

# Unveiling the eclectic paradigm in manufacturing location decisions: applications, limitations and practical guidance

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## Abstract

**Purpose** – The study aims to clarify and present the role of the eclectic paradigm in manufacturing location decision research by examining its development, limitations, contributions and contemporary applications.

**Design/methodology/approach** – Conceptual paper based on how the eclectic paradigm developed and how it can be used. With an in-depth literature review to critically examine the theoretical evolution of the eclectic paradigm and its application in manufacturing location decision research, this study develops a strategic framework that enhances understanding.

**Findings** – This paper presents a practical guide for applying the eclectic paradigm. It introduces the strategic positioning matrix, enabling more effective navigation of the complexities in international production and location decision-making. It also highlights three dimensions to understand the decision factors, i.e. the drivers, barriers and enablers, in dynamic international business contexts.

**Research limitations/implications** – This paper harmonises with critical realism and once again stresses the fragmented and eclectic state of the research field by consolidating and advancing existing knowledge. Its conceptual scope, however, excludes empirical validation. Future research is encouraged to validate the proposed framework to assess its practical relevance and further explore contingency factors that remain underdeveloped in current literature.

**Originality/value** – As one of the few conceptual studies focused on the eclectic paradigm's role in this context, this paper contributes by organising, systematising and extending its application. With the strategic positioning matrix, it fosters a more nuanced understanding and wider application among scholars and practitioners.

**Keywords** Eclectic paradigm, Decision-Making, Manufacturing location, Manufacturing relocation, International production

**Paper type** Conceptual paper



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## 1. Introduction

Where do firms locate their manufacturing activities? And how do they decide where to locate and reconfigure these manufacturing activities over time? To address these questions, previous research has investigated manufacturing location strategy decision-making. In international business literature, decisions of two location strategies have been discussed (Theyel *et al.*, 2018; Moradlou *et al.*, 2022); first, initial location decisions (i.e. the first configuration of manufacturing activities) and relocation decisions, which is a revision of an existing manufacturing configuration. The further evaluation of their location choices can be retaining or relocating manufacturing to a new location, such as offshoring, reshoring, backshoring, nearshoring or further offshoring.

The offshoring phenomenon can be traced back to 1970s, when globalisation led to a growing trend of firms moving manufacturing to developing countries for lower cost favour (Johansson *et al.*, 2019; Martínez-Mora and Merino, 2014; Podrecca *et al.*, 2021). While the offshoring is usually defined as the firm's initial international relocation move (Fratocchi *et al.*, 2014), it may also constitute the initial international location decision in the case of born-offshored firms (Moradlou *et al.*, 2022). In the past decade, however, firms have faced rapidly evolving competitive conditions – such as shifts in resource availability, cost structures, labour quality and production infrastructure – managers have increasingly reevaluated their supply chain strategies, leading many to relocate manufacturing back to, or closer to, their home countries (Hilletoth *et al.*, 2019; Lund and Steen, 2020; Sequeira *et al.*, 2021). This trend reveals that firms are trying to escape from price competition and focus on value-added factors such as resilience, sustainability, innovativeness and customer service (Ancarani *et al.*, 2021; Orzes and Sarkis, 2019). The relocations of earlier offshored production including reshoring (i.e. backshoring), nearshoring and further offshoring (Barbieri *et al.*, 2019; Fratocchi *et al.*, 2014).

