



Rethinking International Business Through the European Lens: A Systematic Review and Research Agenda

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Abstract

This study examines the foundational role of Europe in international business (IB) scholarship. To assess the current state of knowledge and extend its intellectual boundaries, we conduct a systematic review of 115 articles published between 2000 and 2023 across 13 leading IB journals. Combining bibliometric and qualitative content analyses, we identify major research trajectories, theoretical developments, and practical insights related to Europe-focused IB research. The review synthesizes findings across five central thematic domains: (1) internationalization, (2) corporate social responsibility practices of European firms, (3) location strategies in the European context, (4) multinational enterprise partnership dynamics, and (5) knowledge transfer within and across European MNEs (EuMNEs). These clusters are examined through the lens of institutional embeddedness and strategic divergence, highlighting how EuMNEs manage both regulatory harmonization and persistent institutional diversity across intra- and interregional contexts. Beyond synthesizing extant research, the study adopts a problematizing review perspective to critically interrogate dominant explanatory templates and to surface the assumptions underpinning Europe-related IB theorizing. Through keyword co-occurrence analysis, we further highlight promising avenues for future research, including: (1) global R&D and innovation strategies, (2) geopolitical risks and informal institutions, (3) subsidiary autonomy and entrepreneurship, (4) strategic divergence among MNEs, and (5) cultural frictions in emerging markets. By embedding both the synthesis and critical interrogation within a comparative and context-sensitive perspective, the review repositions Europe not merely as a geographic setting but as a multilayered institutional space that serves as a conceptual lens for rethinking foundational assumptions in IB theory. In doing so, the study provides a comprehensive overview of the evolution of European-focused IB research and outlines a roadmap for future research on this important topic.

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1 Introduction

As globalization is reconfigured under changing geopolitical and economic conditions, Europe remains a strategic hub for international business (IB) activity. European multinational enterprises (EuMNEs) have expanded aggressively into both developed and emerging markets, including major economies such as the USA and Asia, while firms from outside Europe increasingly view the continent as a key node in their global strategies (Statista, 2024). These reciprocal flows of foreign direct investment (FDI) highlight Europe's dual role as both an origin and a destination within global IB networks.

Recognizing this strategic importance, IB scholars have long engaged with the European context, contributing to a growing body of research on topics such as EuMNEs' internationalization strategies (e.g., Forssbäck & Oxelheim, 2008), market entry strategies (Ahlbrecht & Eckert, 2013), and international firm performance (Ali et al., 2021; Gil et al., 2006). Despite this substantial output, there has been no integrated, systematic review¹ of IB research that focuses explicitly on Europe across leading journals. Therefore, this paper aims to conduct a comprehensive review encompassing three interrelated domains of European IB research: (1) European firms expanding within Europe, (2) the international expansion of European firms into overseas markets, and (3) the entry of non-European firms into Europe. By adopting this inclusive scope, the review captures both intra-European and interregional internationalization dynamics that jointly characterize Europe's multilayered institutional environment. Beyond synthesizing extant research, the core objective of this study is to explain how institutional, regulatory, and strategic factors interact to influence these three distinct yet interdependent internationalization processes. By analyzing how Europe simultaneously functions as both a source and a destination for multinational enterprises (MNEs), we aim to elucidate the fundamental mechanisms and interrelationships that define Europe's dual role in IB. To this end, the study combines an integrative review method and a problematizing review approach in a complementary manner, as each offers distinct analytical strengths (Kunisch et al., 2023). While the integrative review enables consolidation and categorization of accumulated knowledge, the problematizing approach allows us to question dominant assumptions and uncover overlooked theoretical tensions (cf. Alvesson & Sandberg, 2020).

The review covers both intra-European and interregional internationalization involving Europe, capturing variation across different degrees of institutional proximity and heterogeneity. For reference, intra-European internationalization simultaneously reflects outward and inward-FDI dynamics within the European institutional space and is therefore incorporated within our broader Europe-related scope.

¹ We employ an integrative synthesis and a problematizing review lens.

We review 115 articles published between 2000 and 2023 in 13 leading IB journals, using a dual approach that combines bibliometric and qualitative content analysis. This method maps the intellectual structure and thematic development of the field. The year 2000 was chosen for two reasons: It marks a surge in empirical research following EU expansion and broader globalization trends, and there has been no recent comprehensive review to assess the cumulative knowledge or emerging directions in European IB research.

This review has five objectives. First, it synthesizes empirical findings from the past two decades, highlighting the evolution of key themes such as internationalization, location strategy, and corporate social responsibility (CSR). Second, it integrates fragmented research strands to provide a cohesive understanding of Europe's role in IB theorization. Third, it identifies areas of consensus and contestation, revealing conceptual tensions, inconsistent findings, and underexplored topics. Fourth, it problematizes dominant explanatory templates in Europe-focused IB research, exposing implicit assumptions and theoretical blind spots. Fifth, using bibliometric mapping and keywords co-occurrence analysis, it highlights emerging research frontiers and promising avenues for future scholarship.

The timeliness of this review is underscored by structural shifts that challenge assumptions underlying much Europe-focused IB research (Cui et al., 2023; Delios et al., 2024). Brexit, new EU policies, and global supply chain realignments are reshaping firm behavior and strategy, while the EU's multilevel regulatory capacity affects market access, coordination, collaboration, and innovation (Blind & Mangelsdorf, 2016; García-Sánchez & Rama, 2024; Park & Ghauri, 2015). Persistent internal heterogeneity—such as R&D home-country bias and uneven cross-state coordination—limits full intra-European integration (García-Sánchez & Rama, 2024). Geopolitical disruptions, including the Russia–Ukraine war, further influence investment decisions, challenging the view of Europe as a uniformly stable FDI environment (Adarkwah et al., 2024; Saittakari et al., 2023; Shen et al., 2021). These dynamics highlight Europe as both an empirical setting and a theoretically generative context.

This review therefore adopts an institutional embeddedness lens, viewing Europe not as a passive backdrop but as an active structuring environment where EuMNEs both conform to and diverge from global strategic norms. This perspective surfaces latent tensions, explains strategic variation, and clarifies Europe-focused IB scholarship's contributions to broader theoretical debates.

The study makes several contributions to the IB literature. First, it offers the first systematic synthesis of IB research explicitly focused on the European context, providing an integrated account of how major IB theories have been developed, applied, and challenged within this setting. Second, by combining bibliometric techniques with in-depth qualitative analysis, the study uncovers the structural dynamics, thematic concentrations, and intellectual diversity within this body of work. Third, through the incorporation of a problematizing review, the study moves beyond descriptive aggregation to critically reassess the assumptions underpinning dominant explanations of outward and inward FDI involving Europe. Fourth, it identifies underexplored topics and conceptual gaps that open new avenues for

theory development. In doing so, this study positions Europe not merely as a geographic setting, but as a conceptual lens through which broader IB phenomena can be reinterpreted.

Moreover, we argue that Europe functions as an epistemological standpoint for advancing IB theory. Mainstream IB research has implicitly assumed MNEs as actors pursuing efficiency within a relatively stable institutional context. The state is often treated as an external regulator, and business-society relations tend to be conceptualized as peripheral or CSR-related rather than a constitutive element of strategy. In contrast, the European literature reviewed in this study exhibits a different theoretical orientation. Firms are portrayed as socially and politically embedded actors operating within dense, multilayered governance systems. The state is not merely a constraint but a constitutive player co-participating in the formation of market order, and firm-society relations are understood as structurally integrated components of strategic decision-making. Europe's institutional stratification, combining supranational regulation with historically embedded state institutions, brings legitimacy, governance negotiation, and institutional congruence to the forefront as core strategic issues. By synthesizing and problematizing these research streams, this paper proposes a perspective that transcends the mere notion of Europe as a region where IB unfolds, but one that allows for reexamination, refinement, and, in some cases, restructuring of the core assumptions of IB theory. Through this, we aim to elucidate the epistemological uniqueness of the European lens on IB.

The rest of the paper is organized as follows: Sections 2–4 provide an integrative synthesis, Sect. 5 problematizes dominant assumptions in outward and inward-FDI research, and Sect. 6 integrates these insights while suggesting future research directions, offering the first comprehensive review of Europe-focused IB scholarship over the past two decades.

2 Review Process

2.1 Europe and IB

Europe has long been central to IB research. Its economic weight, advanced institutions, concentration of globally active firms, and well-established regulatory frameworks make it attractive to MNEs seeking international expansion. The EU's single market amplifies this appeal, offering access to a large, relatively affluent consumer base. This subsection highlights the factors positioning Europe as an IB hub and examines narratives on its economic standing and emerging challenges.

Europe's economic significance is clear: The EU accounts for roughly 14% of global GDP (IMF, 2024) and has historically offered macroeconomic stability conducive to MNE activity. It leads in several high-impact sectors, including automotive, pharmaceuticals, and financial services. The automotive industry, for example, contributed almost 7% of EU GDP in 2022, supporting regional growth, innovation, and employment (McKinsey & Company, 2023).

Europe's regulatory environment is another key driver. EU frameworks support fair competition, commercial stability, and consistent practices across member

states. Strategic FTAs with partners such as Canada, Japan, and South Korea have facilitated market access and boosted exports (European Commission, 2023). Inward FDI remains strong and increasingly spans services as well as manufacturing, reflecting diversification of MNE activities (cf. Castellani et al., 2016; Doytch, 2021; Park & Ghauri, 2015).

