



of MNEs. TCE extensions are also part of the internalization theory, and it is also present in the research on MNEs' location strategies and foreign market entry modes (Buckley and Casson, 1976, 2009). More recently, MNEs' strategy research moved its focus from the reasons of the existence of MNEs to the explanation of heterogeneity of MNEs' performance (Kogut and Zander, 1993). To this aim, Barney's (1991) resource-based theory of competitive advantage has been used as a key approach to explain this heterogeneity (Peng, 2001). In addition, as highlighted by Verbeke and Brugman (2009), the relationship between multinationality and MNEs' performance also depends on both environmental and firms' specific characteristics, which calls for integrated and contingent approaches. Both of these latter approaches have recently been adopted by scholars who have begun to investigate how MNEs could achieve and sustain a competitive advantage over time based on the co-evolution of firms and their environments (e.g., Madhok and Phene, 2001; Madhok, 2002; Madhok and Liu, 2006).

As this paper shows, several approaches have been used to explain MNEs' strategy and their performance consequences, such as transaction cost economics (TCE), agency theory (AT), the resource-based view (RBV), the knowledge-based view (KBV), game theory (GT), and institutional theory. However, despite several attempts to merge the operative concepts of these approaches, research on MNEs' strategy remains fragmented (Li, 1994). It is, therefore, necessary to map the field and highlight similarities and differences among these approaches, in order to be able to combine them efficiently into the eclectic approach of co-evolving theory.

Strategy is context-dependent in nature, thereby creating an on-going need for firms to fit and adapt to changing environmental conditions (Barney, 1991). In addition, theories are affected by both the time and circumstances under which they were born (Dunning, 1993; Buckley and Hashai, 2004), and by the responses offered by evolving managerial practices and research approaches (Furrer et al., 2008). Therefore, there is an interest in disclosing the intellectual structure of research on MNE's strategy to date. Scholars will find this structure meaningful when developing their theories about how MNEs compete and change depending on both local and global contexts. Meanwhile, practitioners will find it useful to adapt the MNE's strategy according to those increasingly changing conditions either at the local or global levels. All in all, combinations of different approaches may be required to face the challenges stemming from different contexts.

Similar investigations have been conducted in general related fields, and strategic management, in particular. For example, content analyses of the strategic management field and its evolution over time uncovered that the interaction between initial circumstances and emerging factors caused a pendulum swing between internally and externally focused approaches (Furrer et al., 2008; Hoskisson et al., 1999). A recent analysis of the strategy field has also provided insights about the changes in the structure and meaning of the concept of 'strategy,' as well as about how those changes have shaped the evolution of the strategic management field (Ronda-Pupo and Guerras-Martin, 2012). This evolution fostered the emergence of new research topics during the development of the strategic

management discipline. In a similar vein, we aim at finding new research issues on MNE's strategy in this paper, while trying to seek appropriate answers to new challenges, such as globalization, knowledge management in large organizations, building local capabilities which also function globally, or how to adapt the strategy to local conditions in transitional economies, among many others. To date, no extensive study of the content of the MNEs' strategy literature has ever been conducted to identify the idiosyncratic characteristics of this field. Therefore, this study aims at filling this gap.

In so doing, this study contributes to the MNEs literature by an in-depth investigation of the structure and content of the MNE's strategy research in order to identify and map gaps in this field and to propose directions for future research. To do so, a multiple correspondence analysis was conducted of 1116 papers published by 336 authors in 95 journals concerning MNEs and strategy, published between 1975 and 2012. As a result, this study offers a map of the intellectual structure of MNE's strategy, as well as changes in that structure.

The remainder of the paper is organized as follows. First, the theoretical background that has guided this approach on MNEs' strategy is introduced. In the next section, the rationale for the methods used is provided. Then, the intellectual structure and dynamics of research on MNEs' strategy to date are presented. Finally, it is concluded that there is a need for combined approaches to deal with MNE's strategy. Accordingly, several avenues for future research are proposed, by combining the emerging eclectic approach of the co-evolutionary theory with other key approaches.

## An overview of research on MNEs and strategy

The examination of the historical roots of MNEs' strategy research is relevant to understand the structure of the field. The foundations of the theory of the MNE are twofold: on one hand, theories seeking to explain the existence of MNEs stem from foreign investment theory (Hymer, 1976), which included the theorems of Heckscher–Ohlin (Heckscher, 1919; Ohlin, 1933). On the other hand, Buckley and Casson's (1976) internalization theory explains why firms internalize some foreign operations rather than exporting or using local partners. The former is rooted in Ricardian determinants of trade and builds on the work of the effect of foreign trade on the distribution income of Heckscher (1919) and the work of Ohlin (1933). As noticed by Quyen (2011), until Hymer's work, there was a lack of attention drawn to foreign direct investments as a specific phenomenon of strategy. In subsequent periods, the combination of the Coasian tradition (Coase, 1937) with the Hymer assumptions leads to an important stream of research seeking to explain why firms engage in foreign production instead of selling their advantages to foreign local competitors (Buckley and Casson, 1976). This research stream is labeled as the "internalization" theory of MNEs' strategic behavior and was the dominant approach during the first period of research on MNE's strategy.

Two dominant economic approaches span the latter research period on MNEs' strategy: industrial organization (IO) economics and the RBV (Foss, 1999; Kraaijenbrink et al., 2010). These two approaches are built on the idea that strategy is about the pursuit of economic rents (Foss, 1999)

and focuses on the explanations of organizations' performance (Furrer et al., 2008). Ronda-Pupo and Guerras-Martin (2012, pp. 180–182) further propose a consensual definition of strategy based on a dynamic analysis of the evolution of past definitions: strategy is about “*the dynamics of the firm's relation with its environment for which the necessary actions are taken to achieve its goals and/or to increase performance by means of the rational use of resources.*” IO research (e.g., Porter, 1979, 1991) focuses on the key external factors, such as industry structure, to explain a firm's performance as well as performance differences across firms. Meanwhile, RBV research concentrates on internal factors, arguing that above average performance is due to a firm's idiosyncratic resources and capabilities (e.g., Barney, 1991, 2000).

The latter approaches along with some others have been also adopted by scholars in the field of MNE's strategy. For instance, Connelly et al.'s (2007) study on corporate-level international strategy combined arguments from agency theory (AT) and KBV. Gomez-Haro et al.'s (2011) study on the impact of the external environment on corporate entrepreneurship is grounded on institutional theory. In a similar vein, the study of institutional distance made by Caracuel et al. (2010) is also grounded on institutional theory. Qu (2007) studies the role of market orientation on MNEs' global strategies from an agency theory perspective to account for the relationship between headquarters and their subsidiaries. Baena Gracia and Cervino Fernandez (2009) study foreign entry modes and franchisors companies from a TCE approach.

