiveness (or unattractiveness) of a host country for resource deployment. As a result of the evaluation, if the answer in step 2 is a 'yes' (which would mean that host country or city appears attractive), the firm chooses that location, and if the answer is a 'no', the firm rejects that location. In so doing, we provide a coherent categorization of determinants on the basis of their firm, industry or country specificity. Further, we bring firm resources and internationalization motivation (exploitation or exploration) into the forefront, and address a general apathy in the location literature towards firm resources despite their recognition as one of the most important drivers of internationalization (Dunning 1998). Moreover, our comprehensive model enables us to propose four scenarios and propositions to potentially give a new direction to the literature.

As our goal was to categorize location determinants and unify them under a theoretical framework, we chose to conduct a narrative review of the location

¹ A complete list of the 151 articles reviewed can be received from the first author.

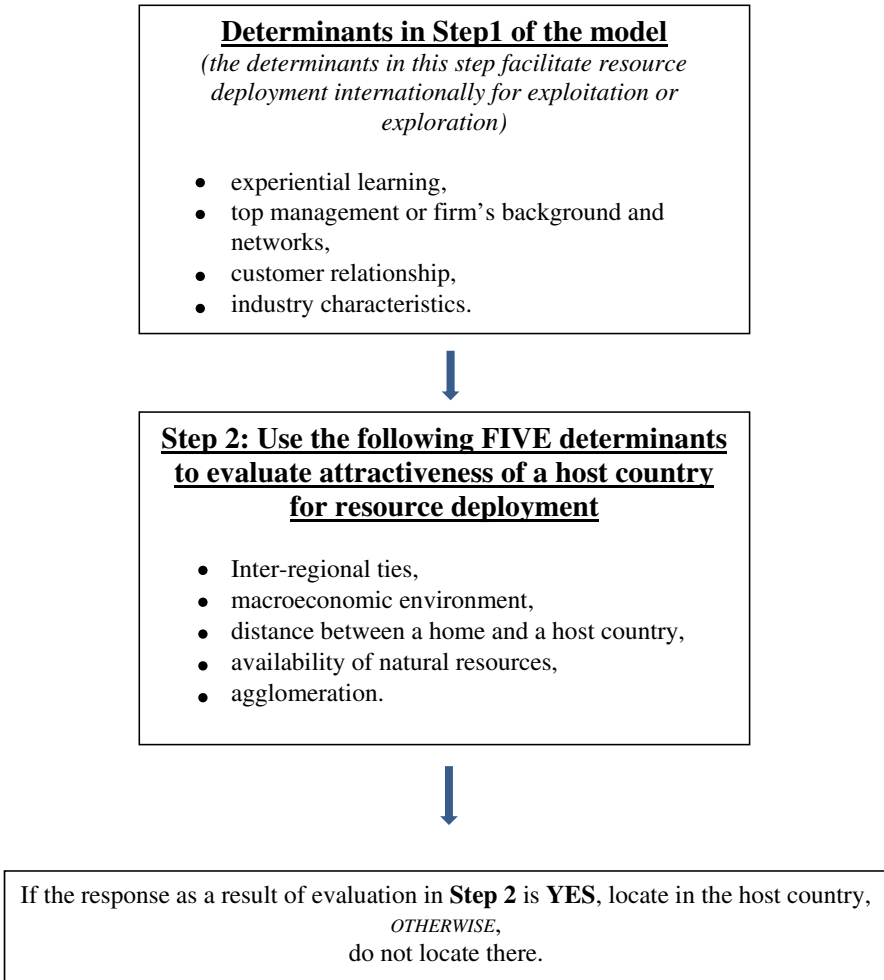


Fig. 1 Comprehensive model

literature instead of a meta-analysis. In fact, we were surprised by the lack of a literature review that takes stock of and categorizes the location determinants. Our comprehensive search identified only three such reviews in the location literature between 1975 and 2015. A recent review by Kim and Aguilera (2015) of the articles published between 1998 and 2014 focuses on identifying the topics that have captured the attention of the location scholars during this period. It does not directly discuss the location determinants. Therefore, our effort to systematically categorize location determinants by studying the literature for the past 40 years complements the review by Kim and Aguilera (2015). At the same time, we feel that a comprehensive framework proposed in our review is unique and provides a decision making tool for managers and researchers.

We came across two additional synthesized reviews. However, they focus only on two specific location determinants, namely cultural distance and agglomeration, thus, not touching much of the iceberg. The first review by Tihanyi et al. (2005) uses a meta-analysis to examine how cultural distance influences a firm's internationalization-related decisions, including its location decisions. The second review by McCann and Folta (2008) examines 'agglomeration', a determinant that seems to have received considerable attention in the domain of economic geography. Therefore, we believe that a comprehensive review based on all determinants is warranted at this time.