This shift has positioned manufacturing location strategy as a critical topic among scholars and practitioners (Boffelli and Johansson, 2020), encompassing three main subtopics: relocation decision-making (Ellram *et al.*, 2013; Fratocchi *et al.*, 2014), relocation implementation (Bettiol *et al.*, 2023; Zhao and Huchzermeier, 2017) and the relocation performances and outcomes (Johansson *et al.*, 2019; Uluskan *et al.*, 2017; Stentoft *et al.*, 2018). Although research on these areas has expanded, the topic remains underdeveloped (Li *et al.*, 2025a, 2025b). Following shifts in global production patterns, an increasing number of manufacturing firms are reevaluating their manufacturing strategies. To make well-informed decisions that align with firms' general business strategies, it is important to understand the decision-making content (Engström *et al.*, 2018a, 2018b; Stentoft *et al.*, 2018). A robust theoretical foundation is necessary to fully comprehend the reshoring phenomenon (Di Mauro *et al.*, 2018). Traditionally, transaction cost economics (TCE; Williamson, 1975, 1985), the resource-based view (RBV; Barney, 1991) and the eclectic paradigm have been used to explain why firms relocate their manufacturing. While TCE focuses on cost-efficiency and RBV on competitive advantage (Casadei and Iammarino, 2023), the eclectic paradigm (Dunning, 1988a, 1988b; Dunning, 1998) provides a more holistic framework that considers the interaction of multiple factors influencing (i.e. determinants) international manufacturing decisions.

The eclectic paradigm is widely used in international business research to explain the motives behind foreign direct investment and cross-border activities (Li, 2007; Casadei and Iammarino, 2023; Wiesmann *et al.*, 2017). It has also been adapted to explain how various advantages influence relocation initiatives and shape optimal manufacturing strategies (Ellram *et al.*, 2013; Johansson and Olhager, 2018b). However, only a limited number of studies have used this lens to understand location decisions. Furthermore, scholars have

applied the theory inconsistently, which has led to diverse interpretations across the literature. For example, the eclectic paradigm is often referred to simply as the “OLI” framework in current research – focusing on the concept of ownership advantages (O), location advantages (L) and internalisation advantages (I). However, this approach often neglects the later refinements made by Dunning (Dunning and Archer, 1987; Dunning, 1988a, 1988b), which expanded the theory’s scope in response to criticisms and comments, as well as the evolving empirical evidence. By not fully engaging with these theoretical developments, existing research risks overlooking important strategic dimensions of location decision-making.

This research responds to these gaps by proposing a more structured and actionable approach to applying the eclectic paradigm in manufacturing location research. We provide a more nuanced exploration of the theory, which yields deeper insights. A key issue in the application of the eclectic paradigm is to categorise the four types of strategic advantage-seeking exclusively under the “L” parameter. This oversimplification has led to a limited understanding of how these seeking categories interact with the OLI advantages. Thus, we introduce the strategic positioning matrix that maps firm roles within the eclectic paradigm by integrating OLI parameters with four types of strategic advantage-seeking categories. By doing so, this study offers a more refined conceptualisation that clarifies the decision-making and enhances the explanatory power of the eclectic paradigm, allowing for a clearer understanding of how firms navigate manufacturing location decisions based on advantages and strategic priorities. In this paper, a broader understanding of manufacturing location decisions as an umbrella term covering both initial location decisions and subsequent relocation decisions. In this sense, relocation represents location strategy decisions rather than a separate analytical category. The focus is, therefore, on the underlying decision-making logic guiding firms’ configuration and reconfiguration of manufacturing activities. Two research questions were formulated:

*RQ1.* How can the eclectic paradigm be used to understand manufacturing location decisions?

*RQ2.* How should the eclectic paradigm be used in manufacturing location decisions?

To address these questions, this paper explores the theory’s development, key contributions, limitations and criticisms. The paper first outlines the literature review process, followed by an overview of the eclectic paradigm’s evolution. Next, key research on location decisions that have applied the eclectic paradigm is introduced and analysed. Building on the analysis, we provide practical guidelines for researchers and practitioners, emphasising how this theory should be understood and how the refined approach can improve decision-making in global manufacturing strategies. The strategic positioning matrix is then presented as a framework for categorising firm roles in manufacturing location decisions. The paper concludes with a discussion on the broader implications for both academia and industry.