However, the two dominant approaches in strategic management research—IO economics and the RBV—may not perfectly encompass all the important issues related to MNEs' strategy. This is because of the international context of their activities and the different shapes an MNE may take as a response to its multifaceted environment. TCE and internalization theories have become the dominant approaches in MNE research (Buckley and Casson, 2009). The main proposition under TCE (Williamson, 1971, 1996) is that firms seek efficiency in their decisions, as if to internalize all those operations whose transaction costs exceed the costs of managing them within the firm. TCE shares some common aspects with AT (Holmstrom, 1982; Holmstrom and Milgrom, 1991), because imperfect relationships are regulated by contracts among the multiple parts in the very Coasian sense (Alchian and Demsetz, 1972; Williamson, 1975). Therefore, the AT, as a regulatory framework of strategic decision-making, also fits well regarding the needs of research in this field of MNEs' strategies.

In addition, internalization theory can also be considered as a specific case of TCE. According to their main proponents (e.g., Buckley and Casson, 1976, 2009), the internalization strategic behavior of MNEs obey three main principles: (a) an MNE internalizes markets when the benefits of doing so outperforms their costs, (b) they locate each activity according to the least-cost principle, and (c) the dynamics of both the firm's profitability and growth are based upon a continuous process of innovation stemming from R&D. This leads to the idea of internalizing operations and knowledge.

Notwithstanding the relevance of knowledge in this internalizing theory, both RBV and KBV are still a black-box in processing terms, from the perspective of how it enables

the acquisition and control of valuable, rare, inimitable and non-substitutable (VRIN) resources and capabilities in order to make a difference. The theory is valid to explain the MNE's strategic behavior concerning location and entry modes. Nevertheless, it hardly explains the sources of heterogeneity in the MNEs performance while disregarding the interaction between a fragmented and complex environment and the MNE-subsidiaries. Internalization theory is, in essence, a combination of a TCE approach—principles (a) and (b)—and a KBV approach—principle (c). This combined approach calls for additional investigation and theorization in order to explain how MNEs can build a sustained competitive advantage (SCA).

That was the motivation of Madhok and colleagues (Madhok and Phene, 2001; Madhok, 2002; Madhok and Liu, 2006), who began to develop a knowledge-based approach to SCA of MNEs based on two determinants: the absorptive capacity—based on Cohen and Levinthal's (1990) definition—and the causal ambiguity inherent in the knowledge transfer process across the whole MNE (including inter- and intra-subsidiaries and headquarters). Additionally, those two drivers are framed by the co-evolution of the macro- and micro-environments. Therefore, this approach fits in the external-internal interaction that, at least, a minimal conceptualization of “strategy” as a process requires, according to Ronda-Pupo and Guerras-Martin's definition (2012).

Today's competition evolved into new forms of the so-called “co-opetition”, under a game theory approach (Von Neumann and Morgenstern, 1947; Brandenburger and Nalebuff, 1995). This approach posits that a producer can capture more than its valued added, which allow small and medium sized enterprises to challenge the advantage of large multinational corporations in terms of resources and capacities. Essentially, SMEs can compete against large MNEs by co-opetition. This implies a step forward and a different approach to the problems of “value” assessment of RBV and KBV for MNEs. The indeterminate nature of the concepts “value” and “resources” challenges the explanation of how organizations achieve a SCA (Kraaijenbrink et al., 2010). Additionally, the latter authors and Furrer and Thomas (2000) emphasized that RBV performs at their best within predictable markets or, at least, predictable up to a reasonable extent. However, MNEs operating all over the world act in rather unpredictable markets. This gives rise to the need for including and merging approaches.

Game theory may play a key role to explain the principal-agent relationship and the paths that MNEs might follow when implementing their strategic alternatives as a process view. Even from KBV, relational capital can be added as a determinant issue; this is how MNEs create value while relating with key agents in a win-win solution, following the co-opetition principles. Although it is desirable to have a universalistic theory of MNEs' strategy, theory cannot be counterfactual and disregard the fact that MNEs may change their approach in the decision-making process when developing their strategy. Different paths stem from different scenarios where MNEs act.

Finally, it is imperative to point out the usefulness of the institutional approach, which is complementary to the aforementioned approaches. Particularly, this is because MNEs often operate with local partners in markets where





The importance of the transaction cost theory should be highlighted, since up to 118 articles grounded in this approach were identified. This supports the argument made by Madhok (1997), who states that TCE is at the core of the MNE's strategy. The core assumptions of TCE are fully consistent with Buckley and Casson's (1976, 2009) internalization theory. TCE may also be considered as an extension of the contractual and legitimacy requirements of the relationship among agents addressed by agency theory, and with imperfect relationships regulated by a contract (Kostova and Zaheer, 1999). The latter authors combined an agency theory approach with institutional theory to introduce a number of propositions related to the need for legitimization of both the parent company and its local subsidiaries. In that article, they proposed that the existence of trade-offs and tensions between parent companies and local subsidiaries contribute to maintaining their respective legitimacy. Furthermore, Kostova and Zaheer (1999) showed that these tensions depend on a number of factors, such as the number of countries in which a MNE operates and the institutional distance between the parent and subsidiaries. The concept of institutional distance is one of their key contributions, emphasizing the need for adapting strategy and resources to local conditions.

Since the very early beginning of the Grant's work (1991, 1996), a knowledge-based approach has been extensively adopted in the research on MNEs' strategy since the very early beginning of the Grant's work (1991, 1996). For instance, Gupta and Govindarajan (1991) investigated the relationship between headquarters and subsidiaries based on this approach, to shed light on issues related to the control of strategy. Oviatt and McDougall's work (1994) can also be classified among this knowledge-based research stream. These authors developed the concept of "internationalized new ventures" (INVs): those newly created firms which start exchanging in international markets shortly after their establishment, even making direct investments and hence these organizations can be considered as MNEs. They suggest that an accelerated knowledge-based process is necessary to gain further knowledge to overcome the liabilities of foreignness and of newness.

How to improve the relationships of headquarters with local subsidiaries or local alliance partners is another relevant topic discussed in the literature on MNEs' strategy. More specifically, the extent to what local subsidiaries should have more autonomy to be more effective within diversified MNEs, with several barriers hindering it. In this regard, both Tallman and Li (1996) and Hitt et al. (1997) highlight the relevance of international diversification to achieve a competitive advantage (a more complex issue in the case of product-diversified MNEs). They found that there is a point in which performance decreases while international diversification increases. This may hinder the possibility that subsidiaries enjoy more autonomy since the strategic decision in a multiproduct MNE is usually the responsibility of headquarters, while regional knowledge—which is not always shared with headquarters—is usually held by local subsidiaries.

Given the fragmentation of the field of MNEs' strategy, it is important to map it in order to identify the communalities and differences between approaches. Such a mapping is critical in many ways: (a) to understand which theories could be

fruitfully combined into eclectic approaches, (b) to understand which theories are conflicting so that their boundaries can be identified, and (c) to understand where the existing gaps are to set an agenda for future research. Therefore, as a first step in this direction, the structure of research on MNE's strategy to date is introduced in the next section.

