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International relations in international business research: A review and research agenda

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ABSTRACT

The increasing dynamism of the international business (IB) environment has drawn greater scholarly attention to the implications of international politics for MNEs' cross-border activities. However, a systematic overview of International Relations (IR) research which has been applied in IB studies is absent. To analyse this void, we propose a conceptual framework of the broader international context to delineate the research boundaries of the emerging *IR in IB research* domain and offer a critically synthesized review of the studies that have drawn on IR scholarship to explain MNEs' behaviour. We conduct bibliometric and content analyses to understand the state of knowledge of *IR in IB research* and examine the main approaches to study the impact of IR factors on MNEs' location choices, entry strategies, legitimacy and post-entry performance. By illuminating knowledge frontier issues, we derive important directions for deepening the integration of IR scholarship to advance IB research.

1. Introduction

Cross-border business exchanges are, to a large extent, dependent upon relations between countries (Krasner, 2002), and thus the stability of international relations (IR) has been central to multinational enterprises (MNEs). IR,¹ as an established scholarly field, is concerned primarily with the relationships *between and among* state governments over economic and security matters, and is closely connected with other actors (e.g., international organizations, MNEs and individuals) as well as with geographical and historical influences (Strange, 1987; Reiter, 2015). Since earlier scholarly works on the influence of foreign policies and home-host country ties on MNEs (Rangan & Drummond, 2004; Simon, 1984), international business (IB) scholars more recently have been paying increasing attention to the impact of IR on MNEs (Chidlow, Wang, Liu & Wei, 2021; Sun, Doh, Rajwani & Siegel, 2021; Zhao, Liu, Andersson & Shenkar, 2022). This research interest has been heightened by rising tensions between major economies (e.g., the US and China), interstate military conflicts (e.g., Russia – Ukraine war), and regional

(dis)integrations (e.g., Brexit). These new developments have highlighted the need to examine the implications of the increasingly dynamic role of IR in MNEs' activities (Han, Liu, Xia & Gao, 2018) and the importance of IR in informing IB research (Li & Vashchilko, 2010).

In view of the recognized significance of *IR in IB research* and the profound shifts in the international political systems, a comprehensive review of the relevant literature is warranted. We investigate IB research that has drawn knowledge from IR. The latter consists of the relationships between and among state governments (hereafter interstate relations), and international institutions at global and regional levels whose members are state governments. The term IR refers to the scholarly field throughout this review. Our focus of *IR in IB research* is operationalized through the role of interstate relations and international institutions in cross-border investment and business operations.

Accordingly, our study offers a timely, systematic review of how IR has and will broaden the theorization of MNEs, given that the influence of IR on MNEs has been a largely uncharted area in IB research (Arikan, Arikan & Shenkar, 2020). Specifically, our review addresses two

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¹ Other similar terms to IR include international politics (often in Scandinavian context), international affairs (often in North American context), and international studies. With no unified terminology, these terms share the common underpinning of issues concerning *interstate* relations.

important questions: (1) What can existing *IR in IB research* inform us regarding MNE behaviour, and (2) What are future IB research opportunities, based on a critical analysis of the current literature? By addressing these two questions, we aim to contribute to IB research in three ways. First, our paper offers new conceptual dimensions and boundaries of the emerging *IR in IB research* by providing a unified interdisciplinary framework, thus contributing to a comprehensive understanding of crucial interstate issues facing MNEs. This refines and broadens theoretical explanations of MNEs' behaviour and how it is affected by international politics. In particular, we systematically review interstate relations originating from IR that have been under explored in IB in comparison to scholarship on within-country contextual forces (e.g., home or host country institutions). Second, our systematic review of empirical studies examining the impact of interstate relations on MNEs provides a novel conceptual mapping of the intellectual structure of *IR in IB research*, highlighting the influence of IR in the theorization of MNEs. Third, we identify key research frontier issues concerning the influences of interstate relations on MNEs, propose instrumental ways to deepen the integration of IR knowledge into IB research, and explicate research questions that warrant immediate scholarly attention.

The next section introduces our conceptual framework outlining the boundaries of *IR in IB research*. Section 3 explains the review methodology. Section 4 presents our findings, and Section 5 offers discussions on future research directions, followed by the conclusion.

2. A conceptual framework for *IR in IB research*

One of the major domains in IB research centres on “how the international environment (e.g., cultural, political, economic) affects the activities, strategies, structures, and decision-making processes of firms” (Eden, 2008, p.3). Within this domain, the aspects of the international environment associated with interstate relations are the realm of *IR in IB research*. Thus, we define *IR in IB research* as the set of studies that examine the impact of the relationships between/and among states and non-state actors in the international system on firm strategies, operations, and business outcomes. This emerging research area in IB has not yet been fully conceptualized as its interdisciplinarity generates additional challenges when conducting a comprehensive literature review. Some of the IR factors used in IB studies lack accurate conceptual and operational definitions resulting in underdeveloped theoretical explanations of the impact of interstate relations on MNEs. To fill this gap, we outline the research boundaries of *IR in IB research* by highlighting its conceptual dimensions and interdisciplinary theoretical foundations in a unified integrative framework.

The IR discipline predominantly studies interstate relations that are structured by certain rules, history, and patterns of interactions (Morgan, 1987). Interstate relations involve a combination of cooperation and conflict across multiple issues/areas (Keohane & Nye, 2012). Cooperation takes place when individuals, groups and countries engage in the mutual adjustment of behaviours to the actual or anticipated preferences of others through a process of coordination (Keohane, 1984; Milner, 1992). Conflict refers to the mutually inconsistent preferences between individuals, groups, or countries in a bargaining situation (Nicholson, 1992). The real-world continuum of interstate relations ranging from conflict to cooperation informs IR's two main sub-fields, each with its own overarching research question: (1) international security focuses on conflictual issues between countries (Why do states fight?), and (2) international political economy (IPE) examines the cooperative nature of interstate relations (Why do states cooperate?) (Kirshner, 2011). Furthermore, states' diplomatic interactions can be distinguished in terms of unilateralism, bilateralism, or multilateralism depending on the number of countries involved (Tago, 2017). The salience of an issue at stake, and prior historical ties of the countries involved, would define the number of involved state actors in the decision-making process and the range of potential outcomes. IB scholars can derive valuable implications from such IR scholarship on

how governments structure their foreign policies, hence the implications for cross-border business activities.

Theoretical explanations in IR on why states ‘fight’ or ‘cooperate’ on their own (unilateralism), with one other state (bilateralism), or many states (multilateralism) have been developed at three levels of analysis, namely interstate, country, and individual (Buzan, 1984). At interstate level, the focus is on the implications of states' relative power positions within the international system (Waltz, 2018), which has significant implications for MNEs. Given the inextricable linkage between domestic and international politics, IR research at the other two levels of analysis assumes that states are not unitary actors in the international system and, instead, foreign policy decisions are shaped by the internal makeup of domestic politics (Fearon, 1998). Such IR theories expand IB explanations of MNE behaviour at country and individual levels of analysis by accounting for the formation of public attitudes toward certain foreign countries (Putnam, 1988), and government preferences over foreign policies as they shape MNE activities (Gao, Wang & Che, 2018). Thus, IR offers theoretical foundations for conceptualizing the ‘international context’ as a dynamic socio-political phenomenon that can be studied at three levels (individual, country, interstate) across two main conceptual dimensions: (1) the cooperation-conflict nexus capturing the quality of interstate relations (Keohane & Nye, 2012), and (2) foreign policy's unilateralism-bilateralism-multilateralism capturing the number of involved countries (Tago, 2017). To systematically synthesize the structure and elements, and features of the international context grounded in IR, we developed a framework (Fig. 1) that should transcend research questions in IB on the conditions under which the ‘international context’ can have profound effects on MNEs.

Fig. 1 shows that explanations of the complexities of the international context, including international political processes and geopolitics, are grounded in political science (PS) theories, which provide theoretical foundations beyond the IR discipline, including IB. Our proposed framework for moving *IR in IB research* forward highlights not only *what* constitutes the IR context in terms of its main elements, but also *how* IR factors can be systematically integrated into IB theorizing. First, the IR context can be categorized into two integral dimensions, conflict and cooperation. Therefore, the most relevant international political factors of *IR in IB research* can be grouped across the same dimensions when theorizing about the implications of IR factors for MNEs' strategies and cross-border activities, such as location choices, entry strategies, legitimacy and post-entry performance. For example, by categorizing two types of IR factors, conflict and cooperation, our framework emphasizes that IB scholars should integrate IPE theories into IB research when theorizing about the impact of interstate cooperation on IB subjects, and integrate international security theories into IB studies when theorizing about the influences of international conflict on IB subjects. Second, our framework explains that each of the two IR dimensions encompasses PS theories at three levels of analysis depending on the number of countries involved: unilateral, bilateral, and multilateral. That is, the dynamics in interstate relations change depending on the number of countries involved, which have to be taken into account when developing IB theories on the implications of interstate dynamics. For example, if an IB study focuses on strategies of foreign subsidiaries with a sample of firms from one home country doing business in one host country, then one of the important political factors to consider or, at least, to control for, is the political relationship between a home and a host country. Finally, given that the PS discipline has accumulated extensive knowledge about the intricacies of interstate relations, IB scholarship will greatly benefit from a systematic integration of IR and PS theories when study the implications of international political dynamics for IB subjects. Our framework offers IB scholars a guide on the main elements of the IR context from a PS perspective, and how to choose the relevant IR theories for integration into IB (e.g., choosing international cooperation theories rather than international conflict theories for studying the implications of IR factors associated with interstate cooperation for MNEs).