The paper is organized as follows. The following section highlights the research methodology used in this paper. In section three, we provide a brief overview of the various location determinants studied in the literature, categorize some of these determinants as facilitating resource exploitation or exploration, and some as the hurdles to be overcome. We, then, detail our theoretical model. In section four, we list some unresolved questions that warrant future research. Finally, we conclude our review with a brief discussion on some challenges scholars may face in adopting the proposed framework.

2 Research Methodology

We used the systematic review procedure recommended by Denyer and Neely (2004) and Tranfield et al. (2003). We began with the six top-tier management journals noted by Tahai and Meyer (1999), and the seven leading journals in the International Business (IB) field identified by Dubois and Reeb (2000), Lahiri (2011), Michailova and Mustaffa (2012), and Denk et al. (2012). Additionally, we added four other leading management journals to this list to conduct a more exhaustive search of the articles in the literature. Thus, we examined 17 leading IB and management journals.²

We utilized EBSCOhost (Business Source Premier) and ScienceDirect online databases for downloading the published articles. We looked into only the full-length research articles investigating firm location choice of either a country or a state/city within a host country, and published in the above-mentioned 17 journals. Consequently, dissertations, book chapters and reviews, editorials, and commentaries were not considered for this review. We used keywords, such as "determinants", "FDI", "foreign direct investment", "foreign entry", "globalization", "location", "location choice", and "location decision", to shortlist articles on the topic. The keywords were picked on the basis of our review of the titles and the keywords of the 15 most-cited articles in the location literature. An initial list of

² These journals are *Academy of Management Journal* (AMJ), *Academy of Management Review* (AMR), *Administrative Science Quarterly* (ASQ), *Asia Pacific Journal of Management* (APJM), *Harvard Business Review* (HBR), *International Business Review* (IBR), *International Marketing Review* (IMR), *Journal of International Business Studies* (JIBS), *Journal of International Marketing* (JIMA), *Journal of International Management* (JIM), *Journal of Management* (JOM), *Journal of Management Studies* (JMS), *Journal of World Business* (JWB), *Management International Review* (MIR), *Management Science* (MS), *Organization Science* (Org Science), and *Strategic Management Journal* (SMJ).

articles was prepared by using the *advanced search* option of electronic databases including EBSCOhost (Business Source Premier) online database, ABI/Inform (Proquest), and Web of knowledge. As we anchored on the 1975 article of Johanson and Wiedersheim-Paul, we deliberately examined articles published since then until September, 2015. In order to ensure that we did not miss any pertinent article in the screening process, references of all articles that cited the top 15 most-cited articles as per Social Science Citation Index were manually examined. Finally, we also conducted a manual search of all of the volumes published since 1975 in the 17 journals. All of these steps yielded us a database of 151 articles.

2.1 The Rationale for Selection of the Articles

We followed some criteria for adding a paper to our dataset. First, the articles included in our analysis only discussed location determinants with respect to both the FDI inflows into a specific country, group of countries, or a broader region, and the FDI outflows from a country, or several countries. We also included those articles that discussed FDI inflows into states or cities within a host country. In all of the 151 articles, the authors had very explicitly specified one of the above-mentioned questions as their research agenda. Second, as the focus of this review is overseas location determinants, we did not include any article that examines internationalization processes, such as speed or performance of firms, as a result of location choices (see, for example, Vermeulen and Barkema 2002; Nachum 2004; Qian et al. 2013), location choices for regional headquarters, or domestic location choices within their home countries by incumbent firms (see, Baum and Haveman 1997). Third, we do not include articles that elucidate the spillover effects of FDI on a host country (see, for example, Taggart 1996). Our careful reading of the 151 articles informs us that some of the representative questions examined by scholars are as follows:

- What are the determinants of FDI, for example, (1) by USA-based advertising firms (Terpstra and Yu 1988), or (2) into Latin America by Spanish firms (Garcia-Canal and Guillen 2008), or (3) into a state or city within a country (Sethi et al. 2011)?
- What is the influence of a particular determinant, such as firm experience, economic geography, regulatory regime, travel time, or uncertainty, on location choice (Boeh and Beamish 2012; Coeurderoy and Murray 2008; Henisz and Delios 2001; Nachum 2000)? Or is one determinant a better predictor of location choice over other (Zaheer et al. 2009)?
- Does time (Flores and Aguilera 2007; Sethi et al. 2003), or FDI originating from developed versus developing regions (Demirbag and Glaister 2010), or early versus late entrants (Zhu et al. 2012) have any influence on FDI determinants?

With the help of our dataset, we delineate in the section below some major agenda that the location literature should pursue to push forth its contribution to the scholarly and managerial communities.