### Structure of the research on MNE's strategy

Firstly, the analysis for the total period is introduced in this section. In a subsequent step, the analysis is split in two periods to highlight changes in the intellectual structure of the field.

Table 2 shows the 43 main keywords used by scholars within this research field in the period (1975–2012). If the top-10 keywords are considered then a first finding emerges: MNEs' strategy research is mainly concerned by the MNE's international behavior. This is the mode of entry into foreign markets, which includes the globalization phenomenon; a clear economic viewpoint with references to foreign direct investment. Not surprisingly, the list is governed by the management–performance binomial, which is similar to the findings within the strategic management field (Furrer et al., 2008), as strategy is mainly about performance.

Different approaches to the latter only begin to appear at the end of the top-10 list of keywords, as for instance *resource*. It should also be mentioned that knowledge appears close to the latter. Surprisingly, internalization was explicitly mentioned by only a 4.4% of papers. Nevertheless, the main theoretical assumptions of the internalization theory can be considered as implicit within the predominant keywords, since it explains the behavior of MNEs when entering into a foreign market.

Approaches such as capabilities, game theory, and eclectic view scored low on this list. However, it must be mentioned that this list is somehow influenced by the time scope, because the most recent approaches had lesser prospects to be applied than older ones. The multiple correspondence analysis may help to have an upper view of the intellectual structure of research to date. Fig. 1 depicts graphically the map, where proximity between keywords represents whether or not they were analyzed jointly. This is shared-substance in terms of the average position of the articles that dealt with each keyword.

The two dimensions of the map can be interpreted on the basis of the position of the keywords. For the sake of clarity, only the most relevant keywords were labeled in the map, while all of them are graphically positioned in the map. Performance and environment appear centered in the map hence it is aligned with the definition of strategy provided by Ronda-Pupo and Guerras-Martin (2012): "the dynamics of the firm's relation with its environment to increase performance."

The vertical dimension separates the articles in two large but different topics. On the upper side, keywords are related to the soft side of MNE's strategy. Human resources, organizational culture, agency relationships, and institutional approach scored high on this axis. On the bottom side, keywords are mainly related to game theory approach, and to a lesser extent to innovation and technology, capability, and most relevantly with industry and economics. Accordingly, the poles of this vertical axis can be labeled as human and

**Table 2** Main keywords on papers dealing with MNEs strategies.

Keyword	Total papers	% of total papers (n = 1116)	% on total frequency	Cum share %
Performance	514	46.06	4.96	4.96
Management	506	45.34	4.88	9.84
Market	504	45.16	4.86	14.70
Mode	487	43.64	4.70	19.39
Foreign	479	42.92	4.62	24.01
Global	435	38.98	4.20	28.21
Business	397	35.57	3.83	32.04
Investment	358	32.08	3.45	35.49
Direct	337	30.20	3.25	38.74
Resource	328	29.39	3.16	41.90
Organizational	318	28.49	3.07	44.97
Knowledge	307	27.51	2.96	47.93
Analysis	297	26.61	2.86	50.80
Theory	281	25.18	2.71	53.51
Country	277	24.82	2.67	56.18
Advantage	273	24.46	2.63	58.81
Development	269	24.10	2.59	61.40
Environment	262	23.48	2.53	63.93
Subsidiary	244	21.86	2.35	66.28
Local	243	21.77	2.34	68.63
Role	239	21.42	2.30	70.93
Entry	226	20.25	2.18	73.11
Venture	225	20.16	2.17	75.28
Industry	208	18.64	2.01	77.29
Corporate	208	18.64	2.01	79.29
Choice	203	18.19	1.96	81.25
Joint	202	18.10	1.95	83.20
Unite	196	17.56	1.89	85.09
Cost	195	17.47	1.88	86.97
Network	174	15.59	1.68	88.65
Institutional	168	15.05	1.62	90.27
Innovation	163	14.61	1.57	91.84
Human	146	13.08	1.41	93.25
Technology	140	12.54	1.35	94.60
Transaction	119	10.66	1.15	95.75
Culture	115	10.30	1.11	96.86
Economy	112	10.04	1.08	97.94
Capability	62	5.56	0.60	98.53
Agency	51	4.57	0.49	99.03
Internalization	49	4.39	0.47	99.50
Eclectic	29	2.60	0.28	99.78
Coevolution	12	1.08	0.12	99.89
Game	11	0.99	0.11	100.00
Total	10,369		100.00	

Source: Own draft from 1116 papers extracted from the Web of Science – SSCI (consulted on May/02/2012).

cultural issues (upper side) and business economics (lower side).

The horizontal axis has, perhaps, major implications for our analysis, since it opposes two major MNEs' strategy research streams: transaction cost economics on the left hand, and approaches to management and strategy such as human, knowledge, resources, capabilities or innovation on the right hand.

Traditional approaches for the explanation of MNE as an organization are positioned on the left side, particularly the

internalization theory (Buckley and Casson, 1976) and the eclectic approach mainly owed to Dunning (1988) and the OLI paradigm—advantages stemming from Ownership, Location and Internalization. The main keywords positioned here are *transaction cost*, *investment*, *entry*, or *joint-venture*, along with the latter. This is why this left side of the horizontal axis can be understood as dealing with the behavior of a MNE in an international market.

The right hand pole comprises keywords and articles dealing with combinations of the main schools of strategic