## 2. Literature review process

This study is a conceptual paper focusing on two primary components: an exploration of how Dunning developed the eclectic paradigm (i.e. initial phase); and a comprehensive literature review of papers that have applied this paradigm in the context of manufacturing location decision-making (i.e. second phase). The initial phase of the literature review involves a thorough examination of articles published by Dunning regarding the eclectic paradigm and provides insights into its conceptual foundations, development, extensions and limitations. The section phase of the literature review focuses on a review of papers related to manufacturing location decision-making (e.g. initial location decisions, offshoring decisions,

reshoring decisions). After these two-literature review process, findings from two previous phases were compared and discussed to provide practical guidelines.

### 2.1 Initial phase: screening and analysis of literature building the eclectic paradigm

To capture a holistic understanding of the creation and development of the eclectic paradigm all relevant publications were extracted through two databases – Web of Science (WOS) and Scopus. The search began by examining Dunning's author profile to identify all related publications, including journal articles and book chapters. This initial search yielded 151 publications from Scopus and 125 from WOS. One of the authors then reviewed the titles and abstracts of these papers to select those specifically focused on the eclectic paradigm or the OLI framework. Duplicates, reprints and instances where the same article had been edited into book chapters were excluded. Finally, 13 articles and book chapters were selected as the final sample for a comprehensive review (Table 1). Each paper was carefully reviewed and analysed. Then, a cross-analysis was conducted to provide a holistic evaluation of the theory's strengths and limitations, which are discussed in the following section.

**Table 1.** The eclectic paradigm-related papers by Dunning

Year	Title	Type	Journal/publisher
1973	The determinants of international production	Article	<i>Oxford Economic Papers</i>
1979	Explaining changing patterns of international production: In defence of the Eclectic Theory	Article	<i>Oxford Bulletin of Economics and Statistics</i>
1980	Towards an eclectic theory of international production: some empirical tests	Article	<i>Journal of International Business Studies</i>
1987	The Eclectic Paradigm and the Growth of UK Multinational Enterprise 1870–1983	Proceedings paper	<i>Business and Economic History</i>
1988	The eclectic paradigm of international production: a restatement and some possible extensions	Article	<i>Journal of International Business Studies</i>
1988	The theory of international production	Article	<i>International Trade Journal</i>
1995	Reappraising the eclectic paradigm in an age of alliance capitalism	Article	<i>Journal of International Business Studies</i>
1998	Location and the multinational enterprise: a neglected factor?	Article	<i>Journal of International Business Studies</i>
2000	The eclectic paradigm as an envelope for economic and business theories of multinational enterprise Activity	Article	<i>International Business Review</i>
2001	The eclectic (OLI) paradigm of international production: past, present and future	Article	<i>International Journal of the Economics of Business</i>
2008	Multinational Enterprises and The Global Economy, 2nd Edition	Book	Edward Elgar Publishing Limited
2008	Institutions and the OLI paradigm of the multinational enterprise	Review	<i>Asia Pacific Journal of Management</i>
2009	Location and the multinational enterprise: John Dunning's thoughts on receiving the <i>Journal of International Business Studies</i> 2008 Decade Award	Review/Retrospective	<i>Journal of International Business Studies</i>

## 2.2 Second phase: screening and analysis of literature applying the eclectic paradigm

In this phase, the analysis provides key insights into how the eclectic paradigm has been applied in decision-making research. A four-step literature search process, inspired by the methodologies of Gimenez and Tachizawa (2012) and Miemczyk *et al.* (2012), was used to obtain a representative sample. Initially, the characteristics of primary studies were defined: English-language, peer-reviewed articles sourced from the WOS and Scopus. Next, relevant keywords were identified, and a search string was developed to retrieve a baseline sample of articles. To address RQ2 within the location decision research field, research of both initial location and the further relocation (i.e. second-degree relocation) are included. Key terms included “manufacturing location”, “location strategy”, “offshoring”, “reshoring”, “rightshoring”, “onshoring”, “nearshoring”, “inshoring” and “redistributed manufacturing”, combined with terms related to “decision-making” and “the eclectic paradigm” using Boolean logic. This approach ensured a comprehensive search, enriched by alternate terms and synonyms (Table 2).