Europe's multilevel institutional structure and supranational governance provide a distinctive empirical setting for theory building. Scholars can explore how firms navigate overlapping regulatory logics across supranational, national, and subnational levels (Mathieu et al., 2021), extending IB theories such as institutional theory, internalization theory, and liability of foreignness.

Despite leadership in sustainability and inclusion (McKinsey, 2023), Europe faces challenges that may influence its IB role: geopolitical instability (e.g., the Russia–Ukraine war), declining competitiveness in key sectors such as steel, chemicals, and cement (Deloitte, 2025), and persistent economic disparities. For example, Kren and Lawless (2024) show that Brexit² has introduced enduring trade frictions and regulatory uncertainty, particularly in EU–UK economic relations. These factors highlight institutional discontinuities and market fragmentation, inviting renewed study of how firms manage uncertainty in politically polarized environments.

At the same time, such challenges also create opportunities for innovation and strategic renewal. The EU Green Deal,³ aiming for carbon neutrality by 2050, reshapes Europe's competitive landscape and opens growth prospects in renewable energy, clean technologies, and environmental innovation (Ernst & Young Global, 2020). Europe's regulatory leadership thus has global influence.

Overall, Europe remains a vital IB player. Its strategic orientation, regulatory frameworks, and commitment to innovation continue to generate opportunities for MNEs. Europe is both a geographic region of interest and a conceptual lens for studying IB strategy, regulation, and institutional adaptation. Its institutional complexity contrasts with North American market-centric logics, highlighting differences in subsidiary autonomy, stakeholder legitimacy, headquarters control, and transaction cost efficiency. This reinforces Europe's value for testing the universality of IB assumptions.

Based on this discussion, the next subsection outlines the criteria and rationale for selecting the academic journals included in this review.

² Among the various events that have shaped the European business environment, this paper highlights Brexit as a prime example of institutional disruption. Brexit, an event that directly impacted market access, investment decisions, and regulatory compliance, vividly illustrates how abrupt institutional restructuring within Europe can challenge existing assumptions about market integration and provide a natural laboratory for testing and expanding IB theory.

³ The European Green Deal is another example of Europe's proactive institutional shift toward sustainability and carbon neutrality. It demonstrates that comprehensive EU-level environmental and regulatory initiatives can reshape corporate strategies, foster innovation, and redefine the competitive landscape. Therefore, the Green Deal clearly exhibits Europe's evolution as a global standard-setter in sustainability governance, offering a fertile research foundation for advancing international business studies.

2.2 Journal Selection

Academic journals play a central role in shaping IB scholarship (Luo et al., 2019). To ensure rigor and relevance, we focused on widely recognized leading outlets, which typically apply stringent peer review, attract top scholars, and produce publications with substantial theoretical and empirical influence. Selected journals were divided into two categories: (1) leading IB-focused journals, and (2) top-tier general management and strategy journals, following prior reviews (Kim et al., 2024; Xu & Meyer, 2013).

Journal prestige and impact were assessed using the University of Texas at Dallas (UTD) 24 Journals List, the Financial Times Journal Ranking, and citation-based analyses from prior reviews (e.g., Luo & Zhang, 2016). From these, we identified five flagship management journals: *Academy of Management Journal* (AMJ), *Academy of Management Review* (AMR), *Administrative Science Quarterly* (ASQ), *Organization Science* (OS), and *Strategic Management Journal* (SMJ).

This set was supplemented with journals highly rated in the Chartered Association of Business Schools' Academic Journal Guide (CABS, 2021), an internationally recognized benchmark based on peer review, editorial assessment, and citations. Following established practice (Kim et al., 2024; Zahoor et al., 2020), we included journals rated 3, 4, or 4* (Goh et al., 2023). The IB-focused journals selected were: *Journal of International Business Studies* (JIBS), *Journal of World Business* (JWB), *Global Strategy Journal* (GSJ), *International Business Review* (IBR), *Asia Pacific Journal of Management* (APJM), *Journal of International Management* (JIM), *Management International Review* (MIR), and *Long Range Planning* (LRP).

Although APJM primarily covers the Asia–Pacific region, it was included because Asia–Pacific MNEs—e.g., Toyota, Samsung, LG, TSMC, Huawei, Xiaomi, Tata—have expanded extensively into Europe through FDI. Only APJM articles explicitly examining Europe as a host region or analytical context were included, maintaining consistency with the review's geographic scope.

This two-tiered selection process identified thirteen journals forming the core base for the review. These journals serve as the source for the bibliometric mapping and qualitative content analysis described below.

2.3 Review Procedure

We conducted a systematic literature review combining bibliometric techniques with qualitative content analysis (Duriau et al., 2007; Fink, 2020; Snyder, 2019; Kim et al., 2024). Using the keywords “Europe” and “international business,” we searched the Business Source Complete database, which provides access to over 6.5 million articles from more than 3700 peer-reviewed journals across management, economics, accounting, finance, and trade (Collinson & Rugman, 2007). The initial search, limited to peer-reviewed articles published between January 1, 2000, and December 31, 2023, yielded 2128 results.

A multistage screening process was applied. First, articles published in journals rated below Academic Journal Guide (AJG) 3 or in unrated outlets were excluded,

reducing the sample to 383. Second, papers published outside the predefined set of IB and management journals were removed, even if they met the AJG threshold; this step reduced the sample to 228 articles. Consistent with our scope, Europe-focused studies were defined to include both intra-European internationalization and inter-regional investment involving Europe. Next, we examined the introductions of the remaining articles to assess substantive engagement with European or IB topics. Articles mentioning “Europe” only in institutional affiliations (e.g., China Europe International Business School) were excluded. To focus on research engaging with European contexts, only papers explicitly addressing European institutional, regulatory, or cultural characteristics—or their implications for European firms and markets—were classified as “Europe-focused.” Noncontextual analyses using European samples but lacking generalizability were excluded. This final step produced a dataset of 115 articles.

The resulting dataset forms the empirical foundation for the bibliometric mapping and qualitative content analysis that follow. In addition to adopting a systematic review methodology, the study incorporates a problematizing review approach to critically interrogate dominant assumptions in the literature (cf. Alvesson & Sandberg, 2020). Inclusion criteria covered three interrelated domains: (1) European firms operating within different European countries, (2) European firms operating abroad and (3) non-European MNEs operating in Europe, provided the studies explicitly engaged with European institutional, regulatory, or cultural characteristics. This approach ensured that Europe is treated not merely as a home- or host-country label, but as a substantive institutional context shaping IB phenomena, including firm strategy and behavior.⁴

3 Review Results

3.1 Journal and Year Distribution

Figure 1 shows the distribution of articles across journals. It reveals that approximately 90% of publications on Europe and IB appeared in IB-focused journals. Among these, *IBR* stands out as the leading outlet, publishing 37 articles (37.39%), followed by *JIBS* with 24 articles (20.87%). Together, these two journals account for nearly 60% (58.26%) of the total sample, demonstrating their central role as intellectual gatekeepers in shaping European IB scholarship. Both *MIR* and *JWB* rank third with 13 articles (11.30%), followed by *JIM* with 8 articles (6.96%).

In contrast, UTD-listed general management journals such as *SMJ* (4 articles, 3.48%) and *OS* (1 article, 0.87%) exhibit limited engagement with this research domain, while *AMJ*, *AMR*, and *ASQ* have yet to publish articles explicitly focused on Europe and IB. Other journals, such as *GSI*, *LRP*, and *APJM*, contributed four

⁴ To enhance methodological transparency and replicability, Web Appendix A provides concrete examples of studies that were included and excluded based on these criteria. These examples illustrate how the inclusion process was guided by the substantive engagement of each study with European institutional, regulatory, or cultural contexts, rather than by geographic sampling alone.

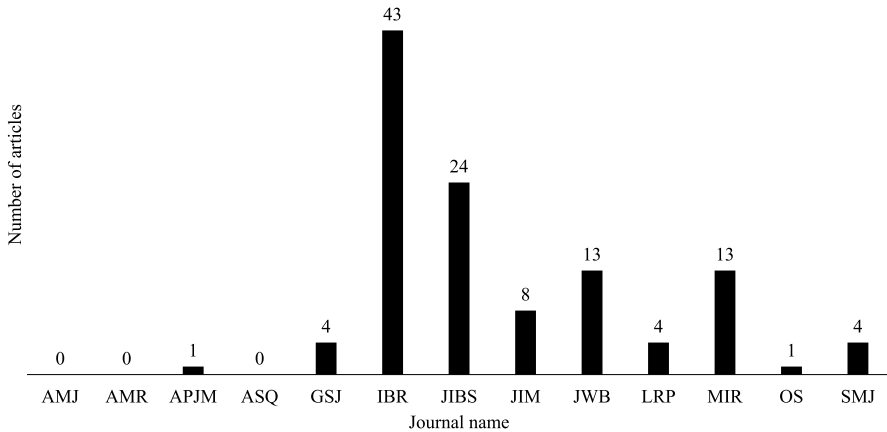


Fig. 1 Journal distribution of articles on Europe and international business during 2000–2023

(3.48%), four (3.48%), and one (0.87%) articles, respectively. This concentration suggests that Europe-focused IB research remains largely anchored within specialist IB journals rather than diffusing broadly into general management outlets.