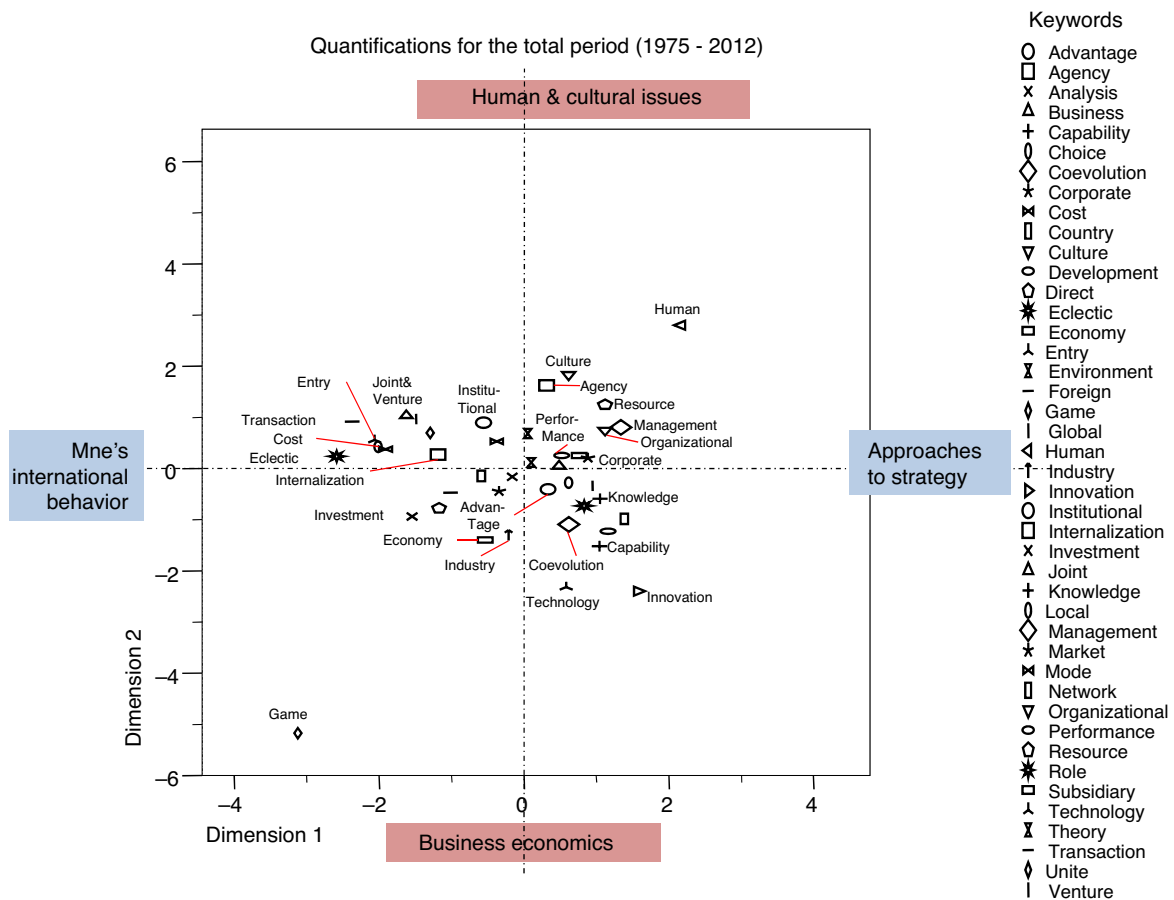


Figure 1 The structure of research on the MNE's strategy field.

management thought. If we combine human or resources then it becomes apparent that the *human* dimension has been a key issue on MNE's strategy. The keyword *resource* appears close to *management* and *organization*, then it follows that a resource-based approach governs this axis. It is also remarkable that *knowledge* and *capability* appear close to each other.

However, a somewhat surprising finding is that a knowledge-based approach to strategy is placed in the opposite side to internalization, transaction cost economics and the eclectic theory. This means that a large portion of articles do not deal with the latter approaches along with knowledge-based views. Furthermore, it seems that internalization theory has overemphasized the transaction-cost and eclectic approaches. However, we should mention that Buckley and Casson's theory of internalization (1976) actually does include the knowledge-based approach as a key explanation of the MNE's very nature and behavior.

Results point out that some kind of research gap exists, at least from an empirical viewpoint, on how the RBV and KBV can be useful to explain MNEs corporate-level strategies, be this from the viewpoint of the headquarters, subsidiaries, or alliance partners. Moreover, the relationship with the external environment also seems to be missing in the MNE's international behavior research pole, which would be somehow counter-theoretical from the viewpoint of the key issues that strategy research must content: the relationship of

the organization with environment from a wider point of view (Ronda-Pupo and Guerras-Martin, 2012). Gupta and Govindarajan (1991, 2000) addressed research on MNE's strategy from a KBV approach by emphasizing the role that knowledge plays in the relationship between MNE's headquarters and subsidiaries; a key issue to explain a typical principal-agent relationship. In addition, Hitt et al. (1997) highlighted the bidirectional knowledge flows in the innovation strategy of MNEs. Hence, knowledge is a key element to explain this relationship strategically, a kind of experiential knowledge in the words of Eriksson et al. (1997). Social capital may also help to understand how knowledge is strategically regulated across networks (Inkpen and Tsang, 2005); therefore, absorption and transfer of knowledge are meaningful in the understanding of how an MNE deploys its strategy (Madhok and Liu, 2006).

A relevant topic discussed in the literature on MNEs' strategy is how to improve the relationships between headquarters and local subsidiaries or alliance partners. More specifically, the extent to what local subsidiaries should have more autonomy to be more effective within diversified MNEs, with several barriers hindering it. In this regard, both Tallman and Li (1996) and Hitt et al. (1997) highlighted the relevance of international diversification to achieve a competitive advantage, a more complex issue in the case of product-diversified MNEs. They found that there is a point in which performance decreases while



international diversification increases (i.e., an inversed U-shaped curve between degree of diversification and performance). This may hinder the possibility that subsidiaries enjoy more autonomy since the strategic decision in a multiproduct MNE is usually in the hands of headquarters, while regional knowledge—which is not always shared with headquarters—usually resides in the subsidiaries.

On the other hand, the recent co-evolutionary approach (Madhok and Phene, 2001; Madhok, 2002; Madhok and Liu, 2006) is depicted side by side with knowledge, capability, innovation and technology. Its position in the quadrant suggests some kind of combination between business economics and the main approaches to corporate-level strategy. It must be mentioned that its roots stem from the Dunning's eclectic paradigm, although the low number of papers that mentioned any type of co-evolution positioned this keyword a bit far from that paradigm.

With regard to the vertical axis, the opposite poles are governed by human and cultural issues (on the upper side) and business economics concerns (on the lower side). This is also particularly relevant for our findings. Innovation and technology along with economy and industry govern the lower part of the vertical axis.

The upper pole is clearly governed by the human dimension, and it is combined with approaches such as agency theory and institutional theory. The human dimension has been extensively dealt with over the last four decades, particularly from approaches such as staffing systems as a key to manage international human resources strategically (Harvey et al., 2001). Some other studies dealt with local assets specificities, as an operational issue, a changing of focus to local partners in a typical agent relationship (Hennart, 2009).

The institutional approach seemed to be extremely fruitful when dealing with emerging and transitional economies. Some papers stressed the need for local adaptation in these regions. The latter calls for an institutional approach to better understand such extremely regulated and sometimes black-boxed markets. Examples of this are Meyer and Nguyen (2005), Child and Tsai (2005) and Peng et al. (2008).

Therefore, it seems that the intellectual structure of research on MNEs' strategy to date shows the existence of some interesting research gaps, from both empirical and theoretical viewpoints. The dynamics of this structure over time may deliver additional perspectives, which we include in the next section.

#### Dynamics of the structure on researching MNEs' strategy and main findings

In order to show changes in the structure over time, two complementary tools are used. First, Table 3 presents the dynamics of the total and relative figures of each keyword from Period 1 (1975–1999) to Period 2 (2000–2012). The total number of papers highlights the importance of keywords in each period, while the share of total papers indicates the relative position on the sum of total frequencies. This allows comparisons on relative importance between both periods by simply computing the change in the share from the initial period. Intensity in changes is then measured as the change in the relative share of papers from Period 1 to 2 divided by the initial share in the Period 1. After that, Fig. 2 maps the changes in the structure by depicting the

results of the MCA in both periods. For the sake of legibility, the position of the keywords in the map corresponds to its position in the second period, while a line depicts their trajectory from Period 1.