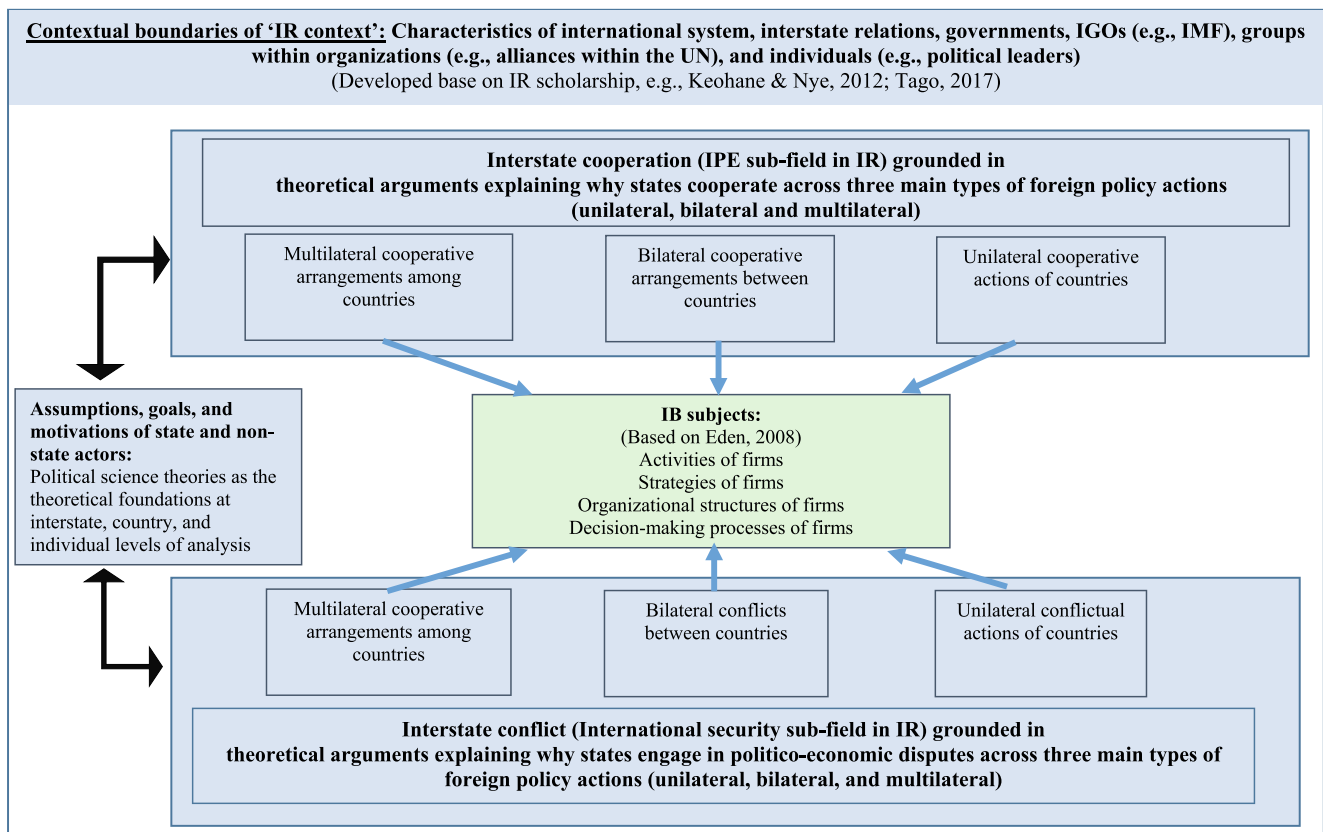


Fig. 1. Conceptual framework of IR in IB research: Theoretical foundations and conceptual dimensions of the IR context for explaining IB phenomena.

Theorizing about interstate cooperation is mainly grounded in the liberalism paradigm (e.g., democratic peace theory, design of international institutions theory), whereas the study of interstate conflict is predominantly based on the realism paradigm (e.g., balance of power theory, power transition theory). Thus, explanations of interstate conflict and cooperation in IB require at least two distinct IR theoretical approaches, and integration of their key theoretical blocks.²

The theoretical foundations of IR scholarship roots can be traced to realism and liberalism. While variations in defining realism exist, there is consensus among realists and critics that realism seeks to comprehend the dynamics/patterns of conflict and cooperation under conditions of anarchy. It emphasizes “the constraints on politics imposed by human nature and the absence of international government” (Donnelly, 2000, p. 9). The central notions of realism revolve around national interests, power dynamics, and balance of power, which often lead states to prioritize security issues, reputation, and gains at the expense of other states. By viewing states exist in a self-help system, realism overlooks the role of non-state actors such as international organizations (IOs). In contrast, liberalism views IOs as important actors in world politics besides states (Keohane, 1986). Within the liberalism paradigm, regime theory (Krasner, 1983) and neoliberal institutionalism (Keohane, 1986) emerged to explain international cooperation in the late 1970s as a widespread and durable phenomenon. These changes became the major challenge to realism, which could not fully explain them. Thus, at the

² The third fundamental paradigm in IR, constructivism, emphasizes the importance of “norms” and “ideas” in shaping social processes and making sense of world politics (Wendt, 1992). The constructivism theories in IR focus on collective ideas, identities, and social discourse (Ruggie, 1998). “In the place of national interests, power, and security dilemmas, constructivists highlighted the role of intersubjective meaning – how policy-makers interpreted, frame, and understood situations in world politics” (McCourt, 2022, p. 26).

time, the hegemonic stability theory was the only theory used by realists to explain cooperation. However, it lacked the explanatory power to elucidate the growth of international institutions and the rising importance of domestic factors (political, economic, and social processes) in the foreign policy decision-making process (Grieco, 1997). Liberalists propose that the formation/emergence of international institutions can promote cooperation by providing states with coordinating mechanisms through which states can benefit from cooperative behaviours, as well as imposing costs on states that violate international agreements (Jervis, 1999; Krasner, 1983). Thus, liberalism emphasises cooperation and interdependence.³

3. Review boundaries and methodology

3.1. Review boundaries and terminologies

We draw the review boundaries based on our conceptual framework in Fig. 1 and organize IB research that examined state engagements in unilateral, bilateral, or multilateral cooperation or conflict in shaping MNEs’ expansions. We define MNEs as firms based in one country, with affiliated branches or subsidiaries in other countries where the MNEs exercise control and focus on value-adding activities (Aggarwal, Berrill, Hutson & Kearney, 2011). On terminologies related to IR, a state refers to a territorial entity controlled by a national government and inhabited by the resident population (Barkin & Cronin, 1994). We use the term state interchangeably with country. A state government exercises sovereignty over its territory for law and policies that are subject to no higher authority (Thomson, 1995). As states develop relations with one another, interstate relations are about the patterns of interactions between and among states structured according to certain explicit or

³ A detailed discussion of these paradigms is presented in Web-appendix A.

implicit rules in the international system (Waltz, 1979). States may participate in and take actions through intergovernmental organizations (IGOs)⁴ that fulfil political, economic and other functions (e.g., United Nations). Foreign policy is about the strategies that state governments use to guide their actions with regard to other international actors including states, IGOs and MNEs (Hermann, 1990). Theoretical arguments and various actors being discussed in IR have been incorporated by IB scholars to illuminate the research agenda on a wide range of business-related phenomenon (Haufler, 2015).

To provide a coherent review, we focus on empirical studies that examine the relationships between/among states, their interaction with IGOs, and the formulation of public sentiment towards foreign countries owing to past interactions at interstate level that can impact on MNEs. Research merely focusing on home–host country differences (e.g., institutional distance) and/or national political and economic systems (e.g., liberal capitalism vs. state capitalism) without considering the dynamic and reciprocal relations between countries is not included. As non-governmental organizations may have diverse objectives and relationships with individuals and interest groups, research about their relationships with MNEs is excluded.

3.2. Journal selection and search strategy

We focus on articles published in leading journals in IB, strategy and management that draw on IR knowledge to examine the impact of interstate relations on MNEs. In line with commonly adopted journal selection methods in IB reviews, our sample included 14 peer-reviewed journals from 1984 to 2021, with IB journals ranked 3 and above, and strategy and management journals ranked 4, as defined by the *Academic Journal Guide, 2021* (Table 1).

We adopted a structured approach regarding article search and selection by following the steps suggested by Webster and Watson (2002).