3 A Brief Review and Agenda for Future Growth of the Literature

In this section, we submit four agenda that are likely to push forth the growth of the literature. The agenda propose a need for (1) compilation and categorization of location determinants; (2) a comprehensive conceptual framework; (3) construct validity and deletion of overlap among some determinants; and (4) standardized operationalization of variables. We detail each of the four agenda below.

3.1 Proposing a Need for Compilation and Categorization of Location Determinants

A myriad of location determinants have been noted with regard to firms' location choice in the articles shortlisted for this analysis. Given the overwhelming number of location determinants in the literature, we believe that a systematic categorization of these determinants by identifying some common themes will facilitate an easy navigation of the determinants. Therefore, we regroup these determinants under two broad sets. The first set consists of firm- and industry-specific determinants that are further divided into four categories. The second set comprises country specific determinants that are further classified into five categories. We were guided by Enright (2009) in proposing these two broad sets for nine categories of determinants.

The following paragraphs briefly discuss each of the nine categories of determinants.

3.1.1 *Determinants in First Set: Firm- and Industry-Related Determinants*

This step includes determinants that pertain to firm resources and industry characteristics. Here, we include the following four categories of determinants: experiential learning, customer relationship, top-management or firm's background and networks, and industry characteristics.

3.1.1.1 *Category 1: Firm's Experiential Learning* Firm's experiential learning seems to be a salient location determinant. Research notes that prior investment and its duration in a host country increase the probability of a firm's further investment in the same host country (Dowell and Killaly 2009; Erramilli 1991; Lu et al. 2014). Furthermore, experience facilitates cross-border tacit knowledge transfer, increasing a firm's propensity to set up manufacturing plants in a foreign location (Martin and Salomon 2003). For developing country firms, their experience in developed countries boosts their propensity to enter developed countries (Thomas et al. 2007). Thus, a firm's experience seems to be a significant determinant in location choice.

3.1.1.2 *Category 2: Customer Relationship* Firms, especially, in a client-vendor relationship seem to use customer following as a determinant (Chen and Chen 1998; Hennart and Park 1994; Li and Guisinger 1992; Petrou 2007). The location decision

of these firms is primarily dictated by their clients' overseas expansion. Presence of diaspora also promotes FDI in a host country (Quer et al. 2012).

3.1.1.3 Category 3: Top Management or Firm's Background and Networks Top management background seems to be an under-researched determinant (Coeurderoy and Murray 2008; Hutzschenreuter et al. 2007). Top management characteristics such as international experience, higher elite education, lower average age, and higher average tenure promote firm's international diversification (Sambharya 1996; Tihanyi et al. 2000). Moreover, it seems that governance issues, such as family and non-family insiders, and directors and CEOs, state or privately-owned forms of ownership, impact location choices (Filatotchev et al. 2007). Similarly, firms' background in their industry (such as leader or laggard) influences their location decision (Alcacer 2006). At the same time, firms' or management's networks may influence location choice (Zaheer et al. 2009).

3.1.1.4 Category 4: Industry Characteristics Occasionally, some authors have stressed 'industry characteristics' as an integral determinant in shaping firms' overseas location decisions. For example, the level of domestic competitiveness of Japanese firms guides their location choices (Pak and Park 2005). Similarly, the extent of international competitiveness of local industry is found to be a determinant of the location choice of services firms from triad regions (Li and Guisinger 1992). In this vein, Fernandez-Mendez et al. (2015) report regulated industries to be influenced by the host government's discretion. Sometimes, firms from a specific industry resort to imitation in their location choice in order to gain legitimacy, reduce uncertainty associated with internationalization, or when they face oligopolistic rivalry (Gimeno et al. 2005; Ghemawat and Thomas 2008). For example, the extent of competition in industries, such as tire, cement, and automobile, determines the location-related imitation by incumbent firms (Flowers 1976; Ghemawat and Thomas 2008; Hennart and Park 1994; Li and Guisinger 1992; Ito and Rose 2002; Rose and Ito 2008; Yu and Ito 1988).

3.1.2 Determinants in Second Set: Host Country or City Specific Determinants

Our analysis guides us to include the following five categories of determinants: inter-regional ties, macroeconomic environment, various types of distances between a home and host-country, availability of natural resources, and agglomeration.

3.1.2.1 Category 5: Inter-Regional Ties We believe that the determinants studying inter-regional conflicts or inter-regional historical ties can be included under this category. The literature reports that a military conflict with a host country may endanger investment of foreign firms. Li and Vashchilko (2010) and Makino and Tsang (2011) demonstrate how important political or historical ties could be in attracting FDI from other countries.

3.1.2.2 Category 6: Macroeconomic Environment Market size and its growth, barriers to trade, cost and availability of labor, transportation and information costs, availability of infrastructure such as energy, roads and communication, government's initiatives, country openness, trade and tax regulations, exchange rates comprise macroeconomic factors that seem to have bearing on firms' overseas location decisions (Dixit 1989).