Period 1 (1975–1999) accounted for a total of 144 different articles, with an average of 5.76 articles every year. Meanwhile, during the second period (2000–2012) the average number of articles skyrocketed to 74.76 articles every year, accounting for a total of 972 papers. This result shows the increasing interest of MNEs' strategy topic over the last decade, with relevant challenges for MNEs such as globalization and emerging markets.

The top-10 keywords over the first period are *mode*, *market*, *management*, *foreign*, *performance*, *global*, *investment*, *organizational*, *direct* and *business*. As the map shows, this period is mainly governed by concerns related to the explanation of foreign market entry and investments. Combinations of resources and costs seemed to be the dominant approaches. The relative concentration of the research among a low number of keywords is remarkable, since the first thirteen keywords in the list accounted for more than 51% of total hits. The latter summary of keywords points out that research was following theories of international trade stemming from the traditional foreign investment theory (Hymer, 1976), rather than investigating on a more modern concept of strategy. We should also highlight that internalization does not achieve a relevant position during this period, at least the number of articles does not seem to explicitly mention it, although it is implicit in the TCE approach.

During the second period, the top-10 keywords are *performance*, *management*, *market*, *foreign*, *mode*, *global*, *business*, *investment* and *direct* in terms of total number of papers. Although initially it might seem that virtually no significant changes had occurred quantitatively, they actually had in qualitative terms. For instance, resource and knowledge increased their relative importance dramatically. Anyway, the key underlying issue appears to have been the modes of foreign market entry but with a more modern perspective in terms of how the managerial actions can deliver the best performance as possible.

If changes in relative positions are analyzed, then topics of increasing and decreasing relevance arise. On one hand, increasing interest topics and approaches have been institutions, agency, and knowledge. Co-evolution also appeared recently. However, since our sample did not include any paper dealing explicitly with this evolving viewpoint in the first period, no change could be identified.

First, the significant attention given to the role of the KBV in the relationship between MNEs and their local subsidiaries should be highlighted. Four of the ten most cited articles deal with the issue. These are the papers by Gupta and Govindarajan (1991, 2000), Inkpen and Tsang (2005), and Eriksson et al. (1997). Oviatt and McDougall's work on *international new ventures-INV*s (1994) can also be classified among this knowledge-based research stream. Although some may argue that an INV is different from an MNE, its inclusion in our research may help to find new research avenues. The latter authors developed the particular case of "internationalized new ventures" (INVs), those newly organizations which start exchanging in international markets shortly after their establishment, even making direct



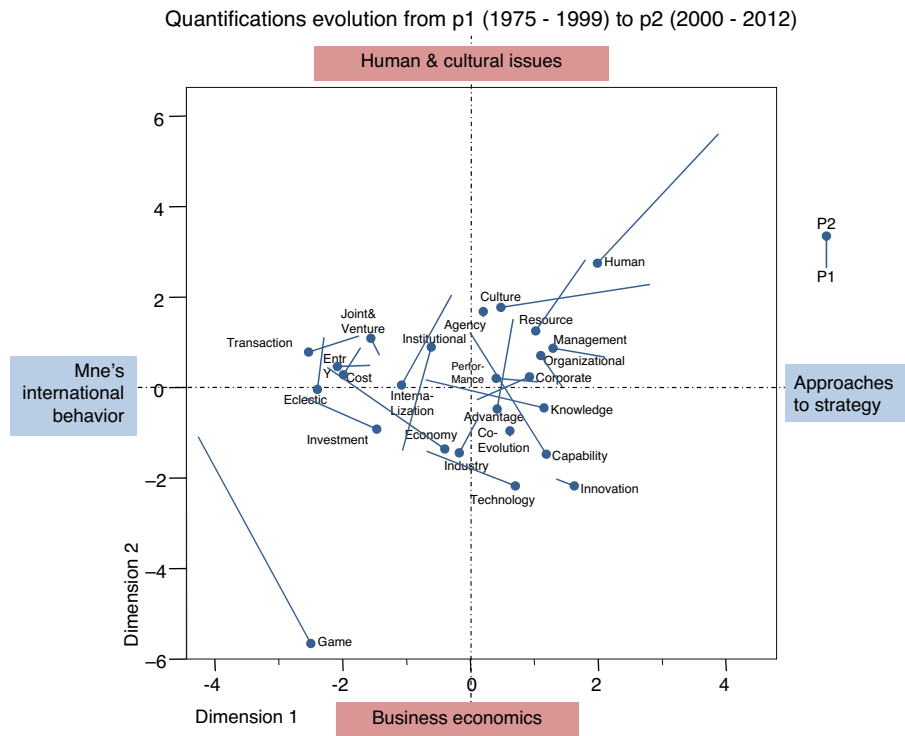


Figure 2 Changes in the structure of research on the MNE’s strategy field, from period 1975–1999 to 2000–2012.

On the other hand, some keywords that lost research interest in terms of relative importance should be highlighted. Among them, game theory, eclectic approach, internalization, and those keywords related to mode of entry in foreign markets, investment, and transaction cost economics.

After this analysis, Fig. 2 provides a clearer picture of the evolution in the structure of research in this field. For the sake of legibility, only the main keywords relevant for this analysis were included in the map. Changes affecting internalization are worth noting. During the first period, research on internalization is located on the upper side of the map and closer keywords were capability, knowledge and even agency. Advantage was also close to it. In the second period, internalization moved away from the latter until it was placed virtually on the horizontal axis at the left of the center, while knowledge and capability went down and toward the right until positioning closer each other. This implies that the knowledge-based dimension of this theory was somehow diluted by the economic view of investment and transaction cost approaches over the second period, perhaps because it was overemphasized during the first period despite the efforts trying to move away from that (e.g., Buckley, 1993). Nevertheless, knowledge is a key element for a complete understanding of this theory, an issue that has been perhaps misunderstood by more recent research.

Rugman and Verbeke (2004, 2008) fall into this view with their dual scope strategy (regional and global) theory, under the internalization and TCE approach. Rugman et al. (2011) is an example of combined approach, where MNEs are split into two units of analysis: at country level through a TCE lens and at a parent firm through an RBV one, in order to

explain the specific advantages of both units. Delios and Beamish (2001) can also be included within the RBV and KBV approaches, who found that host country experience has a direct effect on survival but a contingent impact on profitability, with an approach from KBV.

On the other hand, institutional theory was initially located close to technology, mainly because of the fact that innovation systems was being investigating from the viewpoint of public institutions such as universities at that time, and how MNEs could seize from this type of institutions in their foreign market entry decisions (Mathews, 1999). This is somehow aligned with the internalization of knowledge. However, institutionalism evolved to the upper side while internalization went down and technology moved to the left toward innovation and capability, in the end.