Step 1. Identifying keywords: We used literature-based reasoning to identify keywords through three rounds of discussion. In the first round, we attempted to analyze seminal works in both IB and IR fields for keyword identification. However, given their different analytical focus (for example, IR research sometimes uses firms and MNEs as synonymous) we realized that this approach may over expand the scope of our review. To provide a relevant and manageable review, we zoom into seminal conceptual articles that advocate applying IR knowledge about interstate cooperation and conflict to advance IB research on MNEs. In the second round, we read and coded these articles independently and

Table 1
Number of articles by journal (1984 – 2021).

International Business Journals	AJG Ranking	No. of Articles
<i>Journal of International Business Studies (JIBS)</i>	4*	19
<i>Journal of World Business (JWB)</i>	4	4
<i>International Business Review (IBR)</i>	3	10
<i>Journal of International Management (JIM)</i>	3	1
<i>Management International Review (MIR)</i>	3	8
<i>Asia Pacific Journal of Management (APJM)</i>	3	5
<i>Management and Organization Review (MOR)</i>	3	1
Management and Strategy Journals	AJG Ranking	No. of Articles
<i>Academy of Management Journal (AMJ)</i>	4*	1
<i>Administrative Science Quarterly (ASQ)</i>	4*	1
<i>Strategic Management Journal (SMJ)</i>	4*	7
<i>British Journal of Management (BJM)</i>	4	1
<i>Journal of Management Studies (JMS)</i>	4	2
<i>Organization Studies (OS)</i>	4	3
<i>Global Strategy Journal (GSJ)</i>	3	3
Total		66

each co-author generated a list of keywords. With regard to cooperation, we identified keywords *bilateral relations* and its variation *home – host relations* based on Ramamurti's (2001) analysis of interstate power and resource dependence at macro level in shaping MNEs – host government negotiations at micro level. In terms of conflict, we were guided by influential works discussing geopolitical relations (Li, Van Assche, Li & Qian, 2021; Shi, Hoskisson & Zhang, 2016), hegemonic power rivalry (Grosse, Gamso & Nelson, 2021; Witt, 2019) and the asymmetric development of international political and economic systems (Kobrin, 2015) to identify keywords *international relations; international system; international politics; geopolitical relations; and foreign policy*. A third round of discussion took place to reconcile differences in coding such as the interchangeable usage of *home – host country relations* and *country-dyadic relations* in IB research. This iterative process has allowed us to identify two groups of keywords. The first group are about MNEs and include multinational enterprises; multinational corporations; multinational firms; multinational companies; transnational enterprises; transnational corporations; transnational firms; transnational companies. The second group concerns the role of international relations, including interstate relations; international politics; international political economy; bilateral relations; diplomatic relations; country-dyadic relations; home – host country relations; geopolitical relations; and foreign policy. Conceptual articles helping us to identify keywords are presented in Web-appendix B.

Step 2. Article search: We conducted pairwise searches using these two groups of keywords in literature databases, namely the Web of Science (WOS), ABI INFORM, and Science Direct. After filtering overlapped results, our search generated 252 articles.

Step 3. Article selection and inclusion criteria: We screened these articles by reading their abstract. To provide concrete and evidence-based understanding of the state of knowledge, we focus on empirical studies while book reviews, introductory notes, and editorials are removed. This enables us to conduct consistent analysis and draw on compatible findings of prior studies regarding *IR in IB research*. This process retained 120 articles in the sample.

Step 4. Exclusion criteria: The authors read the remaining full-length articles independently, then discussed and evaluated their relevance. We dropped studies that refer to IR occasionally. Moreover, papers centred on within-country institutional forces or comparing national institutional systems without considering the interaction of states in the international system are excluded. These exclusion criteria produced a sample of 59 articles.

Step 5. Additional checks: We used backward search to screen the references cited by these 59 papers and forward search to screen the ones that cite them and identified 7 additional articles. Additionally, we manually checked articles published in the 14 journal outlets between 1984 and 2021 to ensure completeness. To check the accuracy of article selection, three IR scholars independently reviewed our sample. Overall, we include a total of 66 articles in this review (A summary of these articles are listed in Web-appendix C).

3.3. Review methods

We combined bibliometric and content analyses to strike a balance between the breadth and depth of the review (Chakma, Paul, & Dhir, 2021). *IR in IB research* is interdisciplinary, growing, and novel. However, our understanding of the area's research breadth (i.e., intellectual structure⁵) and depth (i.e., research questions, theories) remains

⁵ Intellectual structure of a research area summarizes such characteristics of the research area as its interdisciplinary composition, main research traditions, most influential research themes and their interrelationships (Shafique, 2013). Quantitative measures of the intellectual structure are based on citations to prior research that approximate "the existing knowledge used in the creation of new knowledge" (Shafique, 2013, p. 63).

⁴ In IR, the terms IGOs and IOs are used interchangeably.

limited. Bibliometric analysis is an instrumental methodology for an objective understanding of a research area's breadth, whereas content analysis brings an in-depth evaluation by structured analysis of articles' content (Seuring & Gold, 2012). Using these review approaches allow us to shed light on the extent to which IR knowledge has been integrated into IB, and identify frontier issues for future research.

We utilized three types of bibliometric analysis,⁶ namely citation, co-citation, and bibliographic coupling analysis to unfold the intellectual structure of *IR in IB research* (part of citation and co-citation analyses are presented in Web-appendix E). To gain insights into the domain's research depth, we used content analysis that provides "a more nuanced understanding of the contextual issues involved" (Raghuram, Tuertscher, & Garud, 2010, p. 985).

4. Findings

4.1. Bibliometric analyses

First, we apply bibliographic coupling analysis to trace the temporal evolution of *IR in IB research* over three distinct phases coloured as purple (phase 1, before 2000), turquoise (phase 2, 2000–2010), and yellow (phase 3, 2011–2021) circles in Fig. 2.

Specifically, phase one included 7 pioneering articles on the implications of interstate security relations (Nigh, 1985) and regional economic integration (Eden & Molot, 2002) for MNEs with minimum use of IR theoretical arguments. This inspired IB scholars in the second phase to focus on a more in-depth examination of the role of interstate relations in cross-border investment (Grosse & Trevino, 2005; Li & Vashchilko, 2010) by integrating IR theories on democratic peace (Oneal and Russett, 1997), interstate security alliances (Long & Leeds, 2006), and expected utility theory of war (Bennett & Stam, 2000). In the third phase, from about 2010, IB scholars started to pay more attention to national security issues (e.g., military conflict, economic sanctions) and the related outcomes for MNEs. This required greater integration of IR explanations to theorize the impact of changing international conditions on MNEs' behaviours (Arikan et al., 2020). Nearly 70 % of our sample were papers published after 2010. Such exponential growth in publications in the last decade indicates the increasing popularity of *IR in IB research*, which is mainly driven by recent changes in international political system. The last decade has also been characterised by an increased variety of interstate issues and consequently studied in IB, such as economic and security alliances (Kandogan & Hiller, 2018), bilateral investment treaties (BITs) (Williams, Lukoianova & Martinez, 2017) and national sentiments (Li, Makino & Jiang, 2019) in shaping MNEs' expansion and success.

Next, we use co-citation and citation analyses to identify the intellectual structure of *IR in IB research*. Our sample articles generate a co-citation network of 647 journals and 4,351 references, which contributed to the emergence of *IR in IB research*. To identify the interdisciplinary composition of *IR in IB research*, we conducted co-citation analysis of journals that were cited by our sample papers (See Web-appendix E).

Our analysis indicates that *IR in IB research* from 1984 to 2021 had a high degree of interdisciplinary composition. This indicates that the knowledge base of *IR in IB research* is influenced by diverse theoretical and methodological approaches from a variety of disciplines. However, the journals receiving the largest numbers of citations are in IB, Strategy or Management (e.g., JIBS, SMJ), and less so in IR/PS (e.g., International Organization). IB journals are much more interlinked with other journals in the network than IR/PS journals, which implies the former exhibited greater influence on new knowledge creation in the area than the latter. To understand the influence of IR discipline, we analyze the

⁶ VOSviewer was used for bibliometric analysis (Van Eck & Waltman, 2010), and STATA for exploratory analysis of the bibliometric output.

proportion of cited journals from IR/PS discipline. As Table 2 demonstrates, despite the long-history of IR, its usage and diffusion in explaining MNEs' activities has been modest (cited journals from IR/PS across all four research themes were between 10.35 % and 15.25 %).

4.2. Content analysis of research themes

Following Gaur and Kumar (2018), we use the coding scheme for 'research areas with narrow scope' to code our sample papers for content analysis. We first identified the four main research themes of *IR in IB research* based on our sample articles' dependent variables and theoretical explanations⁷: MNEs' (1) location choices; (2) entry strategies; (3) legitimacy, and (4) post-entry operational outcomes.⁸ Then we validated these research themes by comparing our categorization approach to the ones used in previous reviews (Cuervo-Cazurra & Li, 2021; Eden, 2008) and the bibliographic coupling analysis of the sample papers. Finally, guided by our conceptual framework (Fig. 1), we reviewed the sample articles and identified the factors associated with the influences of interstate cooperation and interstate conflict on MNEs. Taking the above steps allows for a systematic content analysis of each research theme while structuring the research findings according to the main dimensions and conceptualizations of the IR context as proposed in our framework. Based on our critical evaluation, we derive key observations to identify future research directions.