Figure 2 presents the annual distribution of articles. The trend line indicates steady and sustained growth in research on Europe and IB between 2000 and 2023. Although fluctuations are observed in certain years (e.g., declines in 2002–2003 and 2017–2019), the topic has consistently maintained a prominent position within IB research. This sustained scholarly attention likely reflects the enduring strategic significance of Europe as both a home and host region for MNEs.

Importantly 2017 represents a peak year with 10 publications, coinciding with the 60th anniversary of the Treaty of Rome, which laid the foundation for the EU and marked a milestone in Europe’s integration trajectory. The surge in publications

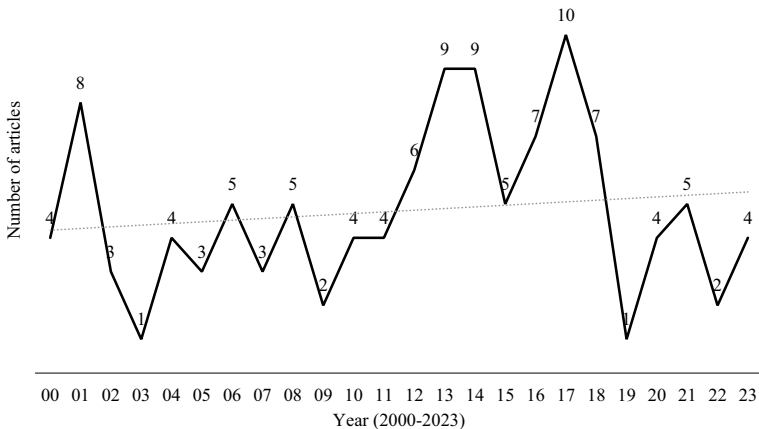


Fig. 2 Year distribution of articles on Europe and international business during 2000–2023

during that year may reflect heightened scholarly engagement with the EU's institutional evolution over six decades.⁵

Overall, despite periodic fluctuations, research at the intersection of Europe and IB has remained a stable and influential component of the field.

3.2 Theories Employed

Table 1 classifies the theoretical frameworks employed across the 115 reviewed articles.⁶ Institutional theory emerges as the most frequently used overarching lens, particularly in studies of internationalization. Prior research shows that MNE internationalization patterns are shaped by home-country institutional structures, while entry into foreign markets is influenced by host-country regulatory, normative, and cultural-cognitive institutions (Xiao & Park, 2018).

Beyond institutional theory, three complementary frameworks are most commonly applied: the resource-based view (RBV), the OLI paradigm (ownership–location–internalization), and transaction cost theory. RBV is prevalent in studies of MNE performance, whereas OLI and transaction cost perspectives are frequently used to explain FDI location choices, internationalization determinants, and entry mode strategies. Together, this pluralism reflects a field characterized less by paradigm competition than by pragmatic theory deployment, with institutional theory serving as a unifying meta-framework across diverse research contexts (see Table 1).

Unlike prior reviews focusing on specific themes, such as developed-country MNEs (Luo et al., 2019), emerging-market MNEs (Luo & Zhang, 2016), or knowledge transfer in IJVs (Kim et al., 2024), this study synthesizes empirical work on Europe and IB more broadly, encompassing a wider array of theoretical approaches. Additional frameworks observed include the agency, dynamic capabilities, and evolutionary perspectives, reflecting both the multidimensional nature of MNE performance and the complexity of underlying mechanisms.

A notable insight is the emergence of context-sensitive theory building tailored to the European IB setting. These contributions introduce new constructs or propose relationships distinct from established models (Luo & Zhang, 2016), reflecting attempts to theorize Europe's unique institutional configuration. Conceptual and commentary articles have also advanced theory by offering critical reflections and articulating new debates (Locke & Latham, 2004).

Although theories have not yet been formally assigned to clusters, preliminary patterns suggest that certain theoretical perspectives recur in specific topical areas. These observations inform the subsequent cluster-level analysis. For example,

⁵ The 2007–2008 financial crisis was the most severe worldwide economic crisis since the Great Depression. The global financial crisis might reduce research funds, perhaps resulting in decreased publications.

⁶ Multiple theories have been empirically tested in a single study on several occasions. In such cases, we recorded all theories in Table 1. This is why the number of sample articles is different from that of the theories in total.

Table 1 Distribution of theories by research topic

Theory	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
Agency					1												1					1	
CETSCALE model																							
Contingency					1									1									
Dynamic capabilities				1				1										1					
Embeddedness												1											
Evolutionary																		1		1			1
Game				1						1													
Institutional	1	3		1	3			5	2		2				1		3	2			1		1
Intercultural (cultural)																							1
Internalization								1															
Knowledge-based view				2							1												
(social) Network					1			1															
OLI		2						2												1			
Organizational learning				1				1					1										
Resource-based view				1	2							1						1			1		
Social exchange					1														1				
Stakeholder									1														
Transaction cost					1						2							1	1				1
Uppsala								2			1												
Other theory				3	1	1	3	1	2	1	3	2	1		1		4	1	4			1	1
Theory building				1								2											
Not specified				2	1	3		1	1	1	1	2	1	1	1	2	1	1		1		1	
Theory	X	Y	Z	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r		Total
Agency																							4
CETSCALE model				1	1	1			1														2

Table 1 (continued)

Theory	X	Y	Z	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	Total
Contingency																		1				3
Dynamic capabilities																						3
Embeddedness																				1		2
Evolutionary						1																4
Game																						2
Institutional				2			1							1			1					30
Intercultural (cultural)		1				1																3
Internalization								1														2
Knowledge-based view																						3
(social) Network																						3
OLI																1						6
Organizational learning																						3
Resource-based view								1						1								8
Social exchange																						2
Stakeholder																	1					2
Transaction cost																						6
Uppsala																						3
Other theory	1	2		1		3	1	1	1	1		1							1		1	45
Theory building			1					1				1										8
Not specified				1		1									1							22

Each alphabet indicates the following research topics (A Responses to institutional complexity; B Location study; C Establishment of global strategy; D Global R&D & innovation strategy; E Performance; F Competition and efficiency in banking sector; G Firm failure; H Internationalization; I Corporate social responsibility and relevant topics; J Intercultural business negotiations; K Market entry strategy; L Knowledge transfer and reverse knowledge transfer; M Shareholder gains; N Control issues; O The effects (contributions) of FDI; P Spillover; Q International HRM; R Operation strategies; S Partnership success; T FDI motivation; U International finance; V Ownership; Strategic divergence; X Global source; Y Culture; Z Nonmarket strategy; a Corruption; b Model verification; c International marketing; d Legislation; e Trust; f Governance; g Perceived socioeconomic status and Life satisfaction; h Language; i Distance; j Corporate decisions; k Institutional entrepreneurship; l Risk management; m Investment promotion agency; n Business relationship; o Integration-responsiveness; p Evolution of regional management; q Headquarter value creation; r Competence creation

institutional theory appears in a wide range of topics, while RBV and organizational learning often surface in knowledge management-related studies.⁷

3.3 Research Context

The reviewed literature spans a wide range of European countries and subregions to examine the relationship between Europe and IB (see Web Appendix B). FDI is categorized by direction, while recognizing that intra-European investment simultaneously reflects outward and inward dynamics from different national perspectives. The “Other” category includes studies that consider focus on European MNE characteristics, or analyze European institutions such as business schools rather than firms or subsidiaries.

Web Appendix B indicates that most research on outward FDI treats Europe as a unified region (18 articles), whereas Central and Eastern Europe (CEE) is the most studied subregion for inward FDI (11 articles). This asymmetry reflects sustained scholarly interest in institutional transition, market liberalization, and legitimacy building in post-socialist economies. Many studies employ multicountry or multiregion samples; for example, Giuliani et al. (2014) analyze subsidiary-level data from both Italy and Germany, so both countries are listed in Web Appendix B, causing aggregate counts to differ from the total number of articles reviewed.

Methodologically, most studies adopt quantitative, questionnaire-based designs. This aligns with broader trends in IB research and addresses the practical challenges of comparative work in Europe. Persistent difficulties in standardizing secondary data across countries make surveys a practical tool for ensuring cross-national comparability at the firm level. Descriptive statistics for the sample are presented in Web Appendix D.

3.4 Leading Authors and Articles

To identify influential authors and foundational studies, we conducted a citation analysis using Google Scholar and Web of Science, following established approaches in prior literature reviews (e.g., Luo & Zhang, 2016; Luo et al., 2019). Citation counts, recorded as of June 23rd, 2024, serve as the primary indicator of scholarly impact.

The five most cited articles are Maignan and Ralston (2002, p. 2291 citations), Thomsen and Pedersen (2000, p. 2198), Meyer (2001, p. 1357), Meyer and Peng (2005, p. 1236), and Balabanis et al., (2001, p. 1171). These highly cited works primarily address core strategic questions related to internationalization, governance, and institutional adaptation, reinforcing the field’s long-standing emphasis on strategy-oriented IB research. Klaus Meyer emerges as the most prominent author, contributing to six articles in the sample.

⁷ A descriptive theory–topic network illustrating these patterns is provided in Web Appendix C for interested readers.