Transaction cost, joint-venture and the eclectic paradigm barely moved from initial location in the map. As a dominant approach, TCE has critical implications for the MNEs’ strategy. For example, the profit maximization issue goes beyond merely production costs, to include, among others, search costs to identify and select contractual partners (Abdi and Aulakh, 2012), the costs of monitoring foreign partners (Dimitratos et al., 2010), or establishing safeguards (Feinberg and Gupta, 2009). All the latter are clearly related to corporate governance. This theoretical approach also includes those elements of asymmetric information and bounded rationality pointed by Foss (1994). In the case of MNEs, TCE seeks to explain their decisions to whether “internalize” foreign activities. TCE is also implicitly related to agency theory, as this theory seeks to explain the control mechanisms necessary to effectively organize the relationships between headquarters and foreign subsidiaries (Hennart, 2009, 2010).

TCE is useful to explain relationships between MNEs and their alliance partners and foreign subsidiaries. But it is less useful to explain how MNEs develop competitive strategies in order to build and sustain competitive advantages (SCA). To study this key question, the RBV, KBV, and game theory are, perhaps, more appropriate theoretical approaches. According to RBV and KBV approaches, MNEs must develop and/or control VRIN resources and capabilities to achieve a SCA, following the general principles of Barney (1991, 2002). Apart from MNEs, general studies focusing on core competences put the emphasis on the combination of human abilities and organizational routines (Hamel and Prahalad, 1994). In a similar vein, the dynamic capabilities perspective departs from a static view on strategy and highlights the importance of understanding the external environment–firm interactions (Helfat and Peteraf, 2003; Teece et al., 1997). The KBV emphasizes that resources and capabilities based on knowledge are critical to achieve a sustained competitive advantage (Grant, 1991, 1996).

These views are also useful for MNEs to explain global competition among MNEs and between MNEs and their local competitors. Kraaijenbrink et al. (2010) argue that these views together allow the explanation of the international strategies of profit-maximizing organizations operating in distinct markets. These theories also assume the existence of asymmetric information and bounded rationality, emphasizing the role of managers' judgment. According to general literature on the theme such as Peteraf and Barney (2003) or Kraaijenbrink et al. (2010), if we applied the latter to the case of MNEs' strategies, it is not the possession but the use of key assets and intangible resources, mainly knowledge-based components, which enable MNEs to compete successfully in globalized markets. However, in the specific literature on MNEs reviewed, the major issue is still how to apply these views in the mainly unpredictable environments in which these firms operate.

The importance of institutional theory should be noted in combination with other approaches. This importance stems from the fact that MNEs operate in foreign markets embedded in particularly complex institutional environments. For example, those MNEs that are active in the "intentional governance" economies (Williamson, 1991) depend highly on regulating institutions facing free-market failures. Such institutional environments are quite different from those regulated by price-mediated exchanges. Under an institutional approach, MNEs should pay particular attention to the understanding and adaptation to those particularities of the macro-environment when developing their strategies (Madhok and Liu, 2006). Hoskisson et al. (2000) highlight the need to link institutional theory to other theoretical perspectives (such as TCE and the RBV) when studying MNEs strategies in emergent economies, because economic environments and institutional infrastructures may hinder the implementation of market-based strategies. Similarly, Peng (2003) and Peng et al. (2008) studied the role of institutional transitions in affecting MNEs' strategic choices. The institutional environment cannot be considered independently of MNEs' in terms of designing and implementation of their strategies, following Ronda-Pupo and Guerras-Martin's (2012) definition of strategy, and hence institutional theory plays a determinant role in this explanation.

In facing these challenges, some authors emphasize the role of expatriates as an efficient mechanism (e.g., Harvey et al., 2001). These authors put the focus onto the role of human capital in MNEs, particularly the role of expatriates and their capabilities to manage efficiently the performance challenge.

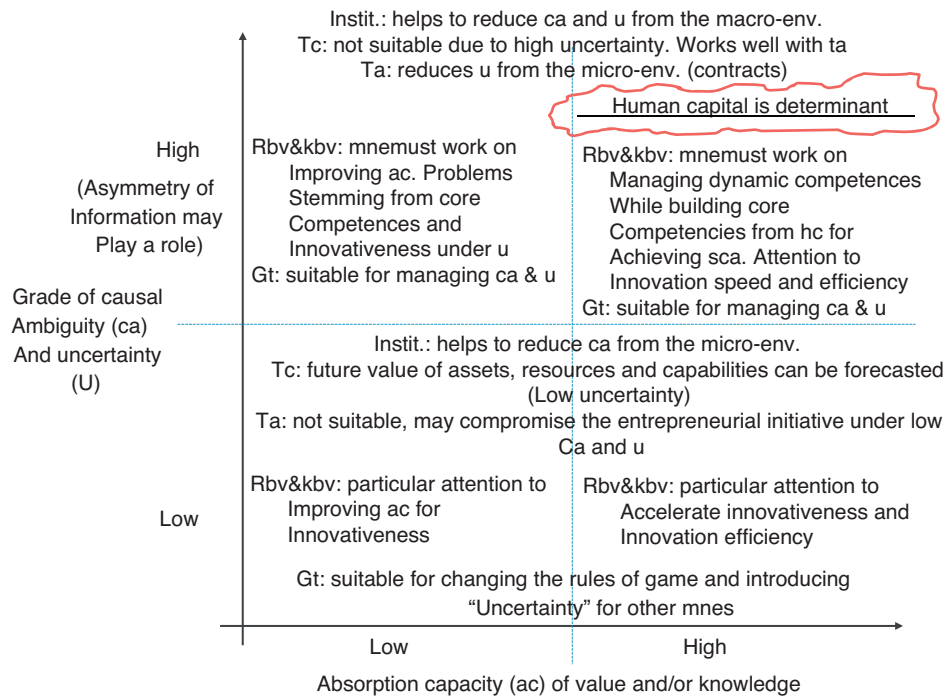
Some missing or underestimated approaches to MNEs' strategy are entrepreneurship and contingent approaches. Chandler's (1962) contingency theory (i.e., the fit between structure and strategy) is frequently a missing element within this field. Some exceptions are owed, for instance to Birkinshaw and Morrison (1995), who studied the configurations of strategy and structure in MNEs' subsidiaries. Birkinshaw (1997) and Birkinshaw et al. (1998) also studied the entrepreneurial initiatives developed by subsidiaries and their potential to become a source of sustained competitive advantage. Meanwhile, Harzing and Sorge (2003) investigated the relative impact of country of origin and universal contingencies on internationalization strategies and corporate control of MNEs.