3.1.2.3 Category 7: Distance Between a Home and a Host Country This determinant explains different types of distances that are perceived to exist between a home- and a host-country. Within this category, we find six sub-categories of distances, namely psychic, cultural, geographic, economic, administrative and institutional. In the following paragraphs, we discuss each of the six types of distances noted in the location literature.

Psychic distance. Psychic distance comprises differences in language, business practices, political systems, religion etc. of home and host countries (Johanson and Vahlne 1990). Despite gaining center stage in the location literature, psychic distance has yielded inconclusive results at best. For example, in a recent study on 924 international location choices of 73 Chinese exporters, Ellis (2008) proposed that psychic distance has, at best, only a moderating, and not direct influence on location choice.

Cultural distance. This is yet another frequently-examined determinant in the location literature. Cultural distance arises from perceived cultural differences between home and host countries. Managers prefer to locate in a culturally proximate country because they feel confident in managing small cultural differences (Chapman et al. 2008).

Geographic distance. Geographic distance measures the physical or travel distance between home and host countries. It is said to negatively influence host country location choice (Boeh and Beamish 2012; Erramilli et al. 1999; Thomas and Grosse 2001). However, this influence is noted to be more pronounced for smaller firms than larger firms (Nachum et al. 2008).

Economic distance. Economic distance includes differences in wages, economic development and technological capabilities of two countries (Ghemawat 2001). Like other distance types, economic distance is also said to exert a negative influence on firms' overseas location choice (Cuervo-Cazurra 2008).

Administrative distance. Ghemawat (2001) proposed another type of distance, namely administrative distance in his CAGE distance model; but administrative distance, as such, has not been examined in the location literature.

Institutional distance. Three types of institutional distances, namely, regulatory, political, and societal (North 1990), have been found to influence firm's foreign location choice. Firms are advised to locate in countries with low institutional differences because small institutional distance helps the firms exploit their competitive advantages in host countries (Dunning 1998; Globerman and Shapiro 2003; Trevino and Mixon 2004).

3.1.2.4 Category 8: Availability of Natural Resources Dunning (2009) expected a continued renaissance in natural-resource-seeking FDI. The abundance of natural resources is reported to have positive and significant influence on location choice (Asiedu 2006).

3.1.2.5 Category 9: Agglomeration Scholars report that firms have been locating in clusters or agglomerations for a long time due to various demand-side and supply-side benefits associated with a cluster location (Marshall 1920). As knowledge-intensive, innovative, and entrepreneurial activities become geographically concentrated in clusters (Breschi and Malerba 2001; Cantwell 1995, 2009; Dunning 2009), multinational firms agglomerate in these clusters for network externalities (Krugman 1991; Mudambi 2008; Nachum 2000). Relationship between network externalities and location choice is shown to be positive, negative, or curvilinear (Aharonson et al. 2007; Alcacer 2006; Chang and Park 2005; Shaver and Flyer 2000). For example, firms are shown to avoid agglomeration too, depending upon their status as a leader or laggard (Shaver and Flyer 2000), and the extent of their R&D expenditure or product differentiation (Chung and Alcacer 2002; Nachum and Wymbs 2005). Additionally, an emerging view in the location literature seems to indicate that a city may be chosen independent of its country based on the former's own global reputation as a cluster (Nachum and Wymbs 2005).

Based on the aforementioned discussion, we explain our proposed unifying framework in the section below.

3.2 Proposing a Need for a Comprehensive Conceptual Model

The scholars in our 151 location articles seem to utilize almost all major theoretical foundations used in the IB literature, such as OLI paradigm, New Trade Theory, RBV and Economic Concepts. However, scholars have voiced concerns about the theoretical silos in the location literature and lack of a comprehensive theoretical model in the literature (Sethi et al. 2011). Keeping this in mind, we propose a comprehensive framework in the following paragraphs.

In order to draw our proposed model, we borrow from Dunning's eclectic paradigm (1998) and the determinants espoused in the location literature. The eclectic paradigm recognizes resources as drivers of firms' internationalization. A firm needs to match its resources with needs of a location being evaluated for FDI. Once a suitable location has been picked, the eclectic paradigm suggests a firm to carry out transactions internally, and not through markets. Later, Cantwell and Mudambi (2005) add that firms go overseas with either resource exploitation or resource exploration purposes. It appears that firms expanding into new markets to sell their products, or seeking labor or natural resources, are in resource exploitation mode (Goerzen et al. 2013). On the contrary, if firms seek to find new technology, they are in resource exploration mode.