4 Mainstream Themes Based on Strategic Conformity

This study organizes the literature around institutional embeddedness, exploring how EuMNEs formulate strategies through both convergence and contextual differentiation. Strategic choices are influenced by institutional logics, stakeholder pressures, and structural conditions within the European business environment. Although variation exists across countries, the EU's integrated regulatory framework has driven convergence in areas such as internationalization, CSR, location choice, partnership formation, and knowledge transfer.

The five thematic clusters identified represent the most prominent research streams, interpreted through strategic conformity. This concept captures the alignment with institutional expectations while allowing for localized strategic discretion, emphasizing the socially embedded, institutionally mediated nature of MNE strategy in Europe.

These clusters were developed using keyword co-occurrence network analysis of 115 articles. This method identifies research themes through associations between keywords (López-fernández et al., 2016). Scopus, known for its granular metadata, was used to extract bibliographic records, offering advantages over Business Source Complete for visual mapping in IB research (Donthu et al., 2020). VOSviewer, a visualization tool for bibliometric data, helped map and cluster these records, revealing trends and influential factors (Rialp et al., 2019).

Of the 115 studies, 112 articles were included, as three could not be retrieved from Scopus. Prior research has applied varying thresholds for keyword co-occurrence, such as considering keywords appearing together in two (Iandolo et al., 2021) or three articles (Shen et al., 2023). In this study, all linkages between the articles and the keywords *Europe* and *IB* were examined (see Web Appendix E). The keywords clustered around five main topics: internationalization (Cluster 1, yellow), European firms' CSR (Cluster 2, blue), European location strategy (Cluster 3, red), MNE partnership success (Cluster 4, purple), and MNE knowledge transfer (Cluster 5, green).

4.1 Internationalization (Cluster 1)

Internationalization emerges as the most prominent theme in our sample. Studies highlight how institutional, cultural, and economic factors shape internationalization strategies (Meyer & Estrin, 2014), with political and historical contexts influencing MNE decisions (de Jong et al., 2011; Holm et al., 2017; Houldsworth et al., 2021; Magnier-Watanabe & Lemaire, 2018). Europe provides a distinctive setting for refining theories such as institutional theory, transaction cost economics, and the RBV. Navigating diverse institutional environments deepens understanding of how institutions shape MNE performance, while the multidirectional nature of internationalization—including outward, inward, and intra-regional FDI—offers insights into adaptation strategies and decisions on market entry, investment, and partnerships.

Institutional transitions in CEE—from communism to market economies—have provided critical contexts for extending internationalization theories (Meyer &

Peng, 2005). Post-EU accession reforms continue to shape outward FDI, with cross-country differences in regulatory, normative, and cognitive elements affecting entry strategies (Pogrebnyakov & Maitland, 2011). Firm-specific characteristics, including financial resources and governance structures, influence cross-border acquisitions (Forssbäck & Oxelheim, 2008), while cultural barriers and learning experiences require adaptation to local contexts (Barkema & Drogendijk, 2007). Board diversity also facilitates more cohesive internationalization strategies (Santangelo & Meyer, 2011).

4.2 CSR in the European Institutional Context (Cluster 2)

CSR has emerged as a prominent theme in European IB research, as confirmed by our review and keyword analysis. Studies examine how firms integrate social and environmental concerns into operations and stakeholder relations (e.g., Maignan & Ralston, 2002; Rathert, 2016). In addition, CSR in European IB reflects the interplay between institutional environments, national contexts, and stakeholder pressures (Furrer et al., 2010; McGuinness et al., 2020; Rathert, 2016; Reimann et al., 2012). Taken together, two main research streams emerge. First, studies examine how cross-country differences—legal systems, board diversity, and institutional structures—influence MNEs' CSR strategies. Second, local stakeholder pressure is identified as a key driver, with firms leveraging CSR to gain legitimacy domestically and abroad.

4.3 FDI Location Strategy Within Europe (Cluster 3)

Location choice is a central topic in IB research, reflecting how MNEs select regions for foreign operations. Early studies distinguished between “push” and “pull” factors in FDI decisions (e.g., Laamanen et al., 2012; Sethi et al., 2002). Subsequent research has examined more nuanced determinants, including subsidiary roles, institutional environments, and firm-specific advantages across Europe (e.g., Davis & Meyer, 2004; Grosse & Trevino, 2005; Mauri et al., 2017). Europe functions both as a home base offering institutional stability and as a host region providing incentives alongside regulatory complexity (Villaverde & Maza, 2015). Historical and relational factors also shape location strategy: Andreu and Lavoratori (2022) emphasize colonial-based connectivity, while De Beule et al. (2018) show that Chinese MNEs consider prior Chinese investment patterns when selecting European destinations. Although De Beule et al. (2018) focused on Chinese MNEs, the study was included in this cluster because it examines how non-European firms evaluate and respond to institutional determinants within the European context. This aligns with the thematic focus on location strategy in Europe, regardless of firm origin.

Recent research increasingly adopts a multidimensional view of FDI location strategy, integrating institutional contexts, host-country traits, firm-specific capabilities, and home–host relational dynamics. This evolution underscores the complexity of location decisions in Europe and their strategic implications for MNEs.

4.4 MNE Partnership Success (Cluster 4)

When selecting partners in host countries, MNEs must assess whether potential collaborators can address critical resource gaps. Reviewed studies have established key factors for successful partnerships involving European firms (e.g., Baden-Fuller & Hwee Ang, 2001; Couper et al., 2020; Khalid & Ali, 2017). They commonly argue that strong partnerships play a crucial role in the internationalization of EuMNEs, prompting scholars to examine the key drivers of partner selection, such as trust, reputation, and performance. In Europe, bilateral trust is reinforced by factors like ownership and interdependence, while geographic or institutional distance tends to weaken partnership quality.

4.5 MNEs' Knowledge Transfer (Cluster 5)

Knowledge enhances subsidiary competitiveness by supporting innovation and operational efficiency and is widely recognized as a critical resource (Danneels, 2002; Xiao et al., 2024). Traditional research emphasized knowledge transfer from MNE headquarters, highlighting the role of institutions in shaping learning environments (e.g., Gooderham et al., 2022; Meyer & Estrin, 2014; Tihanyi & Roath, 2002). However, recent scholarship treats subsidiaries as active knowledge contributors. Reverse knowledge transfer (RKT)—where subsidiaries transmit knowledge back to headquarters—has gained attention (Liu & Meyer, 2020; Najafi-Tavani et al., 2015). Studies show that knowledge generated or absorbed abroad strengthens MNE capabilities. Su et al. (2023) report that strong headquarters involvement facilitates RKT by aligning operations with strategic goals, while Lee et al. (2024) highlight that knowledge transfer capacity and relational capital within subsidiaries foster trust and effective exchange. Giuliani et al. (2014) note that transfer effectiveness depends on whether headquarters are in advanced or emerging economies, and Monteiro and Birkinshaw (2017) stress the need for a balance between local embeddedness and internal connectivity. Pre-acquisition conditions, such as home-country advantages, also shape post-M&A knowledge flows (Ai & Tan, 2020; Grimpe et al., 2023).

European MNEs have only recently featured in RKT studies, with research emerging since 2014. Empirical findings indicate that local knowledge absorption varies by the acquirer's home country, while both acquirer traits (e.g., profitability, resource complementarity) and target firm characteristics (e.g., local embeddedness) significantly influence knowledge acquisition in M&A contexts.

5 Problematising Review: Europe in Outward and Inward-FDI Research

Following the logic of a problematising review (Alvesson & Sandberg, 2020), this section moves beyond synthesizing what the literature on Europe and IB “adds up to” and instead interrogates the assumptions that underpin dominant explanations. Rather than treating prior findings as cumulative building blocks, we examine the

conceptual premises that structure how research questions are posed, variables are operationalized, and theoretical contributions are defined. Using our sample, we identify recurring explanatory templates in three focal domains (as illustrated in Web Appendix B. Research contexts): (1) outward FDI by European firms, (2) inward FDI by non-European MNEs, and (3) European firms expanding within Europe. We then scrutinize the assumptions that make these templates work: What is treated as given, what is downplayed, and how alternative assumptions can reorient theory building in European IB scholarship.

More specifically, our problematizing review identifies four taken-for-granted premises that recur across Europe-focused IB research. *First*, institutions are frequently treated as sufficiently stable and exogenous to be modeled as background conditions or “distance” variables, rather than as contested and evolving governance arrangements. Second, Europe is often implicitly theorized as a coherent or converging regional space, such that its internal heterogeneity becomes a measurement issue rather than a theoretical problem. *Third*, legitimacy is commonly treated as the downstream result of institutional fit, compliance, or host-country adaptation, rather than as something actively constructed and continuously renegotiated under dense stakeholder scrutiny. *Fourth*, the state is often positioned as a regulatory backdrop that constrains firm behavior from the outside, rather than as a constitutive actor that helps organize markets, shape strategic opportunity structures, and influence the conditions under which MNEs gain or lose legitimacy. These premises do not merely inform isolated hypotheses. They organize the explanatory templates through which outward FDI, inward FDI, and intra-European expansion have been theorized.