4.2.1. Theme 1. The impact of IR factors on MNEs' location choices

This theme includes 27 articles examining cooperation and conflict between and/or among countries that shape MNEs' location choices.⁹ Interstate economic cooperation through trade and investment agreements has been regarded as key impetus that prompts MNEs to expand to the signatory host country. Moreover, research on this theme has gradually evolved from the assumption that interstate cooperation can reduce transactional costs to one where structural dependences between countries affect MNEs' location choices.

The impact of interstate cooperation on MNEs' location choices: We find that MNEs' location choices can be profoundly influenced by the attractiveness of the potential host countries. Market liberalization in the past decades has been accompanied by a proliferation of regional trade agreements (RTAs) and BITs to attract FDI. Embracing the IR theories of international institutions (Martin & Simmons, 1998), IB scholarship argues that to improve economic cooperation, governments create a common set of rules and norms for coordinating the behaviours of states that enable firms to expand to signatory countries for the economies of scale, market access and cost reduction (Banalieva, Gregg & Sarathy, 2010; Grosse & Trevino, 2005). In addition to the ratification of economic agreements, amicable interstate political relations can be leveraged to alleviate non-commercial risks, thus facilitating FDI, especially by firms closely connected with their home-country government (Li, Meyer, Zhang & Ding, 2018). The presence of prior colonial ties tends to place firms from European metropolises in a favourable investment position in their ex-colonies due to the dense intergovernmental networks and aid assistance by former colonial powers after decolonialization (Glaister, Driffield & Lin, 2020; Witte, Burger & Penning, 2020). Firms from the ex-colonies, in reciprocity, have shown interest by expanding to their European metropolises to acquire

⁷ Two articles are relevant for more than one research theme. We coded and analysed them separately under each theme. Thus, the literature presented in content analysis exceeds the total of 66 articles in our sample.

⁸ We use an inductive approach for grouping the 66 studies by way of evaluating their concentrated research areas instead of fitting the studies into the antecedent-process-outcome framework, which would offer a less accurate reflection of the concentration of current scholarship.

⁹ The co-citation analyses of journals and references of individual themes are in Web Appendices F.

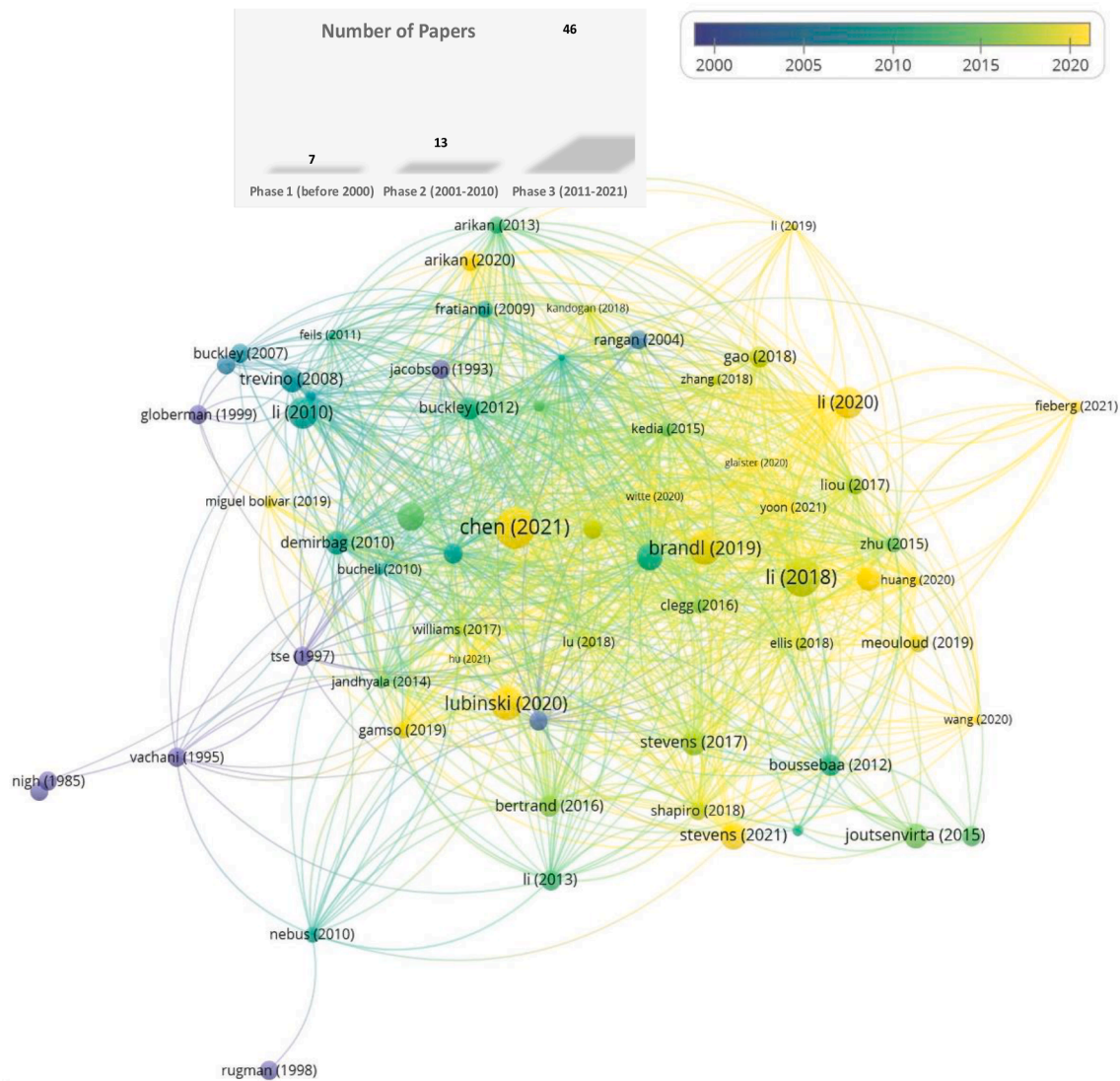


Fig. 2. Temporal bibliographic coupling network of the 66 papers studying the impact of IR factors on MNEs, and the top ten cited references (based on the number of citations in the Web of Science database).

Table 2
Influence of IR on IB research (measured as the proportion of all citations that IR/PS journals received in our 66 sample articles).

	% of IR/PS cited journals	Number of IR/PS cited journals	Total number of cited journals
Theme 1. The impact of IR factors on MNEs' location choices	10.35 %	38	367
Theme 2. The impact of IR factors on MNEs' entry strategies	15.28 %	33	216
Theme 3. The impact of IR factors on MNEs' legitimacy	13.60 %	31	228
Theme 4. The impact of IR factors and MNEs' post-entry performance	11.44 %	23	201

legitimacy (Meouloud, Mudambi & Hill, 2019).

Moving beyond interstate political and economic cooperation as an instrument for lowering transaction costs, IB research has addressed the structural dependence between countries in explaining MNEs' location

choices (Duanmu, 2014). Studies in this vein have shifted the focus away from the realization of common interests through cooperation to the asymmetric power distribution between countries in determining the pattern and flow of FDI. Countries possessing greater economic power are found to be more capable of negotiating RTAs in their favour (Kandogan & Hiller, 2018) and enjoying a disproportionate increase in inward FDI (Feils & Rahman, 2008). Additionally, although prior colonial ties may facilitate FDI, its value can be diminished in the face of drastic institutional transition in ex-colonies and geopolitical rivalry between former colonial states, and rising powers without such a historical legacy (Witte et al., 2020).

The impact of interstate conflict on MNEs' location choices: IB research has integrated IR knowledge recognizing that interstate security concerns can generate a lasting effect on MNEs' FDI location decisions. Military disputes between countries can override economic interests and obstruct FDI (Nigh, 1985). In extending Night (1985), Li & Vashchilko (2010) developed arguments grounded in IR theories that the influences of interstate military conflict and security alliances on FDI are more pronounced in emerging markets. Enmity resulting from warfare can provoke negative national sentiment which makes, for example, Japanese MNEs reluctant to enter the markets of China and Russia (Gao et al., 2018; Li et al., 2019). By contextualizing interstate relations from a

historical perspective, [Arikan et al. \(2020\)](#) provided empirical evidence that country-dyadic animosity arising from historical conflicts reinforces national identity through socialization, hence discouraging cross-border investment deals.

Key observations: Theme 1's content analysis leads to two key observations. First, the success of regional economic integration has encouraged IB scholars to study the influence of RTAs on cross-border investment. By considering regional integration as a linear process, IB research has largely overlooked the role of state borders and identity that are traditionally central to the IR literature. Political shocks such as Brexit have posed challenges to the long-held view of continuing regional integration ([Buckley, Doh & Benischke, 2017](#)). However, our review demonstrates that research about regional (dis)integration, the relationship between state governments and regional authorities in terms of interest alignment and their impact on MNEs' location choices have been nascent. Second, research on MNEs' location choices has largely subscribed to the "commercial peace" hypothesis ([Bearce, 2003](#)), which assumes economic interdependence in promoting peace among states. Yet, the importance of economic cooperation and negative national sentiment due to unresolved historical disputes in shaping the ratification and enforcement of RTAs, and hence MNEs' location choice, has been underdeveloped.