Game theory (Brandenburger and Nalebuff, 1995; Von Neumann and Morgenstern, 1947) has also been a missing approach within MNEs strategy literature. Yet, it may play a key role to explain cooperative relationships between MNE and local partners, as well as the paths that MNEs could undertake to implement their strategies in foreign markets. If KBV and GT were brought together, then the determinant role of relational capital arises—i.e., how MNEs create value while relating with key agents, in a win-win solution or even to change the rules of the game (Zhu et al., 2011).

Overall, approaches to MNEs' strategy have been quite diverse and complex, much like the phenomenon under investigation. However, some of them have been largely ignored while some others have dominated research in this field over the last decades. Yet MNEs' strategy has a missing component that a modern strategy should include. This missing component has emerged only during the recent years with the co-evolutionary theory: relationships with environment and how to capitalize on it in order to outperform competitors whoever they may be.

Some voices (Madhok and Phene, 2001; Madhok, 2002; Madhok and Liu, 2006) also started to question whether the TCE approach is suitable to address competition issues, particularly through global or multi-domestic strategies, even from the transnational solution of Bartlett and Ghoshal (1989). Indeed, research has showed that different approaches could be used to explain MNEs' multifaceted behavior when choosing and implementing strategies. This has given rise to multiple combinations of approaches that, in a fragmented way, have investigated MNEs' strategies.

Based on Foss' (1999) logic, it can be extrapolated that two opposite forces coexist and shape MNEs' strategies. On one hand, TCE argues that large and inefficient organizations tend to diminish their size. On the other hand, the desire to internalize operations and knowledge for the sake of growth entails more resources and capabilities for organizations to compete. Hence, combinative approaches seem to be required in order to explain complex organizations, such as MNEs. The current economic environment has also brought to fore examples of MNEs that have downsized some previously internalized operations as a consequence of the abovementioned force, some of them related to the country



**Figure 3** Quadrants for an eclectic approach to future research on MNE's strategies.

Source: Own draft from matrix based on Madhok and Liu (2006).

of origin effect on MNEs. This effect, illustrated by Harzing and Sorge (2003), emphasizes the role of country-of-origin as an important predictor of the control mechanisms used by MNEs, influencing largely over their internationalization strategy.

In addition, Kostova et al. (2008) argue that a narrow set of neo-institutional ideas has been put into practice to contribute to the renewal of the theory of MNEs, and call for a more multidisciplinary approach, where the institutional environment dimension is essential. Unexpectedly, we find that the entrepreneurial approach (Foss and Ishikawa, 2007; Foss et al., 2007) is still underestimated in the research on MNEs' strategies, although it is usually encompassed and combined with a RBV approach. It counts only a limited number of articles (e.g., Di Gregorio, 2005; Pitelis and Teece, 2010). Today, this approach is more relevant than ever because entrepreneurial processes and attitudes could help to cope with knowledge problems and asymmetric information issues (Kirzner, 1973) that recent economic change introduces, particularly important while operating in non-price-mediated economies (Foss, 1994).

MNEs do not follow a unique evolutionary path. This idea was already implicit in the transnational solution of Bartlett and Ghoshal (1989) and in the reinterpretation made by Rugman and Verbeke (1992). For instance, institutional conditions in China are different to those in the Eastern European countries, which require contextual adaptation of universal theories. In these cases, the development of research based on institutional theory is of particular interest.

And yet key proponents of internalization theory explicitly reject the SCA-related issues, claiming that "[the advantage approach] failed to explain why firms did not

license their advantage to local firms abroad" (Buckley and Casson, 2009, p. 1572). Nevertheless, as Madhok and Liu (2006) asserted and inasmuch we have tried to enlarge, the constantly changing dynamics of the MNEs environment(s) at both parent's and subsidiaries' and even the MNEs dynamics call for additional approaches other than only internalization.

Based on Dunning's eclectic paradigm (1977), a co-evolutionary approach (Madhok and Phene, 2001; Madhok, 2002; Madhok and Liu, 2006) has recently been developed, as a dynamic theory mainly based on a KBV of MNEs. Under the conceptualization of strategy as a dynamic process of interaction between the firm and its environment (Ronda-Pupo and Guerras-Martin, 2012), evolving theory on MNEs' strategy, other than location or foreign direct investment, cannot obviate the need for a broader scope. Fig. 3 shows how different approaches may help to deal with MNEs properly, in order to serve as guiding highlights for future research. We summarize the key contributions and risks of each approach, according to the emerging co-evolutionary approach.

The "value" and "resources" conceptualizations within the RBV and KBV approaches may constrain the evolving research on MNEs' strategy. The challenge of the causal ambiguity may be faced with game theory, without losing the essence of the KBV: the question is how MNEs and their subsidiaries change the rules of the game, raising their added value while lowering the others' added value in their competition. Game theory has been somewhat neglected in the MNEs' strategy literature. This approach is consistent with internalization theory and with the co-evolutionary explanation, and may deserve more attention in future research.

An additional issue arises from the RBV concerning its application in unpredictable environments. Furthermore,



as for instance, whether the entrepreneurial orientation of MNEs' managers may help to implement a successful strategy. Interactions between the overlapping streams of research and elements (e.g., absorptive capacity, the learning organization, creating social capital, the impact of "thinking globally while acting locally" in some economies, the "value" of a resource, value absorption, human capital-based advantages, etc.) will benefit the evolution of the field. And, arguably, it remains a major challenge since the current business cycle begun: the process of internalization. Should large multinationals increase their size by internalizing or decrease it by disinvestment may help scholars to open that black-box in terms of process, with the help of the aforementioned tools and approaches?

In a nutshell, more eclectic and integrative studies are required, for instance by using methods such as meta-analysis, in order to increase our knowledge of MNE's strategy along their life cycle. More predictive models useful either for MNEs' managers and other competing organizational forms should be the object of future research.

Transitions between these forms (e.g., from INVs to MNEs) would also benefit this research topic. All in all, the co-evolutionary theory implies a promising advance for a further understanding and explanation of how MNEs actually behave under the strategic competition umbrella.

## Acknowledgements

Authors would like to acknowledge the comments from Prof. Mike Harvey, Distinguished Chair of Global Business at the University of Mississippi & Professor of International Management at Bond University.

We would also like to gratefully acknowledge the comments and helpful suggestions of two anonymous reviewers and guest-editors on an earlier version of this article.

## Appendix A.

See [Table 4](#).