Problematizing Europe-focused IB research therefore requires more than pointing to underexplored contexts or adding further empirical nuance. It requires questioning why these premises have been treated as analytically innocuous in the first place. Once they are no longer taken for granted, the literature looks less like a cumulative account of internationalization in a regional setting and more like a body of work constrained by a limited set of underlying assumptions about institutional stability, regional convergence, legitimacy, and the role of the state. The three subsections below interrogate how these assumptions operate across the dominant explanatory templates in the sample and what alternative assumptions become available when Europe is treated not as a passive empirical backdrop, but as a theoretically disruptive context.

5.1 Outward FDI by European Firms: Problematizing the “Distance–Choice” Template

In the outward-FDI literature, European firms are often portrayed as confronting cross-national differences, such as institutions, culture, and regulation, and responding through relatively stable proxies that guide entry mode, governance, and location choices. This logic underpins influential studies explaining entry mode as a response to institutional and transaction hazards (Brouthers & Brouthers, 2000; Meyer, 2001), extends to transition economies in Central and Eastern Europe (Meyer & Peng, 2005), and is reinforced by research treating institutional distance as a core predictor

of internationalization patterns (Pogrebnyakov & Maitland, 2011). Related work, drawing on eclectic reasoning, links outward FDI to home-country institutions and strategic positioning (Stoian, 2013; Stoian & Filippaios, 2008), while broader institutional shifts are invoked to explain changes in FDI flows (Sethi et al., 2002).

Collectively, these studies converge, often implicitly, on a familiar explanatory template in which institutions are treated as relatively stable constraints, cross-border differences become consequential through distance-based proxies, and firms appear as coherent actors adapting to an external environment. In the European context, this template is analytically restrictive because it backgrounds institutional recomposition, underplays the constitutive role of multilevel governance, and narrows the space for theorizing legitimacy and strategic contestation. We identify and interrogate three such assumptions below.

5.1.1 *Assumption 1: Institutions and cross-national differences are stable, exogenous constraints*

Much of the outward-FDI work implicitly assumes that institutional environments are sufficiently stable to be treated as exogenous “inputs” into firms’ entry decisions (Brouthers & Brouthers, 2000; Meyer, 2001; Pogrebnyakov & Maitland, 2011).

This assumption is problematic in the European context, which is characterized by multilevel governance and ongoing institutional reconfiguration. Indeed, studies in the sample repeatedly highlight within-Europe heterogeneity and institutional transition dynamics, particularly in CEE (Meyer, 2001; Meyer & Peng, 2005). When institutions are modeled as stable and exogenous, theorizing privileges cross-sectional comparisons and index-based measures of cross-national difference (e.g., institutional distance indicators), while limited analytical space to institutional change, contestation, and recomposition. As a result, research tends to underplay how evolving regulatory regimes, supranational rule-making, and geopolitical disruptions reshape the strategic problems firms face (Pogrebnyakov & Maitland, 2011).

An alternative assumption is that outward FDI by European firms constitute a process of multilevel institutional navigation rather than simple cross-national adaptation. From this perspective, firms operate across overlapping supranational, national, and subnational regulatory regimes and must continuously recalibrate commitments as institutional configurations shift. This reframing invites longitudinal and process-oriented research that examines how European firms sequence investments, adapt governance mechanisms, and renegotiate legitimacy under conditions of institutional volatility.

5.1.2 *Assumption 2: Cultural difference operates as a symmetric “liability” best captured by distance*

In the outward-FDI literature, culture is often treated as a separable source of cross-border friction, typically operationalized as cultural distance. This perspective links culture to governance, entry mode choices (Brouthers & Brouthers, 2000), and learning or adaptation in unfamiliar environments (Barkema & Drogendijk, 2007).

However, several studies challenge this assumption, arguing that distance is a blunt proxy that obscures the mechanisms through which cultural differences matter (Shenkar, 2012). Alternative approaches conceptualize culture in terms of cultural space and place rather than scalar gaps (Asmussen & Goerzen, 2013; Shin et al., 2016), while interaction-focused research emphasizes that outcomes depend on how cultural differences are enacted in specific organizational contexts rather than their magnitude alone (Koch et al., 2016; Li, 2022).

This issue is particularly salient in Europe, where substantial heterogeneity exists not only between Western Europe and CEE, but also among countries such as France, the Netherlands, and the UK (Furrer et al., 2010; Maignan & Ralston, 2002). Treating culture as a symmetric dyadic distance risks flattening this variation and obscuring intra-European differences. An alternative is to view cultural effects as interactional and situated, where differences matter only insofar as they are activated in organizational interfaces—such as coordination, integration, and knowledge transfer—and mediated by actors, routines, and power relations (Lew et al., 2016). Empirical examples include boundary spanners shaping cross-border knowledge processes (Liu & Meyer, 2020) and the joint role of organizational and national culture in European MNE knowledge sharing (Gooderham et al., 2022). This reframing preserves culture as theoretically central while shifting emphasis from static distance measures to the organizational mechanisms through which firms navigate culturally heterogeneous European environments.

5.1.3 Assumption 3: The firm is an internally coherent decision-maker; internal heterogeneity is secondary

In our sample, outward-FDI research predominantly frames the firm as a unitary actor responding to external constraints, with internal heterogeneity treated as secondary (e.g., Barkema & Drogendijk, 2007; Brouthers & Brouthers, 2000; Pogrebnyakov & Maitland, 2011; Sethi et al., 2002; Stoian, 2013; Stoian & Filippaios, 2008). Even under conditions of uncertainty, emphasis remains largely on exogenous pressures—competition, institutional hazards, and geopolitical volatility—while internal contestation and actor plurality are largely overlooked (Hutzschenreuter & Gröne, 2009; Shen et al., 2021). Yet, some studies show that internal governance and financial architecture shape cross-border strategy: Board and TMT diversity influences internationalization patterns (Barkema & Drogendijk, 2007), ownership structure affects performance in large European firms (Thomsen & Pedersen, 2000), and finance-specific conditions inform cross-border acquisitions (Forssbäck & Oxelheim, 2008). More recent work highlights headquarters influence and top managers' experience in conditioning MNE advantage and strategic outcomes (Su et al., 2023). Collectively, these findings challenge the assumption that outward FDI is a single, coherent response to external constraints. Instead, it reflects how internal coalitions, headquarters–subsidiary relations, and financial governance shape what is feasible, legitimate, and strategically committed to, particularly within Europe's heterogeneous competitive and institutional landscape (Brauer & Heitmann, 2013). Problematising this assumption directs attention to the micro-foundations of strategy,

encouraging research that links outward-FDI decisions to the internal distribution of authority, expertise, and resources within European MNEs.

5.2 Inward FDI (by Non-European) MNEs: Problematicizing “Europe as a Single Host Market” Template

Studies in this domain tend to model inward FDI into Europe through a location-attractiveness lens: Non-European MNEs select European destinations based on regional advantages, institutional quality, and market potential. This logic is most explicit in regional studies of inward FDI within Europe (Villaverde & Maza, 2015), in institutional accounts of location choice in Central and Eastern Europe (Grosse & Trevino, 2005), and in research linking inward investment to innovation-oriented motives such as subsidiary R&D location advantages (Davis & Meyer, 2004). More recent studies extend this template by introducing relational and historical determinants of where non-European firms place investments in Europe, for example, colonial-based connectivity shaping foreign headquarters investment (Andreu & Lavoratori, 2022) and Chinese firms’ reliance on prior Chinese investment patterns when selecting EU destinations (De Beule et al., 2018).

Taken together, while these studies advance understanding of where inward FDI is located within Europe, they also stabilize a set of premises that deserve stronger interrogation: that Europe can be treated as a sufficiently coherent host space, that pre-entry location determinants explain the core strategic problem, and that legitimacy follows more or less automatically from institutional fit or compliance. In a European context marked by layered governance, differentiated stakeholder expectations, and uneven institutional development, these premises are too easily accepted. We identify three such assumptions below.

5.2.1 *Assumption 1: “Europe” is a coherent destination whose internal heterogeneity can be backgrounded*

Even when studies disaggregate to European regions, Europe often functions as a container within which location attractiveness is assessed (Villaverde & Maza, 2015). Yet the empirical settings examined in the sample point to significant institutional differences across Western Europe, the UK, and CEE, as well as to ongoing institutional transition (Davis & Meyer, 2004; Grosse & Trevino, 2005). Recent work further underscores the importance of historically layered ties and differentiated connectivity rather than uniform host-country characteristics (Andreu & Lavoratori, 2022; De Beule et al., 2018). The theoretical issue is not simply finer-grained measurement; it is that treating Europe as a stable destination encourages research designs that treat subregional variation as noise, rather than as a mechanism that shapes both location choice and subsequent strategy.

An alternative assumption is that inward FDI into Europe involves entry into a multijurisdictional ecology, where the relevant “host environment” is not a single national system but an overlapping set of supranational, national, and subnational governance arrangements. This reframing suggests that location choice and

post-entry strategy can be jointly shaped by how MNEs interpret, comply with, and strategically respond to layered regulation and stakeholder scrutiny.