4.2.2. Theme 2. The impact of IR factors on MNEs' entry strategies

Among MNEs' strategic decisions, their entry strategies (including when and how to enter a foreign market) are of critical importance as such choices can significantly affect firms' survival and growth. Our review identified 14 articles regarding the impact of interstate relations on the entry timing, ownership- and acquisition-related decisions taken by MNEs. Similar to Theme 1, IB scholarship started by viewing interstate political and economic linkages as positive elements with regard to MNEs' resource commitments but increasingly shifted to concerns of national security by host governments owing to majority ownership entry by firms from hostile countries.

The impact of interstate cooperation on MNEs' entry strategies: The literature demonstrates that political relations, such as the length of diplomatic links, foreign policy alignment, and arms imports and exports have increasingly been used by IB scholars to explain the trade-off between firms' resource commitments and exposure in foreign markets. The findings underscore the fact that prior colonial ties and interest alignments at intergovernmental level not only encourage MNEs' resource commitment, but also pacify a host-country government's concern over the threats associated with majority ownership takeovers. Past colonial ties, lengthier diplomatic relations and perceived good relations between home and host countries can grant MNEs a more privileged status or favourable treatment, hence raising their confidence to take higher ownership in the host country ([Demirbag, McGuinness & Altay, 2010](#); [Tse, Pan & Au, 1997](#); [Vachani, 1995](#)). Interstate cooperation in the form of foreign aid or more stringent BITs can also encourage MNEs to take higher ownership by easing their concerns regarding the host-country political environment ([Lu, Li, Wu & Huang, 2018](#); [Williams et al., 2017](#)). As firms tend to be differentiated by their home-country origin, increased interstate political cooperation signalled by high-level diplomatic visits and shared foreign policy positions have been found to promote firms' acceptance by the host-country government and mitigate the cost of cross-border acquisitions ([Bertrand, Betschinger & Settles, 2016](#); [Zhang & He, 2014](#)). Despite the many benefits of cross-border investment, such as employment growth and the influx of capital, the resultant increased power of MNEs, combined with the redistribution of socio-economic gains, may increase the host government's reservations regarding commercial deals fearing that they may undermine national security and economic prosperity. Economic nationalism in the name of national interests can increase the likelihood of host-government interventions in cross-border takeovers of domestic businesses.

The impact of interstate conflict on MNEs' entry strategies: The literature

shows that IB research has integrated arguments from the IR literature by contending that long-run commercial relations between firms are difficult to develop in the face of deteriorating interstate relations ([Pollins, 1989](#)). Hostility arising from past interactions in terms of colonial occupation, military confrontation and ideological contest may lead to distrust and resentment that damage cross-border economic exchanges. Our review found that strained interstate political relations represent a major hindrance for MNEs' entry timing and ownership commitment. Despite geographical proximity, Chinese firms entered Vietnam at a much later stage than those from other Asian, former socialist and La Francophonie countries owing to Sino-Vietnamese border conflicts ([Makino & Tsang, 2011](#)). Antagonistic interstate relations due to military conflict can trigger suspicions about foreign MNEs' likelihood of engaging in opportunistic behaviours, hence hindering the formation of cross-border alliances ([Arikan & Shenkar, 2013](#)). While prior colonial ties may facilitate investment between the former colony-colonizer ([Makino & Tsang, 2011](#)), such a historical legacy can also discourage MNEs from former colonial powers taking majority ownership in order to eschew host-country memories of resource exploitation and conquest ([Ellis et al., 2018](#)). Additionally, [Yoon et al. \(2021\)](#) found that adverse home and host-country relations in political, economic, and military spheres can prompt emerging market firms to take full ownership of control in hostile countries.

Key observations: By reviewing the impact of IR factors on MNEs' entry strategies, we make two key observations. First, while MNEs may respond to deteriorating interstate relations by either lowering their commitment or internalizing operations, doing business under conflictual interstate relations has received little attention. Thus, a good understanding of firms' entry strategies in countries with rising interstate conflicts is lacking. Second, previous research has presented mixed findings regarding the effect of adverse interstate relations on MNEs' ownership choices ([Ellis et al., 2018](#); [Yoon et al., 2021](#)). This necessitates the need for a finer-grained analysis of the effects of interstate conflict on ownership decisions which may be intertwined with domestic institutional and MNEs' own attributes.

4.2.3. Theme 3. The impact of IR factors on MNEs' legitimacy

This theme attracted 15 articles which predominantly examined the role of interstate cooperation in assuaging the legitimacy challenges experienced by firms in foreign markets. Overall, we found that interstate relations may act as a "double-edged sword" which either buffers against or exacerbates the legitimacy challenges to MNEs' cross-border operations. On the one hand, cooperation by complying with rules of international institutions and the presence of historical ties can help to legitimize MNEs' operations. On the other hand, home-government foreign policies and interstate power struggles can create obstacles for MNEs in gaining socio-political acceptance from their home and host countries.

The impact of interstate cooperation on MNEs' legitimacy: We find the commitments of countries as part of their memberships in international institutions, bilateral or multilateral, help firms to manage the underdeveloped institutional environment in developing host countries. The influence of multilateral institutions, such as the World Bank and the IMF, in the international lending community can tie the hands of the host government, thus helping MNEs to legitimately operate and protect their assets ([Brandl, Darendeli & Mudambi, 2019](#); [Gamso & Nelson, 2019](#)). Cooperation between countries through prior colonial ties and BIT enforcement may help foreign firms to achieve legitimacy and obtain greater international investment protection ([Jandhyala & Weiner, 2014](#); [Nebus & Rufin, 2010](#)). However, the need to gain allies' support in international affairs and the availability of competing suppliers for strategic resources can profoundly shift the patterns of interstate cooperation to benefit or challenge MNEs from specific home countries. In studying the US and Japanese firms competing in the Canadian auto sector, [Eden and Molot \(2002\)](#) noted that tariff and market entry barriers are less likely to be imposed on US MNEs given their

home-country's greater political and economic links compared with Japanese competitors. The shared historical experience between home and host countries played an important role in safeguarding German MNEs' while delegitimizing rival British firms in the face of rising economic nationalism in late colonial India (Lubinski and Wadhvani, 2020). Similarly, the spread of Chinese firms in other developing countries has been facilitated by the involvement of the Chinese government in striking intergovernmental deals as well as the absence of a colonial legacy. These factors have not only helped firms to obtain legitimacy in the eyes of host-country stakeholders, but have also aided China in its competition with the West for political influence (Li, Newenham-Kahindi, Shaprio & Chen, 2013; Shapiro, Vecino & Li, 2018).

The impact of interstate conflict on MNEs' legitimacy: We identified a small set of IB literature that incorporated IR in terms of foreign policies and interstate power struggles to address legitimacy challenges encountered by MNEs. In contrast to the assumption of economic interdependence that encourages accommodation rather than conflict among states (Bearce, 2003; ONeal and Russett, 1997), the extraterritoriality of home-government policies and contests between major powers represent a significant challenge facing MNEs (Jacobson, Lenway & Ring, 1993). Simon's (1984) analysis of political challenges experienced by MNEs noted that sanctions on apartheid South Africa exposed US MNEs to pressure to disinvest in the country. Similarly, the US government prioritized national security interests before they entered World War II by accepting the expropriation of firms in ally host countries (Bucheli & Aguilera, 2010).

Key observations: We articulate two key observations in reviewing Theme 3. Despite strides having been made to explain the legitimacy challenges faced by MNEs due to interstate enmity and power rivalry, IB research on the role of power, the interface between domestic – international politics, and their implications for MNEs is at an early stage. First, power asymmetry over access to strategic resources has been regarded as the lynchpin in driving states' commitment to cooperation that stabilizes cross-border business operations. On the other hand, power rivalry between countries in ideological and military contests may bring either opportunities or legitimate challenges to MNEs, depending on the interstate contexts in which they operate (e.g., Bucheli & Aguilera, 2010). The complexity regarding the role of interstate power highlights the need to better understand its conceptual foundations rooted in the IR literature. However, IB research has been sparse on the different types of power and their implications for MNEs' acceptance by host countries. Second, with a few exceptions (e.g., Simon, 1984), there has been a lack of an integrative framework to bridge the disparate groups of literature about the influence of domestic and international politics on MNEs. Such fragmented knowledge may hinder our understanding of the intertwined domestic and international political forces on MNEs' legitimacy. Tense interstate relations can be manipulated by stakeholders to instigate populism, thus raising legitimate concerns towards MNEs from antagonistic countries. Similarly, we have little understanding of the relationship between legitimacy and the role of MNEs in shaping their home government's foreign policy and the mechanisms through which states engage in cooperation and conflict.

4.2.4. Theme 4. The impact of IR factors on MNEs' post-entry performance

The final theme includes 12 articles addressing the impact of interstate political and economic relations on MNEs' performance at the post-entry stage.