As shown in Fig. 1, our comprehensive model uses two steps to theorize a firm's location decision-making process. The step 1 of the model uses firm- and industry-

specific determinants: experiential learning, top management or firm's background and networks, customer relationship, and industry characteristics. These four determinants are proposed to facilitate resource exploitation or exploration internationally. In the second step, firms use country-specific five determinants to evaluate the attractiveness of a host country or city for resource deployment. Attractiveness of a site may mean that a firm thinks of a new location as yielding it either additional revenue (if it goes there for resource exploitation) or new resources, such as knowledge, labor or natural resources (if it goes there for resource exploration). We postulate that the five determinants that may guide a firm in this step are inter-regional ties, macroeconomic environment, distance between a home and a host country, availability of natural resources, and agglomeration. As an outcome of this step, a firm will make its location choice decision by either rejecting or choosing the location for resource deployment. It is noteworthy that by proposing a two-step model, we treat location determinants as endogenous, as opposed to exogenous, to a firm. Therefore, our model is more in line with Luo and Shenkar's (2011) thesis to treat, for example, cultural distance as endogenous, rather than exogenous, to a firm.

Further, we want to clarify here that host country attractiveness as an evaluation criterion does not measure or suggest survival or growth of FDI in a host country. It only indicates that a firm believes that it can deploy its resources successfully in a host country, *a priori*. The success or failure of FDI in a host country is determined only after a firm has chosen a location and has operated in that country for some time. To examine success or growth of FDI in a host country is beyond the scope of this paper.

At the same time, we caution that a firm, while choosing a location, may not use all determinants simultaneously listed in the two steps of the model. For example, firms from certain industries may be more or less sensitive towards some determinants, such as various types of distances (Ghemawat 2001). Therefore, some location determinants may become more salient in the model than others, depending upon a firm type. For services firms, customer relationship may be a more important determinant than many others in the first step, whereas, for a small entrepreneurial firm, top management background and their network ties in a host country may be more important (Erramilli 1991; Zaheer et al. 2009). Similarly, for a natural-resource seeking firm, availability of natural resources in a host country may become more salient for a country's evaluation in the second step. On the contrary, for a resource exploring firm seeking new technology, agglomeration may gain importance as an evaluation determinant than the other four determinants in the second step. Given the above, we propose the following four scenarios of firms' internationalization and delineate the determinants that become salient in the location choice for each of the four scenarios.

- Scenario 1: Firm choosing a location for resource exploitation (market-seeking)
- Scenario 2: Firm choosing a location for resource exploration (asset-seeking)
- Scenario 3: Firm choosing a location for resource exploitation (labor-seeking)
- Scenario 4: Firm choosing a location for resource exploitation (natural resource-seeking).

3.2.1 Scenario 1: Firm Choosing a Location for Resource Exploitation (Market-Seeking)

When firms have strong resources, they want to exploit them in other countries with a market-seeking motive (Dunning 1998). Our analysis of the location literature informs us that the determinants that are likely to be more salient in the first step are customer relationship for market-seeking service firms (Erramilli 1991), top management background and networks for market-seeking small and mid-sized entrepreneurial or family firms (Zaheer et al. 2009), and experiential learning for manufacturing firms (Martin and Salomon 2003).

For firms internationalizing with market-seeking motive, the step 2 determinants that have been noted to influence firms location decisions are: distance between home and a host country, macroeconomic environments in host countries, especially market size, its growth, tax rates and currency fluctuations and market openness (Flores and Aguilera 2007; Enright 2009; Kang and Jiang 2012; Tsang and Yip 2007). Therefore, we propose that the firms in scenario 1 are likely to choose those locations where they find market size and growth to be high, however, distance to be low.

Proposition 1: For market-seeking firms, the step 1 determinants facilitating resource deployment are customer relationship, experiential learning, and top management background and networks. If firms find the step 2 determinants, such as macroeconomic environment and distance, attractive for resource deployment in a host country, they choose that host country as their location.

3.2.2 Scenario 2: Firm Choosing a Location for Resource Exploration (Asset-Seeking)

Firms internationalizing with resource exploration mode (asset-seeking) seek to access emerging technologies or brands (Chang 1995; Enright 2009). Such firms may already possess some knowledge-based resources in order to absorb new knowledge embedded in a host country. Their existing knowledge resources are likely to be facilitated by some step 1 determinants, such as their experiential learning and top management networks. On the one hand, experiential learning is likely to increase their absorptive capacity, and hence, is likely to facilitate quick absorption of new knowledge (Cohen and Levinthal, 1990; Makino et al. 2002). On the other hand, networks are likely to lower the liability of outsidership, enabling a quick integration of firms with an embedded circle of firms already operating in the host country (Johanson and Vahlne 2009).

With this, in the step 2 of our model, determinants that gain salience may be agglomeration (Krugman 1991; Mudambi 2008; Nachum 2000) and macroeconomic environment, especially market size and growth, availability and cost of technically-qualified labor, educational infrastructure and technological development of a country, taxes and country openness (Enright 2009). At the same time,

research and development activities are found to be highly concentrated in a few countries, alluding to firms' tapping into agglomeration benefits in host countries (Alcacer 2006). Once firms find these two categories of determinants attractive in step 2, they are likely to choose that location.