5.2.2 *Assumption 2: Location determinants explain entry, post-entry embeddedness is secondary*

Much of the inward-FDI literature in our sample privileges pre-entry determinants, including host conditions, incentives, and institutional attributes (Grosse & Trevino, 2005; Villaverde & Maza, 2015). In addition, it relates location to innovation motives (Davis & Meyer, 2004). However, few studies in the sample make clear that what matters in Europe is not only where firms enter, but how they embed and operate once in place. As such, research on subsidiary strategy and local context emphasizes that MNE strategies are realized through local organizational and institutional engagement (Meyer & Estrin, 2014). Moreover, work on global–local subsidiary connections in Europe highlights that subsidiaries differ systematically in how they connect to local contexts and global networks, with implications for integration and learning (Giuliani et al., 2014). Evidence from non-European acquirers in Europe similarly points to post-entry processes by suggesting that post-acquisition reverse capability transfer among Chinese MNEs in Europe depends on conditions that shape integration and capability mobilization after the deal (Ai & Tan, 2020), while autonomy and performance dynamics among Japanese subsidiaries in Europe underscore that control and discretion are negotiated rather than assumed (Kawai & Strange, 2014).

Problematizing the entry-determinants focus implies an alternative assumption: Inward FDI is not a discrete entry event but an ongoing process of negotiated embeddedness in which legitimacy, knowledge flows, and stakeholder alignment are constitutive of performance.

5.2.3 *Assumption 3: Legitimacy follows from compliance or from institutional fit*

Inward-FDI research often implies that legitimacy follows from entering institutionally “good” environments (Chan & Makino, 2007). However, CSR-focused studies in our sample challenge this assumption by showing that legitimacy is actively constructed and varies within Europe. CSR self-presentation differs across European countries (e.g., UK, France, the Netherlands), implying heterogeneous expectations about what counts as responsible behavior (Maignan & Ralston, 2002). Attitudes toward corporate responsibilities vary between Western Europe and Central/Eastern Europe, again challenging any presumption of a uniform “European” legitimacy standard (Furrer et al., 2010). Institutional configurations such as legal origins shape CSR practices (Rathert, 2016), and governance features within European firms (e.g., gender-diverse boards) are linked to corporate social performance (McGuinness et al., 2020). Relatedly, CSR is used strategically to meet host-country stakeholder expectations and regulatory demands (Rathert, 2016). These findings highlight that legitimacy in Europe is contested, relational, and context dependent.

Problematizing the assumption of automatic legitimacy suggests that inward FDI into Europe often entails active legitimacy building under dense stakeholder

scrutiny, where compliance is necessary but insufficient and reputational, social, and political evaluations shape strategic options over time.

5.3 European Firms Expanding Within Europe: Problematising the “Semi-Domestic Market” Template

Interestingly, research on European firms expanding within Europe is often animated by an implicit regionalist logic: Europe is treated as an integrated space in which cross-border expansion is still “international,” but less discontinuous, less institutionally demanding, and more strategically manageable than expansion beyond Europe. This logic does not always appear explicitly, yet it underpins a wide range of studies in our sample. It is visible in work examining the pace and sequencing of internationalization by European firms (Barkema & Drogendijk, 2007), changes in product and geographic scope (Hutzschenreuter & Gröne, 2009), strategic divergence among European MNCs over time (Brauer & Heitmann, 2013), location-related restructuring decisions such as headquarters relocation (Laamanen et al., 2012), and the effects of the broader European meta-environment on firm behavior and performance (de Jong et al., 2011). Relatedly, research on subsidiary strategy and knowledge transfer within European MNEs often examines how firms coordinate and learn across European operations (e.g., Giuliani et al., 2014; Gooderham et al., 2022).

Overall, this literature has generated important insights, but it also reproduces a regionalist premise that is too rarely questioned: That expansion within Europe unfolds in a space sufficiently integrated for institutional discontinuities, legitimacy struggles, and governance complexity to be analytically softened. We identify and discuss further such assumptions as below.

5.3.1 *Assumption 1: Intra-European expansion occurs within a sufficiently integrated regional space that institutional discontinuities are secondary*

A large part of this literature proceeds as though European integration has reduced cross-border difference to the point where within-Europe expansion can be theorized as a lower-intensity form of internationalization. It turns Europe’s internal unevenness into empirical noise rather than a source of theoretical leverage. In contrast, Barkema and Drogendijk (2007) highlight that learning and adaptation remain central *even* for European firms expanding across Europe, implying that proximity does not eliminate experiential uncertainty. de Jong et al. (2011) similarly point to the significance of the wider European meta-environment, indicating that firms do not operate in a neutral regional backdrop but in a politically and institutionally layered setting, while Web Appendix B itself points to a highly uneven empirical landscape in which intra-European research spans Europe as a whole, CEE, Western Europe, the Nordic region, and country-specific settings such as Hungary and Poland. These are not minor variations within a common market; they reflect enduring differences in institutional development, state traditions, and business systems. Treating Europe as a quasi-domestic space therefore risks domesticating what is, in reality, a region

marked by layered integration and persistent heterogeneity. A more convincing assumption is that European firms expanding within Europe navigate compressed distance, not diminished complexity.

5.3.2 Assumption 2: The central analytical task is market entry or scope adjustment, whereas post-entry coordination is largely a technical matter

A second weakness in this dimension (intra Europe) is its tendency to privilege expansion decisions over the organizational work that follows them. Studies of product and geographic scope, relocation, and sequencing are valuable, but they also reveal a bias toward strategic movement as the object of explanation (Barkema & Drogendijk, 2007; Hutzschenreuter & Gröne, 2009; Laamanen et al., 2012). The implicit message is that once firms have entered or restructured across European borders, the remaining problem is one of execution that is too thin. The more revealing studies in this domain suggest that the real difficulty of intra-European expansion lies not in crossing borders per se, but in governing what those crossings produce. Meyer and Estrin (2014) show that subsidiary strategy cannot be separated from the local institutional and organizational conditions in which it is enacted. Giuliani et al. (2014) further demonstrate that subsidiaries differ in how they connect local environments to wider corporate networks, while Gooderham et al. (2022) show that knowledge sharing depends not simply on structure, but on the interaction of organizational and national cultures. In this light, post-entry coordination is not a technical afterthought. It is the core strategic problem. The literature has therefore overinvested in explaining where firms expand and underinvested in theorizing how expansion is continuously held together across uneven European settings.

5.3.3 Assumption 3: Regional proximity makes internal alignment and strategic coherence easier to achieve

A further assumption running through this work is that expansion within Europe benefits from a baseline of shared legitimacy and manageable internal diversity. Because firms operate within the same broad regional project, legitimacy is often tacitly treated as less contested than in extra-European expansion, while internal coherence is assumed to be more readily maintained. Yet the studies reviewed in our sample point in the opposite direction. Brauer and Heitmann (2013) show that strategic divergence within European MNCs is not incidental but unfolds over time, suggesting that expansion across Europe intensifies internal differentiation rather than containing it. Hutzschenreuter and Gröne (2009) likewise imply that shifts in scope are part of broader reconfiguration processes, not neutral portfolio adjustments. Research on subsidiaries and knowledge transfer reinforces this point: Once firms stretch across heterogeneous European contexts, internal alignment becomes more fragile, not less, because local actors face different institutional demands, competitive pressures, and knowledge environments (Giuliani et al., 2014; Gooderham et al., 2022; Meyer & Estrin, 2014). Proximity, then, should not be conflated with coherence.

Taken together, these assumptions reveal the limits of the semi-domestic market template. What is underplayed in much of the literature is not simply heterogeneity, but the theoretical significance of Europe's particular combination of integration and unevenness. Intra-European expansion is not merely a milder version of internationalization. It is a distinct strategic condition in which shorter distance and shared regional membership coexist with institutional stratification, variable embeddedness, and recurrent coordination problems. Problematizing the literature in these terms shifts the focus away from whether Europe reduces the difficulty of internationalization and toward the more analytically demanding question of how firms govern strategy, knowledge, and organizational coherence within a region that is neither domestic nor fully foreign, but structurally and politically layered.

6 From Structural Patterns to Critical Insights: Explaining the Architecture of European IB Research

Despite these insights, the mechanisms driving differences in Europe remain underexplored. The five thematic clusters identified above are not simply a collection of recurring research topics. They reflect a deeper structural logic that illustrates how Europe's institutional structure connects both corporate strategy and academic theorizing. To move from patterns to mechanisms, we should not only ask what European IB research focuses on, but also why it has taken this form (Alvesson & Sandberg, 2020).

Many prior studies have relied on institutional theory as their principal theoretical lens, and it is no coincidence that the theory continues to dominate IB research in Europe. Structurally, Europe's multilayered governance, anchored by the EU's regulatory harmonization while also rooted in diverse national institutional systems, creates a complex and evolving regulatory environment (Grosse & Trevino, 2005; Meyer & Peng, 2005). Under these conditions, strategic decision-making shifts from a matter of pure efficiency optimization to one of managing legitimacy and institutional alignment. Therefore, institutional theory serves as a particularly powerful explanatory lens, drawing scholars to it because its empirical context systematically brings issues of compliance, adaptation, and governance to the forefront (Meyer & Estrin, 2014).

From an intellectual perspective, this structural configuration aligns with the research tradition of European academia, which has emphasized social embeddedness, governance, and comparative institutional analysis. This contrasts with some currents in North American strategy research, which concentrate more strongly on performance optimization and competitive positioning. Therefore, the dominance of institutional logic in European IB research is not only a consequence of environmental conditions, but also reflects intellectual path dependence within the local academic community.