The impact of interstate cooperation on MNEs' post-entry performance: Although IB research has long recognized that MNEs operating abroad may suffer from the liability of foreignness (LOF) (Zaheer, 1995), the impact of LOF on MNEs may vary, depending on the heterogeneity of interstate relations which may improve or deteriorate over time. Besides the comparison of geographic and institutional distance between countries, Rangan and Drummond (2004) showed that the presence of prior colonial ties confers greater benefits to European MNEs than their

US rivals when competing in Brazil. MNEs from home countries that have more structural links with the host country in terms of intergovernmental connections may achieve greater market competitiveness owing to the monitoring and sanctioning mechanisms of IGOs in governing state behaviours (Rangan & Sengul, 2009). Interstate cooperation may also encourage information exchange and legitimacy, thus enhancing MNEs' post-entry performance. A high level of interstate diplomatic representation enables MNEs to obtain information and understand customer needs, thus creating more value in the post-entry stage (Zhu, Xia & Makino, 2015). The ability of the home government to leverage power to influence the cooperation of the host government has been reported to facilitate the post-entry operations of Chinese firms (Clegg, Lin, Voss, Yen & Shih, 2016). MNEs from home countries with a higher level of political affinity to the US can gain support from host-country stakeholders and achieve better post-acquisition performance (Hasija, Liou & Ellstrand, 2020).

The impact of interstate conflict on MNEs' post-entry performance: Our review found that IB research has noted IR theoretical explanations concerning national identity in shaping the psychological basis of intergroup dynamics, thus MNEs' post-entry performance. Interstate historical disputes tend to create a path-dependent effect on the ways that organizational members belonging to once-belligerent states encounter each other (Gao et al., 2018). IB research drawing from the postcolonial perspective argues that MNEs from former colonial powers are an important means to sustain the political, economic and cultural dominance of their home countries through spreading organizational norms in ex-colonies (Boussebaa, Morgan & Sturdy, 2012; Boussebaa, Sinha & Gabriel, 2014). In contrast, firms from ex-colonies may struggle after acquiring firms from former metropolitans as the history of colonialization creates perceived status differences between employees of the acquiring and targeting firms that prevents effective post-entry integration (Liou & Rao-Nicholson, 2017). Interstate military and historical confrontations can create animosity that continues through generations to shape people's negative views, thus damaging MNEs' performance in an antagonistic country (Gao et al., 2018). Linking military conflicts with prior colonial ties, Li, Arian, Shenkar and Arian (2020) argued that the detrimental effect of military confrontations on acquirer firms' stock market performance can be aggravated by prior colonial ties between the acquirer and the target firm as it provokes memories of colonial conquest and threats to the national identity of employees in the target firm.

Key observations: Based on our review of this theme, we highlight two key observations regarding the motives of interstate cooperation and the settlement of interstate conflict in affecting MNEs' post-entry performance. First, states as self-interested actors may be motivated to cooperate with others to promote regional and domestic stability, maintain dominance, or challenge a common rival (Flint & Zhu, 2019). These motives may be associated with different IR theoretical explanations. Previous research embracing the notion of interstate political cooperation has broadly discussed the impact of diplomatic representation, colonial linkages and foreign policy alignment on MNEs' performance. However, IB scholarship tends to consider interstate cooperation as an additional contextual variable without sufficient clarity regarding its theoretical underpinning, hence implications for MNEs' post-entry performance. Second, the tragedy of interstate conflict over territory and unresolved historical issues can be deeply imprinted in the memory of societal members. While IB literature has probed the repercussions of interstate conflict in instigating negative national sentiment and differences of identity (Gao et al., 2018), theoretical analysis of the processes and strategies taken by MNEs to reconcile the conflictive ethos held by host-country stakeholders at post-entry stage is missing.

5. Future research directions

In this section, based on our critical analysis of previous research and key observations, we derive future research directions for individual

themes and cross-theme avenues which necessitate the attention of IB scholars, along with our suggestions regarding future integration of IR knowledge to address them. Our proposed research questions are presented in Web-appendix D.

5.1. Research avenue 1. MNEs' location Choices: Interplay between international Institutions, regional and domestic politics

It is recognized that interstate relations may redefine the importance of cultural and geographical distance in determining firms' location choices (Li et al., 2019). Yet, prosperity brought about by economic cooperation over past decades has obscured state sovereignty and security concerns in cross-border investment. We highlight the following avenues regarding the interrelationship between international institutions and both regional and domestic political dynamics, where IB scholarship can integrate IR knowledge for a holistic understanding of MNEs' location choices.

First, while IB research stresses the benefits of deeper regional economic integration in coordinating state activities to facilitate FDI, state autonomy and sometimes strained relations between individual states and regional authorities tend to be downplayed. This highlights the need to examine the interlinkages of bilateral and multilateral arrangements by identifying the extent of cooperation between countries which may not be fully reflected by the numbers of RTAs and BITs, but also their contents (Koremenos, Lipson, & Snidal, 2001). Domestic political dynamics may generate significant changes in a country's foreign policy. This can be seen with the EU given the repercussions of Brexit across all areas (Buckley et al., 2017). To examine the influences of regional politics, research should evaluate the extent of a state's cooperative relations with others inside and outside the economic and security arrangements based on the design of international agreements and their impact on MNEs' location decisions. For example, in what ways do investment deals negotiated in the post-Brexit era influence EU firms to withdraw from the UK, given the complication of the sophisticated supply chain networks? To what extent and how do the UK's post Brexit bilateral investment deals with other countries, such as the Commonwealth states, affect the location choices of MNEs from these countries?

Second, successful examples of regional economic integration have led IB research to endorse the benefits of geographic proximity. While the close geographical proximity of countries in the same RTAs may indicate their economic interdependence, some may be tainted by historical or ongoing tensions (e.g., the proposed China – Japan – Korea FTA). Therefore, it is critical to consider the interaction between international economic and political forces on MNEs' FDI decisions; for instance, under what conditions can home and host countries' overlapped memberships in IGOs (e.g., RTAs) attenuate negative national sentiments to facilitate cross-border investment? Additionally, governments may strive to improve public well-being through various means, including foreign policy, by developing economic and security relations with countries inside or outside the RTA. Thus, the presence of security provisions in RTAs and the types of security alliances of a host country can be indicative of its cooperation with other countries (Powers, 2006). This presents the opportunity to examine whether all types of shared memberships in international institutions (not only security alliances) have the same impact on MNEs' location choices.

5.2. Research avenue 2. MNEs' entry Strategy: Heterogeneity in interstate disputes

MNEs' entry strategies are affected by their home-country and the host-country's institutional environments, and interactions between countries. It is well established in IR literature that countries engage in disputes over values (e.g., religious, cultural), material interests (e.g., resources and territory), or a mix of the two (Matthews, 2003). Conflict in its extreme form (armed warfare between countries) can massively damage human life and economies. In addition to intensive research on

interstate cooperation, scholars should consider the impact of the entire continuum of the interstate conflict-cooperation nexus on MNEs' entry strategies. Specifically, under what conditions do different types of interstate disputes and their intensities affect MNEs' entry mode choices? How does the escalation of interstate conflict (e.g., Russia – Ukraine war) or decoupling between major economic powers (e.g., US and China) influence MNEs' ownership adjustment by switching from FDI to non-FDI modes or even exit? While enmity between countries may prompt firms to use non-FDI or minority ownership to avoid being targeted by the host-country government, the decision to opt for majority ownership highlights the need to unveil country- and firm-specific attributes. Future research may explicate the conditions under which firms' historical engagement with the host country, and the strategies being implemented to diminish the negative impact of their home-country origin result in ownership commitment. Further, tense interstate relations may lead to changes in domestic institutional governance (e.g., the US and EU's rising tensions towards knowledge transfer practices for MNEs doing business in China, and the latter's legal reform governing intellectual property rights). Thus, it is important to examine to what extent interstate conflict changes host-country regulatory enforcement in areas such as intellectual property protection and anti-corruption, which may impact on the level of resource commitment by MNEs from countries with hostile interstate relations.

5.3. Research avenue 3. MNEs' Legitimacy: Power dynamics of states

Our review identified the need to integrate IR knowledge into IB research to develop a full picture of the impact of interstate relations on MNEs' legitimacy. We suggest that future research may draw on IR knowledge about the different types of power (e.g., soft versus hard power) and domestic political influences on foreign policy and explore how the power dynamics jointly affect MNEs' legitimacy.

First, the notion of power occupies a central place in IR research, and it can be decomposed into hard power, such as military strength, and soft power, i.e., the ability to attract, entice and co-opt others to get the outcomes that one wants (Nye, 2004). IB literature has discussed the possession and potential of using power by MNEs' home-country governments to coerce or induce the host-country government to cooperate (Brandl et al., 2019; Li et al., 2013). We suggest that research should pay more attention to the relationship between home-country soft power and MNEs' legitimacy when venturing abroad. Such a power may emanate from the attractiveness of a country's culture, political values and foreign policies to others (Nye, 2004). MNEs are inseparable from their home country, and thus the ways that they are perceived in overseas markets are associated with their home-country origin (Luo & Tung, 2018). This brings MNEs to the forefront in representing their home-country soft power, which in turn helps them gain legitimacy, or hinders them from winning the hearts and minds of host-country stakeholders. It is critical to unpack, for example, the ways that MNEs engage with their home country to boost its soft power, or distance themselves from being such a power-enhancing instrument in order to mitigate hostility posed by host-country stakeholders. To what extent is the influence of home-country soft power, especially the presence of cultural contacts, contingent upon rising populism in the host country, and how does their interaction shape the legitimacy of MNEs?