**Table 4** Key contributions to the theory on MNEs strategy research.

Authors	Underlying foundations	Core contribution
<a href="#">Buckley and Casson (1976, 2009)</a>	Mainly TCE with an argument from knowledge	(a) A MNE internalizes markets when the benefits of doing so outperforms their costs; (b) a MNE locates each activity according to the least-cost principle; (c) the dynamics of both the firm's profitability and growth are based upon a continuous process of innovation stemming from R&D. The review of the initial postulates of the "internalization" of operations and knowledge theory of MNEs, includes new challenges: alternative mode of foreign market entry, the role of international joint ventures, impact of innovation on growth, the role of culture
<a href="#">Bartlett and Ghoshal (1989)</a>	TCE	There are three different types of MNEs: global, multidomestic and transnational. As dispersed units, these organizations can be seen as an internally differentiated interorganizational network. The MNEs' strategy is governed by the resource configuration, the internal distribution of power and the structural properties of its external network. There are three requirements that MNEs try to fulfill: global efficiency, national responsiveness to local needs, and developing and spreading innovation internationally
<a href="#">Birkinshaw and Morrison (1995)</a> , <a href="#">Birkinshaw (1997)</a> , and <a href="#">Birkinshaw et al. (1998)</a>	RBV + entrepreneurship	Entrepreneurial initiative at subsidiary level has the potential of becoming a SCA, although contextual mechanisms to create differentiated subsidiary roles has its limitations because each initiative type is facilitated in different ways. There is a relevant interaction between structure and corporate strategy. All the latter calls for a "heterarchy" in order to manage and control properly the entrepreneurial initiative
<a href="#">Rugman and Verbeke (1992)</a>	TCE	The transnational solution of <a href="#">Bartlett and Ghoshal (1989)</a> is well encompassed in TC. Depending upon the relative costs and benefits of investments in each of the three coordination and control techniques, MNEs will develop a mix of them
<a href="#">Buckley (1993)</a>	TCE	Location strategy is not a mere calculation of comparative costs by the rational manager. (1) Cultural elements differentiate nations and affect location decisions. (2) The governments in international business affect strategic decisions. (3) The increase role of strategic rivalry between MNEs affect strategic decisions

Table 4 (Continued)

Authors	Underlying foundations	Core contribution
Kogut and Zander (1993)	KBV combined with TCE	MNEs arise from its superior efficiency as an organizational vehicle by which to transfer its knowledge across borders, hence determining their strategies. Organizations specialize in the internal transfer of tacit knowledge: the less codifiable and the harder to teach is the technology, the more likely the transfer will be to wholly owned operations
Oviatt and McDougall (1994, 2005)	RBV + entrepreneurship	Necessary and sufficient conditions for International new ventures to exist: (1) organizational formation through internalization of some transactions, (2) strong reliance on alternative governance structures to access resources, (3) establishment of foreign location advantages, and (4) control over unique resources
Harvey et al. (2001)	Combination: agency + expectancy	Managing international human resources strategically by efficient resource staffing systems in global environments, mainly through expatriates and inpatriates
Delios and Beamish (2001)	KBV	Survival and profitability have different antecedents concerning a firm's intangible assets and experience. Host country experience has a direct effect on survival but a contingent relationship with profitability
Wolf and Egelhoff (2002)	TCE implicitly	Level of international transfers and level of foreign R&D are the keys for extending the international strategy-structure theory
Martin and Salomon (2003)	KBV	Knowledge tacitness affects the relative suitability of the MNEs strategies of entry mode
Rugman and Verbeke (2003)	TCE	Assert the validity of the Buckley and Casson's (1976) theory on MNEs and establish the foundations for extending the TC reasoning to include the functioning of differentiated network MNEs
Verbeke (2003)	Combination: TCE + bounded rationality	The co-evolution of the MNE's governance structure and its technological competences determines present and future strategy choices (TC ad learning effects influence strategy selection)
Rugman and Verbeke (2004, 2008)	TCE + assets specificities	Split MNEs in terms of global and regional strategies they implement
Chen (2005)	TCE + assets specificity	The choice of an optimal governance structure is determined by the complementarity of strategic assets controlled by the economic actors involved, and by the linkages among the technology – manufacture interaction in two intermediate input markets, and the subsequent sales function in the final products market
Di Gregorio (2005)	Entrepreneurship theory + opportunism	Country risk analysis becomes an opportunity for MNEs to profit from uncertainty by developing strategies focused on both the upside (harvesting upside volatility) and downside (containing downside volatility) elements of country risks
Tsai et al. (2006)	Institutionalist	Downsizing practices of MNEs are based on mixed economic factors: institutional factors and social cognition processes
Li (2007)	Games theory implicitly + real options	Real options on MNEs strategy may be used for: (1) valuing multinational networks, (2) assessing market entry modes, and (3) evaluating market entry timing
Kostova et al. (2008)	Institutional	Institutional approach is most appropriate under conditions of institutional ambiguity and when contradictions in the meso level exist
Madhok and Liu (2006) as well as Madhok and Phene (2001) and Madhok (2002)	Combination: KBV + TCE	MNEs achieve their competitive advantage under the overall effectiveness management of knowledge stocks and flows, mediated by the causal ambiguity and the absorptive capacity. They must manage properly the co-evolutionary process within the macro and micro environments (environmental selection and managerial adaptation)



Table 4 (Continued)

Authors	Underlying foundations	Core contribution
Hennart (2009)	TCE + agency + assets specificities	Changing the focus from MNEs toward local partners: the transactional characteristics of complementary local assets and model foreign market entry as the optimal assignment of equity between their owners and MNEs
Verbeke and Brugman (2009)	TCE + assets specificities	The relationship between multinationality and performance is far from being clear under the internalization theory: firm-level performance depends primarily on the characteristics of the firm's specific advantages
Hennart (2010)	TCE + information asymmetry + asset specificity	Full explanation of why MNEs exist must rely on information asymmetry as well as asset specificity. The study of modes of foreign market entry leads to alternative viewpoints on equity joint ventures and hybrids
Li et al. (2010)	KBV	Sub-regionalization is a mean of executing a MNE's regional strategy
Pitelis and Teece (2010)	RBV + dynamic capabilities + entrepreneurship	The nature of the MNE should not be seen as separable from either the objectives of the agents (entrepreneurs) who set them up or its essence-the employment of strategy to capture co-created value
Crilly (2011)	Institutionalist + RBV	Although theory emphasizes external stakeholders' control over resources, internal control through the corporate parent can crowd out the voices of local stakeholders. Although institutional theory proposes isomorphism with local norms and standards, some corporations are subject to scrutiny by global stakeholders, and their subsidiaries face higher requirements for social engagement than their peers
de Jong et al. (2011)	Institutionalist	A meta-environment is a symbiosis of all country environments where an MNE operates. Variations in the meta-environment determine variations in MNE performance: its presence in a geographic space positions is relative to others in a unique configuration
Rugman et al. (2011)	RBV + TCE	Two units of analysis are developed. At country level, foreign direct investment (through TC lens). At the MNEs level, the parent's firm specific advantages (through RBV). The combination of both dimensions result in compounded distance and resource recombination
Slangen (2011)	TCE applied to communication cost	The expected communication costs are argued to increase with the verbal communication barriers existing between a prospective subsidiary and its parent, but this increase is argued to be larger for acquisitions because they require more extensive parent-subsidary communication than greenfields

Source: Own analyses from authors cited.

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