The five thematic clusters can be understood as different strategic responses to this institutional density. Internationalization research demonstrates how firms manage institutional multilayering and institutional distance across borders (Meyer, 2001; Pogrebnjakov & Maitland, 2011). CSR research analyzes how firms secure

legitimacy under heightened stakeholder scrutiny and regulatory urgency (McGuinness et al., 2020; Rathert, 2016). Research on location strategies reflects firms' attempts to strategically respond to differentiated institutional systems within Europe (Grosse & Trevino, 2005; Mauri et al., 2017). Partnership research addresses how trust and cooperation are built under heterogeneous regulatory and cultural conditions (Khalid & Ali, 2017). Knowledge transfer research underlines how firms materialize adaptation by diffusing and recombining capabilities across institutionally diverse units (Liu & Meyer, 2020).

These clusters can be interpreted as interconnected elements that constitute what we call "strategic conformity." EuMNEs simultaneously balance regulatory convergence and contextual differentiation, reconciling internationalization and location choices with institutional pressures while legitimizing their actions through CSR and partnerships. Knowledge transfer embodies this conformity by enabling adaptation and diffusion across organizational networks. In this vein, these topics are not isolated areas, but interconnected expressions of a broader strategic imperative that requires MNEs to achieve strategic compliance while maintaining contextual flexibility in an integrated yet institutionally segmented environment (Stoian & Filipaios, 2008).

The European regulatory environment plays a unique and generative role in forming both management practice and academic inquiry. Compared to many other regions, Europe exhibits strong regulatory proactivity in a variety of areas, including competition policy, sustainability mandates, data protection, state subsidy controls, and corporate governance (Rathert, 2016). In particular, regulations are not constraints, but function as organizing principles for market activity. As a result, European IB research recurrently sheds light on regulatory embeddedness, more than pure efficiency or market-based competitive logic. Unlike contexts where strategic debates are primarily driven by performance optimization, the European environment raises questions about governance, social expectations, and institutional accountability.

Understanding this co-evolution makes it clear that European IB research cannot be reduced to a mere regional variation of mainstream IB. That is, it emerges as a context-conditioned knowledge domain constituted by Europe's unique institutional experiment of an integrated market without full political integration. Europe's dual nature—regulatory convergence through the EU framework and institutional diversity stemming from each country's historical institutional legacy—creates a structural tension between harmonization and differentiation. Firms respond to this by calibrating global integration and local adaptation through strategies, and scholars explain this by developing theoretical frameworks that emphasize embeddedness, legitimacy, and multilevel governance. By clearly exposing these mechanisms, we move beyond a simple technical synthesis and show how the European context systematically structures corporate strategy and academic inquiry.

Having established this structural explanation, we now turn to its conceptual and empirical limitations. By identifying overlooked mechanisms and underexplored domains, we highlight research gaps and propose directions for advancing IB scholarship in Europe's heterogeneous institutional environment. The focus is on surfacing new research questions, theoretical linkages, and context-sensitive, dynamic

explanations rather than incremental extensions. Figure 3 integrates MNE activity across the five clusters through the lens of institutional embeddedness, illustrating how European MNEs navigate both contextual and relational pressures under complex institutional conditions (e.g., institutional theory, comparative capitalism, social capital theory).

Research on EuMNE internationalization has focused predominantly on institutional and cultural distance and transaction cost efficiency (Brouthers & Brouthers, 2000; Meyer & Estrin, 2014). While these approaches explain entry modes and location choice, they often overlook institutional volatility, particularly in transitional economies such as CEE. Regulatory ambiguity and informal constraints challenge static, distance-based models. Extant limitations may reside in how firms develop dynamic capabilities and relational strategies in response to institutional flux, addressing questions such as how managerial risk perceptions or trust in local actors shape entry decisions, and whether entry timing influences strategic adaptation in unstable contexts. Such work would reframe internationalization as an interpretive and context-sensitive process.

To reiterate, CSR research in the European IB literature has largely relied on institutional theory, emphasizing formal regulations and governance systems (Rathert, 2016). Informal institutions—social norms, cultural expectations, and historical legacies—remain comparatively underexplored, as do intra-firm processes such as routines, leadership, and subsidiary autonomy. Researchers could investigate how informal institutions influence CSR implementation across subsidiaries under varying degrees of headquarters control. Conceptualizing CSR as a multilevel process embedded in both national and organizational contexts would provide a more nuanced understanding of corporate behavior across Europe.

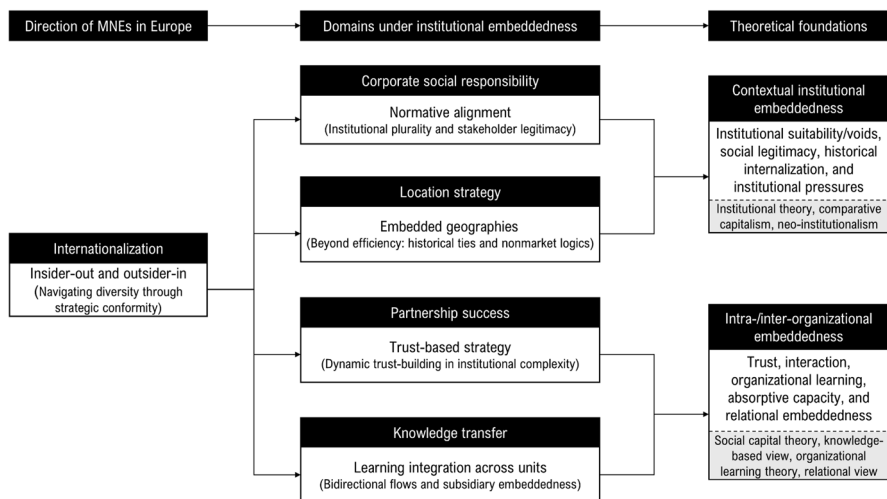


Fig. 3 Conceptual framework of institutional embeddedness and internationalization direction of MNEs in Europe

Studies of MNE location strategy have prioritized efficiency, market access, and resource acquisition, typically framed through the OLI paradigm or transaction cost logic (Mauri et al., 2017; Sethi et al., 2002). However, historical ties, social embeddedness, and nonmarket influences are often neglected. Colonial legacies, diaspora networks, and diplomatic familiarity may shape location decisions even in economically suboptimal regions. In addition, organizational inertia, path dependence, and cognitive biases at headquarters can divert choices from purely rational calculations.

Partner selection in EuMNEs has been examined primarily through strategic fit, credibility, and complementary capabilities, drawing on trust and social capital perspectives (Couper et al., 2020; Khalid & Ali, 2017). Empirical attention has focused mainly on alliance formation, with limited insight into post-formation dynamics. There is scope to examine how trust evolves, erodes, or is renegotiated in response to conflict, shifting objectives, or institutional pressures. Moreover, insufficient theory addresses how legal protections, contract enforcement, and stakeholder influence within European institutional settings affect alliance longevity. Moving from static partner-selection models to dynamic, co-evolving alliance frameworks would better capture relational complexity.

Research on knowledge transfer has traditionally emphasized top-down flows from headquarters to subsidiaries, focusing on absorptive capacity, communication, and cultural fit. Although recent studies acknowledge RKT (Liu & Meyer, 2020; Su et al., 2023), its antecedents, mechanisms, and outcomes in the European context remain underdeveloped. Variations in transfer capacity linked to home-country development levels (Giuliani et al., 2014), as well as the roles of relational capital and subsidiary autonomy, warrant further attention. Key questions include how headquarters–subsidiary power asymmetries shape RKT and how local innovation systems condition subsidiary contributions. Boundary-spanning roles and digital platforms also merit investigation as mechanisms for horizontal knowledge coordination. Reframing MNEs as distributed knowledge systems would move beyond hierarchical governance and align with contemporary views of subsidiaries as value creators.

Taken together, Sections 4, 5, and 6 suggest that because these (i.e., RKT, power asymmetry, and distributed knowledge systems etc.) patterns are rooted in Europe's dual institutional structure, they do not simply describe empirical regularities. Rather, they reconstruct the foundational assumptions by which IB theory conceptualizes corporations, institutions, and governance. At a deeper level, this structural explanation carries important epistemological implications. Mainstream IB research has implicitly conceptualized MNEs as actors pursuing efficiency within a relatively stable institutional environment. From this perspective, institutions are viewed as exogenous constraints, and the state primarily functions as a regulatory backdrop. However, the European literature reviewed in this study presents a different ontological configuration. Firms are consistently portrayed as socially and politically embedded players operating within dense, multilayered, and continuously evolving governance systems. The state is not merely an external regulator, but a constitutive performer co-creating market order. Corporate-society relations are also understood not as a peripheral extension of CSR strategy, but as a structurally integrated element of strategic decision-making.

More explicitly, the academic debate on Europe examined in this study challenges three assumptions that have constituted mainstream IB theory. First, it problematizes the view that institutions are static and exogenous constraints, underlining institutional hierarchies, regulatory evolution, and governance negotiations. Second, the state is placed at the center of the analysis, not as a neutral background condition, but as an active and constitutive force transforming the strategic opportunity structure. Third, by integrating legitimacy building and stakeholder coherence as core elements of MNE strategy, it moves beyond a perspective that treats them as secondary concerns. This shift highlights the epistemological uniqueness of the European lens: its emphasis on the complexity of governance, institutional embeddedness, and legitimacy as constitutive dimensions of MNE behavior.