The initial search returned 219 articles from Scopus and 15 from WOS, with 11 duplicates subsequently excluded. The next stage involved screening the papers. During the first round of screening, titles, abstracts and keywords from 223 articles were reviewed to ensure relevance to location decisions and the eclectic paradigm. This yielded a refined sample of 44 papers. A full-text review was then conducted, resulting in the exclusion of 17 papers, leaving a final sample of 27 articles. The final selection of articles was thoroughly analysed to understand how the eclectic paradigm has been used. Relevant statements from these articles were collated and examined during the review process. A detailed presentation of the research types, methods, geographic focus and applications of the eclectic paradigm is provided in the following section.

## 2.3 Theory development and application cross-analysis and discussion

In this phase, data cross-analysis and discussion are built on the findings from the previous stages to synthesise and identify key patterns. Papers related to the eclectic paradigm were grouped by publication year and reviewed to trace the theory’s development and limitations over time. From this analysis, key statements of the theory were identified and synthesised to guide the practical application of the theory. As such, the study can provide knowledge of how the theory has evolved. Then, to evaluate how the theory has been applied by different scholars in location decision research. Each paper applying the eclectic paradigm was examined, following the extraction of its research focus, location strategy, use of the eclectic paradigm and the extent to which decision-making played a role in the analysis. This information was then coded using open coding and inductive categories to ensure consistency in categorisation. This process revealed some overlap in the keywords used to describe the purpose and development of the theory. However, this overlap allows for a clearer identification of significant trends and advances within the eclectic paradigm. Then, a cross-analysis of how the theory should be understood and how scholars applied the theory is conducted.

In addition, the decision-making aspect was classified into three levels – minor, moderate and major – depending on the prominence of the study (see Table 3). This structured coding process, performed by one author, ensured that the analysis remained consistent and systematic across the data set.

## 3. The eclectic paradigm of international production

### 3.1 The theory development

The full name of the eclectic paradigm is “the Eclectic Paradigm of International Production”. The theory was first presented in 1976, at a Nobel Symposium in Stockholm. The intention

**Table 2.** Location decision sample review process

Literature review process	Completion details
<i>Step 1</i> Determine characteristics of primary studies	Search areas: Title, abstract, keywords Source type: Peer-reviewed journal article Language: English Databases: Scopus and WOS
<i>Step 2</i> Retrieve baseline sample of articles	Search string “reshoring” OR “re-shoring” OR “reshore” OR “re-shore” OR “reshored” OR “re-shored” OR “backshoring” OR “back-shoring” OR “backshore” OR “back-shore” OR “backshored” OR “back-shored” OR “onshoring” OR “onshored” OR “onshore” OR “on-shore” OR “onshored” OR “on-shored” OR “rightshoring” OR “right-shoring” OR “rightshore” OR “right-shore” OR “rightshored” OR “right-shored” OR “nearshoring” OR “near-shoring” OR “nearshore” OR “near-shore” OR “nearshored” OR “near-shored” OR “inshoring” OR “in-shoring” OR “inshore” OR “in-shore” OR “inshored” OR “in-shored” OR “offshoring” OR “off-shoring” OR “offshore” OR “off-shore” OR “offshored” OR “off-shored” OR “outshoring” OR “out-shoring” OR “outshore” OR “out-shore” OR “outshored” OR “out-shored” OR “redistributed manufacturing” OR “re-distributed manufacturing” OR “manufacturing redistribution” OR “manufacturing relocation” OR “relocated manufacturing” OR “re-located manufacturing” OR “manufacturing location” OR “production location” (Topic) AND “decision” OR “determinant” OR “decision-making” OR “decision making” OR “choice making” OR “choice making” OR “determination” OR “motivation” OR “driver” OR “barrier” OR “challenge” OR “enabler” OR “prerequisite” (Topic) AND “the Eclectic Paradigm” OR “the Eclectic theory” OR “Eclectic Paradigm” OR “eclectic theory” OR “Dunning’s theory” OR “Dunning’s theory” OR “the Dunning’s paradigm” OR “Dunning’s paradigm” OR “OLI parameter” OR “OLI framework” OR “seeking advantages” OR “seeking advantages” OR “Eclectic model” OR “Ownership advantage” OR “Location advantage” OR “Internalization advantage” (Topic) Baseline sample: 223 (Scopus: 219, WOS: 15, Duplicates: 11)
<i>Step 3</i> Select pertinent literature	Sample after abstract and paper screening First-round screening: 44 articles <i>Second-round screening: 27 articles</i>
<i>Step 4</i> Statement extraction	Statements from articles that related to the theory have been collated and considered during the next-round review process