Proposition 2: For asset-seeking firms, the step 1 determinants facilitating resource deployment are experiential learning and top management networks. If firms find the step 2 determinants, such as agglomeration and macroeconomic environment, attractive for a host country, they choose that host country as their location.

3.2.3 Scenario 3: Firm Choosing a Location for Resource Exploitation (Labor-Seeking)

Firms expand in a host country to tap the low-cost labor residing there (Makino et al. 2002). This enables firms to gain competitive advantage in marketplace. In order to access low cost-labor, firms set up manufacturing facilities. Being scale sensitive, these facilities require firms to invest a substantial capital in a host country. Therefore, the step 1 determinants that have been noted to facilitate resources for foreign expansion are likely to be experiential learning, and top management background and networking. As the capital investment is large, firms tap into their past experiences while choosing new locations (Garcia-Canal and Guillen 2008). At the same time, they are likely to be influenced by their top management background (for example, state or privately owned), networking, and ethnic ties (Garcia-Canal and Guillen 2008; Zaheer et al. 2009).

In the second step of the model, firms utilize determinants such as macroeconomic environment, distance (primarily geographic and institutional), agglomeration, and inter-regional ties. Macroeconomic environment, especially availability and cost of labor, inflation, tax regime, country openness, and exchange rate fluctuation have been found salient in location choice of manufacturing activities (Woodward and Rolfe 1993). Firms seem to also attend to geographic and institutional distances while locating their manufacturing facilities. On the one hand, a huge geographic distance may inflate transportation costs (Woodward and Rolfe 1993). On the other hand, institutional distance, especially policy instability in a host country, may negatively influence a firm's location decision pertaining to its manufacturing activity (Enright 2009). At the same time, firms are influenced by manufacturing concentration and agglomeration in a host country (Alcacer 2006; Zaheer et al. 2009). A combination of the determinants enlisted in the two steps yields a favorable or unfavorable decision for a firm to set up its manufacturing activity in a host country.

Proposition 3: For labor-seeking firms, the step 1 determinants facilitating resource deployment are experiential learning, top management background and networking. If firms find the step 2 determinants, such as macroeconomic environment, distance (primarily geographic and institutional), agglomeration, and inter-regional ties, attractive for a host country, they choose that host country as their location.

3.2.4 Scenario 4: Firm Choosing a Location for Resource Exploitation (Natural Resource-Seeking)

Firms wish to backward integrate and look for natural resources overseas to supply their downward activities with constant supply of the required inputs. Therefore, firms are seen to expand overseas to seek natural resources. For example, with growth in the Chinese economy, firms from China are observed to expand aggressively overseas in search of natural resources (Kang and Jiang 2012). We suggest that step 1 determinants salient for natural resource-seeking firms may be experiential learning and top management background. Extending the results of Garcia-Canal and Guillen (2008) for the regulated industries to the case of natural resource-seeking firms, we propose that natural resource seeking firms' experiential learning and ownership structure (for example, state or privately owned) may facilitate deployment of their resources overseas.

The obvious determinant in the second step is availability of natural resources in a host country. Other determinants that are likely to be salient are institutional distance and inter-regional ties as natural resource-seeking FDIs involve a large amount of investment usually. Besides, certain macroeconomic factors, such as labor cost, inflation, country openness and currency fluctuation, are likely to be important too. Once these determinants make a host country attractive, it is likely to be chosen by the natural resource-seeking firm.

Proposition 4: For natural resource-seeking firms, the step 1 determinants facilitating resource deployment are experiential learning and top management background. If firms find the step 2 determinants, such as availability of natural resources, institutional distance and inter-regional ties, attractive for a host country, they choose that host country as their location.

We also argue for the moderation of the relationship proposed in our model by the uncertainty-reducing or the legitimacy-gaining mode displayed sometimes by firms. Prior research notes that firms primarily use another determinant, namely imitation, in their location choice in order to gain legitimacy or reduce uncertainty associated with internationalization (Gimeno et al. 2005; Ghemawat and Thomas 2008). Similarly, industry type, such as oligopoly or regulated industry, may moderate the relationship (Fernandez-Mendez et al. 2015). For example, firms may again use imitation when they face oligopolistic rivalry (Rose and Ito 2008). For regulated industries, more salient step 1 determinants are noted to be experiential learning and top management background, whereas more salient step two determinants may be inter-regional ties, macroeconomic environment and institutional distance (Garcia-Canal and Guillen 2008).