Second, MNEs may actively shape the development of their home and host-country's foreign policy. Rather than assuming firms passively respond to changing interstate relations, IB scholars can establish under what conditions MNEs' reliance on the host-country market can result in a friendlier home-country foreign policy toward the host country. Further, adopting similar political ideologies and foreign policies in the interstate context may legitimize MNEs' operations (Bucheli & Aguilera, 2010). Yet, as the sources of legitimacy concerns become increasingly diverse, MNEs become exposed to a greater array of challenges, such as threats to national security, that fall outside the scope of economic interdependence. This presents IB research opportunities where

researchers can integrate knowledge from IR to unearth the extent to which the home-government's foreign policy provisions of protection enable their MNEs to overcome a hostile host-country environment and safeguard their operations in the case of deteriorating interstate relations.

5.4. Research avenue 4. MNEs' post-entry Performance: Security cooperation and reconciliation of conflict

Based on our analysis of Theme 4, we identify two main areas which merit scholarly attention. One area focuses on the impact of interstate security cooperation on MNEs' post-entry performance. The other concerns the reconciliation of interstate conflict in shaping MNEs' operation in the host country.

First, the alignment of security interests is a key impetus to interstate cooperation. The establishment of security alliances may encourage MNEs to locate or produce strategic components in a host country that has extensive security cooperation with MNEs' home country (Li & Vashchilko, 2010). This raises two important research questions: (1) Can concessions offered by the allied host country offset the lack of resource complementarity in order to enhance MNEs' efficiency? (2) How can the different types of security alliances impact the cross-border flow of talent and knowledge that ultimately impacts on MNEs' performance? Addressing these questions helps broaden IB research by taking account of the complexity of international politics in shaping the effectiveness of MNEs' cross-border operations.

Second, collective memories held by members of a society in relation to conflict with specific home countries are key triggers of negative national sentiments and can influence MNEs' operations in host countries (Gustafsson, 2014). Although military disputes may be resolved through negotiations at intergovernmental level, the development of peaceful and cooperative relations represents a long-term process of building trust at all levels (Bar-Tal, 2000). IB research has touched on MNEs' tax payments and contributions to local employment in alleviating opposition resulting from interstate historical conflict (Gao et al., 2018). Future research should extend this line of argument by diffusing IR theories on the psychological reconciliation and reparations in the aftermath of conflict to explore the link between MNEs' post-entry strategies and performance. In what ways can reconciliation strategies, such as cultural exchanges and reparation payments in the aftermath of military conflict, affect the collective memory of host-country nationals, hence facilitating knowledge transfer? Whether, and to what extent, does home-government aid help to overcome hostility amongst host-country stakeholders?

5.5. Cross-Theme research avenues

Looking across the four research themes, we have identified a number of common issues that warrant scholarly attention, including ways of redefining MNEs, their relationship with states, and the full spectrum of MNEs' investment and divestment strategies in IB in today's increasingly turbulent international political environment. Here we propose major cross-theme avenues to highlight theoretical improvements and new perspectives in research designs that demonstrate how to further integrate IR into IB research.

5.5.1. Redefining MNEs

The establishment of a physical presence abroad by firms, and internationalization of production activities have been the dominant thesis of IB research. While an integrated global economic system has benefited MNEs in cost reduction and market reach, their expansion in a politically divided international system of competitive states has major implications for interstate cooperation and conflict (Kobrin, 2015). The growth of MNEs from developed countries and emerging markets has rapidly transformed interstate power dynamics over the past few decades. This implies that MNEs, as an integral part of interstate relations,

can be endogenous in shaping such relations, apart from being economic agents.

Our review found that IB research has assumed interstate economic cooperation in laying down the "rules of the game" to enable MNEs' expansion while leaving their IR theoretical roots largely untapped. Thus, future research may draw insights from the liberalism account in IR, especially arguments of neoliberal institutionalism to systematically unpack the role of MNEs in forming "the rules of the game" at and beyond state levels (Russett, Oneal & Davis, 1998). To what extent and in what ways can MNEs influence the "rules of the game" at bilateral and multilateral levels? Whether and under what conditions can MNEs enhance interstate cooperation from bottom-up by building mutual trust and acceptance with the host-country government and key stakeholders?

Further, our bibliometric coupling analysis and content review across all four themes indicate shifting scholarly attention from interstate cooperation in facilitating MNEs' expansion to state governments' concern over economic and technological might that can be transformed into overall national power. This may encourage IB scholars to draw insights from IR; for example, hegemonic stability and power transition arguments within the realism account to disentangle the role of MNEs in building state power relative to rivals. As the U.S. – China decoupling is likely to spread across a wide range of areas, research may look at the ways that firms from both countries work with their home governments to compete for geopolitical influence. How can the U.S. government and MNEs leverage their dominant position in international political and economic systems to reconstruct the global value chain for strategic products such as semi-conductors, and safeguard proprietary knowledge? What is the knock-on effect on springboard FDI taken by their Chinese counterparts in order to acquire strategic assets from the U.S. and its allies? Given the intricate link between the Chinese state and firms, especially SOEs, to what extent may the "dragon's gift" in the forms of infrastructure projects and industrial park zones (Brautigam, 2011) in developing countries change the power balance in the international realm?

5.5.2. Redefining the relationship between MNEs and nation states

The relationship between firms and states has been a topical area in both IB and IR fields. By engaging in cross-border investment, MNEs extend their ownership, management, production and sales activities over several national jurisdictions which can result in a complex web of relationships among MNEs, and their home and host countries. The wide spread of the Washington consensus embracing market liberalization has spurred states to cooperate on a multilateral or bilateral basis which has benefited MNEs, especially developed country firms, by levelling the playing field since the late 1980s (Ramamurti, 2001). Nevertheless, the ongoing tensions between major powers (e.g., the EU's de-risking and the U.S. decoupling policies towards China) have increasingly exposed MNEs to the frontline of interstate conflict and have made their relationships with home and host countries more equivocal.

Our content review across all four themes suggests that *IR in IB research* has generally assumed the complementarity of interests between firms and their home countries (e.g., Bucheli & Aguilera, 2010; Li et al., 2013). MNEs have been regarded as key instruments to (i) maintain the home-country's share in the world market; and (ii) spread home-government ideology and diplomacy for national interests. Yet, the waning overlap of interests between MNEs and their home-country foreign policy in some contexts, while flourishing in others, suggest the need to redefine the relationship between firms and state for the cross-fertilization of knowledge in IB and IR fields.

States develop their foreign policy by accounting for a multitude of factors at domestic and interstate levels (Garten, 1997). The rapidly changing interstate power relations compounded by rising national sentiment increase the need to uncover the interface between international and domestic politics in defining national interests. This presents a fruitful opportunity for integrating IR insights in order to understand

the joint influence of interstate relations and national institutional systems, thus interest alignment between home-government foreign policy and MNEs. For instance, whether and how different political systems and varying levels of constraints in policymaking can influence the effectiveness of home-government support, incentives or restrictions to firms engaging in outward FDI? In what ways can changing public opinion in conjunction with home-government policy influence firms' investment and divestment decisions under interstate enmity? Relatedly, to what extent can state governments mobilize support from firms to accomplish foreign policy objectives?

5.5.3. Interstate conflicts and MNEs' strategies

The mainstream IB assumption of cooperative interstate relations that enable economic exchanges has increasingly been challenged by the ongoing geopolitical contests between/among major powers (Kobrin, 2015). Our review shows that there has been surprisingly little attention to incorporating IR insights to understand MNEs' divestment, especially in a de-globalized world that features shrinking incentives for cooperation and rising conflict. International political conflicts, such as the Russia – Ukraine war, have resulted in many Western MNEs pulling out of the Russian market, followed by domestic brands taking over in the retail sector, and a rapid stepping in of firms from China and some other countries in automobiles, telecommunications and e-commerce. Thus, in addition to examining MNEs' ownership adjustments, discussed in Section 5.2, we see promising avenues for research into MNEs' divestment strategies in the face of interstate tensions. How do different types of conflicts between countries, such as contest for hegemonic power, armed conflict and historical hatred influence MNEs' exiting decisions? Whether and under what conditions does interstate conflict represent a source of threat for MNEs from certain countries, but opportunity for others? Additionally, as interstate conflict evolves from propaganda campaign to military confrontation, it can be useful for future research to explore the timing and ways in which MNEs re-locate and exit from the host country. Relatedly, under what conditions can firms re-enter the host country following an improvement in interstate relations? In addition, understanding MNEs' divestment strategies under interstate conflict may extend IB research to consider how international politics, deteriorating interstate relations and associated concerns over state security, influence the full spectrum of MNEs' investment and divestment strategies.