was to identify and evaluate the significance of factors influencing enterprises in foreign production or investment [Dunning \(1988a, 1988b\)](#). Before building the theory, [Dunning \(1973\)](#) summarised and discussed previous theories and argued that they failed to answer the question “why international production?” To seek answers, [Dunning \(1979\)](#) introduced the ownership, location and internalisation (OLI) parameters, which formed the initial theory. OLI stated that there are three advantages that multinational enterprises (MNEs) looking for: ownership-specific, location-specific and internalization-specific. Dunning explained the pattern of international production, identifying how industry-, firm- and country-specific characteristics might link with the theory. [Dunning \(1979\)](#) stated that the eclectic theory should be used as a useful toolkit when making location decisions or understanding

**Table 3.** The classification of decision-making proportion in the category

Proportion of the decision-making	Analytical indicators	Typical evidence in a paper
Minor	Decision-making appears as contextual background only; no explicit conceptualisation; used to support another focus	Occasional mentions in literature review or discussion
Moderate	Decision-making is part of the paper; contributes to the framing or analysis but is not the core lens	Dedicated subsections; clear links between literature review and empirical results
Major	Decision-making is the main topic of the paper; fully conceptualised or operationalised	Embedded throughout the literature review, methodology, analysis and discussion as the core

international production activities across different countries. In 1980, Dunning conducted empirical studies to validate OLI, the O-advantage was split into asset (Oa) and transaction (Ot) advantages [Dunning \(1988a, 1988b\)](#).

In response to criticisms, such as the necessity of O-advantages in explaining international production, the scope of the theory, and how it can explain the behavioural differences. Dunning wrote a paper where the theory was also further elaborated. In 1987, Dunning mentioned three motives that prompt firms to undertake international production: market-seeking, resource-seeking and efficiency-seeking. With confidence, [Dunning \(1988a, 1988b\)](#) summarised the theory remains a robust general framework for explaining and analysing international production and issues related to MNEs. This paper is one of the key papers in developing the eclectic paradigm, because it answered criticisms and extended the theory to a deeper level. The paper also mentioned how contextual variables, such as country-, industry- and firm-specific characteristics, can influence decision-making. In this version, Dunning explained the necessity of ownership advantages in explaining international production; how the OLI configuration can go one step further in including structural/contextual variables; and how the OLI framework can identify and evaluate some behavioural variables. More systematic and rigorous modelling of the explanation of different types of international production using specifically and operationally testable OLI parameters. The same year, [Dunning \(1988b\)](#) published “The theory of international production” to present the evolution of the theory of international production from 1960 to 1980, summarise unresolved issues and illustrate how OLI parameters can vary according to country-, industry- and firm-specific considerations. In 1995, the OLI paradigm led to developments in the age of alliance capitalism.