3.3 Proposing a need for construct validity and deletion of overlap among some determinants

Our analysis shows that another issue that is likely to hinder the growth of the literature may be a lack of construct validity for many of the determinants used in the literature. It seems that the literature is replete with different determinants that

seem to explain a similar concept. For example, the differences between psychic and cultural distances, administrative and institutional distances, or political stability, political and regulatory institutions are not very clear. In fact, similarity in the way these determinants influence the location choice of a firm may indicate that some of these may even be measuring same underlying theoretical constructs. Moreover, as these measures are based on subjective states, they may suffer from measurement errors that are likely to attenuate or inflate the observed relationships and confound the effects (Campbell and Fiske 1959). Additionally, in most of the articles studying different distance types, the distance is calculated as a difference of distance between a new host country chosen by a firm and its home country. We find this calculation of distance questionable as it is completely oblivious of the knowledge stock of a firm. An internationalizing firm absorbs local knowledge as it expands into a host country. Therefore, a new host country may be distant from the home country of a firm; however, the new country may still be closer to an existing host country in the firm's location portfolio. We find only one measure of distance, namely 'added cultural distance' (Hutzschenreuter and Voll 2008) that takes into account a firm's existing knowledge stock accumulated out of its portfolio of locations. In this regard, we refer the future studies to an article by Drogendijk and Martin (2015).

Given this, we propose an urgent need to establish construct validity for the determinants. As a matter of fact, the issues related to a lack of construct validity exist for some of the key determinants in the literature, such as psychic distance. Dow and Karunaratna (2006) summarize that there is a debate about psychic distance as to "what constitutes it", whether it should be measured using objective measures or using perceptions of individuals. Assessment of construct validity is likely to establish that a determinant, indeed, measures the actual underlying theoretical concept, and hence, may make the results of hypotheses testing more reliable. This exercise may reduce number of determinants in literature by eliminating and collapsing those determinants (for example, the Category 7 determinants) that seem to measure the same underlying theoretical construct.

3.4 Proposing a Need to have Standardized Operationalization of Variables

The multiplicity in operationalization of variables is another issue. The variables, for example, inflation, seem to have been measured differently by different authors. Though we acknowledge that a multiple operationalization of the same variable may be an outcome of data availability, we, still, recommend future scholars to adhere some common and standardized definitions of the variables to be used in the literature. A standardized operationalization may eliminate method errors. Additionally, this may facilitate a meta-analysis of the literature in the future. It is noteworthy that method errors, if not taken into account, may result in Type I or Type II errors (Bagozzi et al. 1991). In fact, the very availability of different methods for the same measure found in the literature can be advantageously used to account for method errors by using these multiple measures along with multiple statistical methods in hypotheses testing.

After proposing new agenda for the literature, we further attempt to push the frontiers of the literature in the next two sections by proposing some research questions that stand under-examined in the literature and identifying some challenges future scholars are likely to face in employing our comprehensive framework.

4 Future Research Directions and Proposed Questions

We believe that our two-step model is able to accommodate all determinants that have been discussed so far in the location literature. It uses and connects those determinants that have been examined, at best, separately to explicate the phenomenon of location choice. To that extent, it fulfills the underpinnings of a theory as espoused by Sutton and Staw (1995). While doing so, it also attempts to bring forth under-researched micro-level determinants, such as top management team's background (Hutzschenreuter et al. 2007), and thereby bridges micro and macro divide in the literature. Additionally, it is applicable for choosing an international city. For choosing a city, the step 1 salient determinant would be top management team's networks or customer relationship, whereas for step 2, the salient determinant most likely would be agglomeration (Zaheer et al. 2009). In this paper, however, we have not elaborated much on the choice of a city, and refer readers to a recent article by Sethi et al. (2011) who have done a commendable work on presenting a model for choice of a city.

Having proposed a theoretical model, we delineate below some challenges that scholars are likely to encounter in implementing our suggestions. Besides data availability, we acknowledge that scholars may face some challenge in finding appropriate statistical tools for data analysis when they employ our two-step framework. In this vein, we believe that the framework has, to some extent, shades of the fit-performance paradigm proposed in the strategy literature. The location choice in our framework is the end result, and hence, may be equated with performance in the fit-performance paradigm. Therefore, we urge researchers to draw from this field for data analysis while employing our theoretical framework. The challenge of finding appropriate empirical tools for furthering the location literature has also been recognized in a recent review of the location literature by Kim and Aguilera (2015).

Our analyses of the location literature also inform us of some areas that have been under-examined in the location literature. Based on that, we list below some thought-provoking unanswered scholarly questions for future research. However, we humbly submit that the proposed questions are in no way exhaustive, but, are just a starting point to develop new and interesting research questions with the growth of the literature. We present below these research questions and provide a rationale justifying the importance of these questions.