5.5.4. New perspectives in research designs

In this subsection we explicate the importance and the ways of unpacking the contextual heterogeneity and diversity of MNEs that scholars should consider when formulating their research designs. We also highlight alternative measures as an integral part of the research design which enables IB scholars to improve the measurement of IR key constructs in IB research.

MNEs' contextual heterogeneity: Previous research has predominantly applied quantitative, macro-secondary data for studying the implications of IR factors for MNEs. However, the heterogeneous effect of IR factors across industries is underexplored. In particular, the influence of the rapidly changing technological environment and international politics can be more salient for MNEs operating in certain industries than others. Thus, treating industries as a homogenous research context represents a significant weakness in research designs and largely limits a deeper understanding of the contextual nuances. Accordingly, we propose that future research should zoom in on specific industries to capture the effects of contextual heterogeneities in the theorization of the role of interstate relations in cross-border business activities. For example, it has been acknowledged that MNEs in primary industries, such as natural resources, are mostly sensitive to changing interstate and geopolitical circumstances (Bucheli & Aguilera, 2010; Jandhyala & Weiner, 2014). However, given calls for tackling challenges at multi-lateral level, notably the Sustainable Development Goals (SDGs) proposed by the UN for clean energy and for combating climate change

(United Nations Sustainable Development Goals, 2015), this may substantially shift states' attention to international competition in such industrial sectors as renewable energy, artificial intelligence, and electronic vehicles. This opens up opportunities for IB scholarship to explore the relationship between the SDGs and interstate relations in MNEs' operations. How does interstate cooperation or conflict facilitate or impede the implementation of the SDGs, thus collaboration and knowledge transfer between firms in specific industries? How does amity (or enmity) between countries influences the growth and competitiveness of MNEs from different industries given the different degrees of dependence between firms and their home-country government?

Additionally, past research has focused on explaining the relationship between interstate relations and large MNEs from developed countries and emerging markets. Our knowledge of micro-MNEs and internationalized small and medium sized enterprises (SMEs), including smaller exporting firms, is limited. The lack of resources and inability to influence home and host country government policymaking can make these firms particularly sensitive to rising interstate tensions. While large MNEs may be directly involved with, or deemed to be the extended arm of home-government foreign policy (Li et al., 2013), in what ways are micro-MNEs being affected by interstate political and economic relations? This points to the need in research designs to differentiate the mechanisms through which interstate relations shape large and micro-MNEs' strategies and outcomes. For instance, to what extent can enmity between home and host countries through rising tariff barriers and custom checks impact on SMEs' export market diversification and performance? Can the presence of RTAs and BITs with other countries be leveraged by SMEs to circumvent host-country hostility against their home-country origin?

Alternative measurements of IR constructs: First, we propose votes and speeches as reliable measures of interstate political relations. Extant IB literature has widely adopted countries' voting patterns at the United Nations General Assembly (UNGA) as a measure of the political relations between countries (e.g., Duanmu, 2014; Hasija et al., 2019). Although countries' voting behaviours may be useful to approximate interstate political relations, this measure has its own shortcomings. As the UNGA runs a large number of votes, and some are of symbolic value, countries may have little incentive to invest political capital in influencing the outcomes of procedural issues (Barro & Lee, 2005). Such votes may not adequately reflect a country's national interests. Thus, we suggest IB research investigates issues such as territorial integrity and human rights resolutions that can reflect country's strategic interests. Examining voting patterns on these issues may capture the true stance of a country's interest in global affairs (Flores-Macias & Kreps, 2013), and thus the impact of interstate political relations on MNEs. Moreover, IB scholars should consider engaging in critical narrative analysis of speeches and remarks; for example, the usage of friendly or hostile language by political leaders in mass media to capture the dynamic facet of interstate political relations.

Second, we suggest multiple measures for approximating interstate economic conflict. Economic cooperation has been commonly proxied by the degree of trade dependence or enforcement of BITs and RTAs (e.g., Rangan & Sengul, 2009; Williams et al., 2017). However, there has been the lack of a proxy to systematically measure economic conflict between countries apart from a few ad hoc examples (e.g., Arikan et al., 2020). Tensions in trade and investment-related issues can be critical triggers that ultimately escalate to political conflicts, as evidenced by the U.S. – China confrontation which started with a trade imbalance. However, state governments may approach economic conflict differently through leveraging channels such as multilateral trade systems, interstate negotiations, and unilateral actions that are sometimes followed by retaliation. For instance, the EU has taken a range of actions, including filing complaints with the WTO, together with regional and bilateral dialogues with Chinese officials, urging the country to reform its intellectual property law for the protection of foreign MNEs. The

presence of trade or investment friction, dispute, tension, and the deterioration of overall economic relations represent different steps that may or may not result in political animosity between countries. This necessitates future research developing fine grained measurements to approximate the degree and severity of interstate economic conflict and their influence on cross-border business activities more accurately.

6. Conclusion

Despite the fine slicing of business activities around the globe in past decades, economic interdependence between countries has not transformed the fragmented international political system which continues to be characterized by competing state interests and increasing disputes (Kobrin, 2015). The ever-growing importance of the IR context in shaping IB activities warrants this first systematic review of the implications of *IR in IB research* to explain MNEs' expansion and behaviour. We thus contribute to IB research in three ways.

First, we offer a new conceptual framework by capturing a fundamental shift from economic interdependence among countries in past decades to today's more politically divided world. The recent shift away from taken-for-granted economic cooperation may challenge mainstream IB theories that tend to focus on the impact of within-country contextual forces and home-host country distance (e.g., institutional distance) with regard to MNEs' activities. Our framework helps to broaden the scope of IB field and move IB research from a static comparison of home – host country distance towards power dynamics and reciprocity of interstate relations. Existing IB research has been constrained by a binary view of the home and host countries that may ignore or downplay the role of the relationship between and among countries in international political and economic systems. Our integrated framework enriches IB theories by bringing the complexity of interstate cooperation and conflict into MNEs' activities, thus explicitly taking account of dynamic changes in international political environment. Our review helps to further advance IB research by highlighting ways of theorizing the relationship between the multidimensional IR context and MNEs as depicted in our framework.

Second, interstate conflict may be as influential as cooperation in the current political landscape. Thus, we redefine MNEs and their relations with nation states by emphasizing the power dynamics and interstate conflicts which underpin such relationships. Incorporating IR perspectives, such as the realism approach and the liberalism paradigm, into IB research provides new theoretical lenses for advancing research on MNE activities. For example, redefining MNEs as an integral part of interstate relations provides new insights into how MNEs shape and are shaped by power struggles among nation states. We highlight the need to examine how changes in interstate relations from cooperation to competition and conflict affect MNEs' activities, as well as their strategic responses. As dominant actors in international political system, states establish rules and regulations which can profoundly influence international politico-economic relations and MNEs' operations. MNEs also have the potential to shape the policies and interests of states, as well as interstate relations (Gilpin, 2001). We propose that, under certain conditions, interstate relations can be endogenous to MNE activities and, thus, call for more research on the complex and reciprocal relationships between state governments and MNEs. Hence, our review reconciles the state-centric approach taken by IR and the firm centric focus of IB research, by considering the reciprocal and interactive linkages between MNEs and interstate relations.

Third, by combing bibliometric and content analyses, our review bridges IB and IR research by identifying the intellectual structure of *IR in IB research* and the interconnections between the two fields. The findings of our analyses offer a novel view of the core knowledge base of *IR in IB research* and provide an important account of how IR scholarship has been integrated into IB research, hence deepening our understanding of the theoretical foundation of the linkages between the two disciplines.

Our study also has a number of limitations which open avenues for future research. First, we have mainly focused on empirical articles in order to maintain the consistency and compatibility of our sample and analysis, given that we compare empirical findings in both bibliometric and content analyses. While this analytical strategy allows us to depict the evolutionary path of the intellectual structure of *IR in IB research*, it results in a relatively small sample due to the availability of empirical studies in this emerging research area. Future research should validate our findings based on a larger sample when more empirical studies are available. Second, our review has mainly examined large players in IB, namely MNEs with operations in foreign countries, but excluding SMEs, such as exporting firms and local suppliers of MNEs in global value chains. IR factors may affect those firms differently compared to large MNEs. This represents an exciting avenue for future research which can provide a systematic review of IR factors and international SMEs.

CRedit authorship contribution statement

Xia Han: Writing – review & editing, Writing – original draft, Methodology, Investigation, Formal analysis, Data curation, Conceptualization. **Tatiana Lukoianove:** Writing – review & editing, Writing – original draft, Software, Methodology, Investigation, Formal analysis, Data curation, Conceptualization. **Shasha Zhao:** Writing – review & editing, Writing – original draft, Methodology, Investigation, Formal analysis, Data curation, Conceptualization. **Xiaohui Liu:** Writing – review & editing, Writing – original draft, Methodology, Investigation, Formal analysis, Data curation, Conceptualization.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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Appendix A. Supplementary material

Supplementary data to this article can be found online at <https://doi.org/10.1016/j.jbusres.2024.114536>.

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