Therefore, Europe should not be understood as a domain of empirical research that adds contextual richness to existing models. Because Europe's institutional hierarchy restructures the strategic problems encountered by firms, it serves as an epistemological standpoint from which to reexamine and, if necessary, reformulate core assumptions of IB theory regarding corporate autonomy, institutional neutrality, and the primacy of efficiency. By clarifying the structural mechanisms through which European governance structures repeatedly generate legitimacy-driven strategic imperatives, European IB studies not only foster more process-oriented and institution-sensitive theorizing, but also contribute to a rethinking of firm-state-society relations in IB.

7 Future Research Agenda

Building on our synthesis, we prioritize three tensions that are distinctive to the European lens, and we derive a focused research agenda from them. Tension 1, regulatory multilayering versus local heterogeneity, calls for work on global R&D alliances and subsidiary autonomy that explains how firms reconcile EU-level rules with diverse national and subnational contexts. Tension 2, geopolitical exposure versus legitimacy building, motivates research on how European MNEs combine market and nonmarket strategies when external shocks and informal institutions jointly shape risk and coordination choices. Tension 3, integration ambitions versus strategic divergence, invites studies on when divergence improves adaptation and performance under institutional and cultural diversity and accelerating digital transformation.

7.1 Global R&D and Innovation Strategy

Addressing Tension 1, future research on global R&D and innovation should clarify how European MNEs navigate the interaction between EU-level regulatory harmonization and the diverse institutional conditions of national and subnational environments. The global reconfiguration of R&D and technology strategies has increased firms' reliance on cross-border R&D partnerships to share the rising costs and risks of innovation in knowledge-intensive sectors (Narula & Duysters, 2004). Although

EU regulations support collaboration, many European firms continue to centralize R&D at home because of embeddedness, coordination costs, and scale advantages (Santangelo et al., 2016), raising questions about how they balance EU-wide integration with locally rooted capabilities. Future research should therefore examine how EU-level regulatory frameworks shape the formation, governance, and performance of global R&D alliances (Blind & Mangelsdorf, 2016), and how these policies influence innovation routines, clusters, and spillovers, including trade-offs between value creation and leakage risks. Scholars should also assess the contribution of R&D alliances to sustainable innovation and investigate how European MNEs manage institutional asymmetries in emerging markets, particularly how EU competition and intellectual property rules affect alliance governance, knowledge-sharing, and outcomes in globally dispersed R&D activities.

7.2 Geopolitical Dynamics and Informal Institutions

Addressing Tension 2, prior research shows that firms use varied strategies to navigate institutional environments, including FDI to overcome trade barriers and joint ventures to build legitimacy (Peng et al., 2008). Yet institutional influences are increasingly multidimensional and interconnected (Luo & Zhang, 2016), and existing institutional theory has not fully explained how European MNEs respond to geopolitical shocks and informal institutions. Geopolitical disruptions reshape strategic decisions and can prompt investment withdrawal, but findings are mixed, with evidence that high geopolitical risk encourages M&As as quicker entry modes and, conversely, that uncertainty discourages FDI (Adarkwah et al., 2024; Saittakari et al., 2023; Shen et al., 2021). This inconsistency calls for more nuanced accounts of how geopolitical dynamics shape risk perceptions and governance choice.

Informal institutions such as trust, relational networks, and cultural norms affect transaction costs and governance complexity and become especially salient in weak or uncertain environments (Chan & Du, 2022; Holmes et al., 2011). Future research should examine interactions between formal and informal institutions under geopolitical risk, and how European MNEs deploy political and social strategies to engage informal institutions and build resilience across home and host-country contexts (An et al., 2024; Mbalyohere & Lawton, 2022).

7.3 Subsidiary's Autonomy and Entrepreneurship

Addressing Tension 1, subsidiary autonomy is a key driver of MNE performance because it enables entrepreneurial behavior and the application of market-specific knowledge within diverse national and subnational institutional settings. European IB research shows that subsidiaries with greater decision-making independence identify opportunities more effectively and innovate in ways aligned with local needs, and Kawai and Strange (2014) find that autonomous subsidiaries respond more quickly to market shifts. Practice examples, such as Novo Nordisk's locally tailored health initiatives in Brazil, illustrate how autonomy supports grounded innovation. Ciabuschi et al. (2011) similarly argue that loosely governed subsidiaries

exhibit stronger entrepreneurial tendencies that enhance competitiveness. Yet the mechanisms linking autonomy to entrepreneurial outcomes remain underexplored. Future research should specify how autonomy interacts with institutional constraints, regulatory pressures, and headquarters control systems in highly regulated or politically sensitive environments, and examine how autonomy shapes the use of nonmarket political and social strategies (cf. An et al., 2024; Andersson et al., 2026). Such work would clarify autonomy not only as an internal governance tool but also as a catalyst for institutional entrepreneurship that helps subsidiaries navigate and influence local regulatory contexts across home and host markets.

7.4 Strategic Divergence

Addressing Tension 3, strategic divergence, defined as differences in resource allocation and competitive priorities among MNEs (Brauer & Heitmann, 2013), remains a central avenue for European IB research. Divergence enables adaptation and expansion through acquisitions or greenfield investments shaped by institutional, cultural, and transaction cost factors (Brouthers & Brouthers, 2000). The EU's integrated market facilitates cross-border M&As, yet geopolitical shifts such as Brexit and uneven regional integration introduce uncertainty, calling for analysis of how these dynamics affect divergence, diversification, and long-term positioning. Differences in epistemic traditions also matter, with European IB emphasizing institutional embeddedness and stakeholder complexity, and US research focusing on agency and resource optimization; comparative meta-analyses could clarify how these traditions shape theory across regions. Institutional and cultural diversity in Western, Central, and Eastern Europe conditions geographic expansion and demands tailored organizational structures (Asmussen & Goerzen, 2013). Digital transformation further enables divergence by lowering coordination costs and strengthening cross-border integration (Hutzschenreuter & Gröne, 2009). Future research should specify how digital infrastructures, regional policies, and institutional heterogeneity jointly configure European MNEs' divergent strategies.

7.5 Cultural Friction in Emerging Markets

Addressing Tension 3, European MNEs expanding into emerging markets face complex institutional and cultural environments that require divergent strategies rather than uniform adaptation. Although emerging economies such as China and India are increasingly central to global value chains, many studies continue to rely on one-dimensional cultural distance metrics that overlook the heterogeneity of multi-racial or multireligious societies. Treating culture as a single construct risks conflating cultural friction with distance and obscuring the challenges firms encounter. To address this limitation, research should distinguish cultural friction, defined as the situational interface between individuals from different cultural backgrounds (Shin et al., 2016), from traditional distance measures (Shenkar, 2012). Despite its relevance, few studies examine friction's direct effects, with many reverting to distance.

8 Conclusion

By anchoring this review in the European context, we highlight how the region's unique combination of integration and fragmentation—across regulatory, cultural, and political dimensions—shapes IB practices in ways that diverge from global patterns. Our bibliometric analysis of the keywords *Europe and IB* identifies key themes and emerging perspectives on MNE roles in Europe, while our qualitative review and network analysis reveal significant scholarly progress in internationalization, CSR, location strategy, partnership success, and knowledge transfer. Since 2000, research on European MNEs has grown in both volume and methodological diversity, with quantitative approaches still dominant but mixed-methods research gradually increasing.

Several practical implications emerge for managers. First, internationalization should be viewed as an ongoing process of institutional navigation rather than a discrete entry decision. Effective strategies across CSR, location choice, partnerships, and knowledge transfer depend on firms' ability to align with diverse institutional expectations while retaining localized discretion. Managers should complement efficiency-driven frameworks with systematic assessments of stakeholder legitimacy, regulatory layering, and historical embeddedness, particularly across heterogeneous European subregions (Andreu & Lavoratori, 2022; Chan & Makino, 2007; Mathieu et al., 2021). Second, sustained performance requires investing in intra- and interorganizational embeddedness rather than relying solely on formal governance mechanisms. Relational capabilities—such as trust-building routines, boundary-spanning roles, and bidirectional knowledge transfer—enable subsidiaries to act as locally embedded contributors to firm-level learning and innovation, emphasizing dynamic interaction and adaptation over static control–coordination trade-offs (Gupta & Govindarajan, 2000; Liu & Meyer, 2020; Najafi-Tavani et al., 2015).

Our findings suggest several policy implications. Effective IB policy should move beyond mere investment attraction or compliance, emphasizing institutional embeddedness across governance levels. Policymakers should promote regulatory coherence, transparency, and stability to reduce uncertainty and support strategic adaptation. Inward- and outward-FDI policies should encourage long-term engagement with local ecosystems, strengthen regional innovation systems, and leverage CSR and sustainability regulations to foster trust, collaboration, and durable MNE embeddedness in European societies.

Despite significant growth, critical gaps remain. Future research should advance theory on formal and informal institutions, especially in multicultural contexts, and address dynamic contingencies such as institutional reform, privatization, geopolitical instability, and rule-of-law variations. Europe's blend of supranational integration and national diversity offers a unique lens to examine institutional embeddedness, strategic conformity, and divergence, highlighting the value of regional variation, comparative approaches, and cross-epistemic dialog in IB scholarship.

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