1. Are there changes in the salience of determinants over time? For example, do determinants differ at early versus later stages of international expansion or with gains in international experience? We do acknowledge that some work has

- been done in this regard (Garcia-Canal and Guillen 2008; Chen and Yeh 2012), however, more work is warranted. Similarly, is there a need to include other firm's characteristics, such as its internationalization processes (rapid versus slow internationalizers, regular versus irregular internationalizers) and extent of knowledge acquisition (breadth versus depth) as determinants? For example, diversified firms may have routines to connect diverse knowledge, and hence, do they locate in institutionally or culturally distant nations even at an early stage of internationalization? Scholars deciding to research these questions may choose to draw from literatures on the born-global, internationalization speed, and knowledge transfer.
2. How does governance structure (family firms, business group, state-owned enterprises, entrepreneur-led firms, and private or public firms) determine location choice? Though a beginning has been made (Alcantara and Mitsuhashi 2012; Cooper and Folta 2000; Duanmu 2012), much work still needs to be done. There is ample work done in the IB field to demonstrate that governance structure influences firm internationalization.
 3. In our effort to understand the theoretical foundations of the location choice literature, we observe that contributing scholars utilized almost all major theoretical foundations used in the IB literature, such as OLI paradigm, New Trade Theory, and Economic Concepts etc. We believe that future researcher can combine or borrow variables from other management fields to better examine the location choice phenomenon. Therefore, should we invoke some theories, such as upper echelons (Hambrick and Mason 1984), those from personality (Judge et al. 2000), or leadership disciplines (House 1977), that are missing in the location literature to study the top management background and networks? By doing so, we will address a void in the location literature that has not examined the influence of top management background and networks on location choice. At the same time, we are likely to identify some new determinants that have not gathered scholarly attention in the location literature? For example, recently, an article by Kulchina (2015), interestingly, advocates the extent of media coverage of a location as an FDI determinant.
 4. How does the home country's level of development (emerging versus developed nation) influence a firm's location choice? This becomes salient as emerging market firms are noted to be less averse to bearing risks in their location decisions compared to their developed nation counterparts (Duanmu 2012; Quer et al. 2012). Specifically, scholars in the future will benefit from understanding recent literature on the location choices of emerging market firms (Jain et al. 2015). We encourage the IB researchers to expand their focus even beyond traditional MNCs and EMNC's by examining the influence of technology on location choice. For instance, a focus on technology start-ups (that often tend to be born global firms) may shed light on a completely different array of location determinants, such as choice of innovation partners (Kothari et al. 2013), immigration laws, tax requirements or host government attitude towards the home government (e.g. Huawei a Chinese Telecommunication companies inability to acquire US firms due to US government intervention).

5 Discussion and Conclusion

The location choices of MNCs are drawing increasing attention from scholars, policy-makers, and managers alike. Given this, the understanding of the determinants that MNCs consider to locate in a host country has been immense. However, its vastness that spans both economics (including economic geography) and management literatures suggests that a review of the literature is required. Keeping this in mind, we carried out a review of 151 articles that have been published in the leading 17 international business and management journals since 1975. Our analysis identified some issues in the location literature, including a lack of a comprehensive theoretical framework. As a result, we presented a model in this paper along with some questions for future research in order to advance the literature.

In the process, we also find that firm resources and internationalization motivations have not received their due attention in the location literature, despite being underscored as one of the most important drivers of firm internationalization (Dunning 1998). Only a few studies, such as Alcacer (2006), Buckley et al. (2008) and Makino et al. (2002) have underscored the influence of firms' resources and internationalization motivations on location choice. Our model attempts to address this gap as we put firm resources and internationalization motivations in the forefront of our model.

Our model draws from the importance of resources in firm's internationalization. At the same time, it acknowledges that MNCs locate in a host country with a motivation to either exploit or explore their resources (Cantwell and Mudambi 2005). As widely understood, MNCs are more likely to exploit their resources when they internationalize with a market-seeking or resource-seeking motive, whereas they are more likely to explore new resources with an asset-seeking motive. Therefore, we dovetailed firm resources and motives with the determinants identified in the location literature to present our model. We also list four scenarios under which MNCs are noted to internationalize. In order to have more meaningful results, we also recommend future scholars to include all pertinent determinants listed under each of the four scenarios in this paper.

Further, we notice some shift in the scholarly focus over a period of time. Lately, FDIs by emerging market firms are increasingly attracting scholarly attention. At the same time, offshoring as an industry is being examined in many more studies. In line with these changes, we notice that institutional theory, social network theory and the LLL perspective are being used more often now than in the past. We support these changes as China and many other emerging countries become a major source of FDI. We direct interested readers to the Kim and Aguilera (2015) review that exclusively focuses on these shifts in the location literature.

By examining various determinants, the location choice research has provided invaluable insights into the firm- and country-related determinants that shape a firm's location choice. We believe that the review and the research agenda forwarded here, when explicated and tested by future studies, will advance the continuing growth of this important literature.

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