In 1998, another key paper for building the theory was published. The development of the theory highlighted the role of intangible assets, emphasising the importance of knowledge-intensive assets. “Strategic asset-seeking” was added in this version as the fourth motive, i.e. access strategic/knowledge-related assets that are not available in the current location or that are enhanced in a particular location. Despite it was developed for international expansion, the eclectic paradigm has been applied to global reconfiguration (e.g. offshoring and reshoring). From 2000 to 2009, four papers and one book related to the eclectic paradigm development were published. This body of literature reviewed, updated or summarised the development or added new variables based on the changes in the global economy ([Table 4](#)).

**Table 4.** Content of papers that build the eclectic paradigm

Reference	Title	Purpose	Development and contribution
Dunning (1973)	The determinants of international production	To survey and critically evaluate and answer “why international direct investment and production?”	Established the initial foundations for studying international production and highlighted limitations of pre-1970 theories
Dunning (1979)	Explaining changing patterns of international production: in defence of the eclectic theory	To investigate changes and patterns of geographical origin and industrial composition of international production. Justify the eclectic theory	The paper explains the need for the eclectic theory of international production instead of capital theory. Formalised the OLI framework; clarified the roles of O-, L- and I-advantages; linked OLI factors to firm-, industry- and country-level conditions
Dunning (1980)	Towards an eclectic theory of international production: some empirical tests	To test and evaluate the ownership- and location-specific variables in explaining the industrial pattern and geographical	Demonstrated empirical support for OLI logic and compared O- and L-advantages in identifying industrial pattern and geographical distribution
Dunning and Archer (1987)	The eclectic paradigm and the growth of UK Multinational Enterprise 1870–1983	To examine the UK’s outward investment and enterprise development within the framework of the eclectic paradigm	Use the OLI parameters to test the growth of UK MNEs. Identified market-seeking, resource-seeking and efficiency-seeking motives as key drivers
Dunning (1988a)*	<i>The eclectic paradigm of international production: a restatement and some possible extensions</i>	To review and answer criticisms about the eclectic paradigm, build extensions	Key paper. Provided the most influential restatement of the eclectic paradigm; addressed conceptual criticisms; proposed extensions and reaffirmed theory as a robust general framework
Dunning (1988b)	The theory of international production	To describe the evolution of the theory of international production over the past three decades and summarise unresolved issues	Highlighted how OLI parameters vary by firm-, industry- and country-specific considerations
Dunning (1995)	Reappraising the eclectic paradigm in an age of alliance capitalism	To explore and discuss the implications of the advent of alliance capitalism for theorizing the determinants of MNE activity	Reappraised the eclectic paradigm in light of alliance capitalism and suggested developments are needed to the increasing fluid firm, market and country boundaries

(continued)

Table 4. Continued

Reference	Title	Purpose	Development and contribution
Dunning (1998)*	<i>Location and the multinational enterprise: a neglected factor?</i>	To examine how the micro-locational factors of international production have changed from a macroeconomic perspective	Key paper. Added strategic asset-seeking category; presented how new variables shaped location decisions in the 1970s versus in the 1990s
Dunning (2000)	The eclectic paradigm as an envelope for economic and business theories of MNE activity	To update the eclectic paradigm relates to some context-specific economic and business theories	Demonstrated how variables reflect the evolution and current demands on the eclectic paradigm 1980–2000s, with alliance capitalism; asset augmenting investments; and the knowledge-based economy
Dunning (2001)	The eclectic (OLI) paradigm of international production: past, present and future	To review and summarize the origins and traces of the subsequent evolution of the eclectic paradigm	Summarized the developments from 1950s to 2000s, how changing characteristics of MNEs' activities affect the theory's development. It is stated as a powerful and robust framework for examining contextual-specific theories
Dunning and Lundan (2008a)	Multinational Enterprises and The Global Economy, 2nd Edition	To feature activities of MNEs and their interaction with the global economy	Provided a holistic view of the eclectic paradigm with broader global landscape. Expanded conceptual links with other frameworks
Dunning and Lundan (2008b)	Institutions and the OLI paradigm of the multinational enterprise	To integrate institutional dimension into OLI parameter based on Douglass North's work	Extended each OLI dimensions to include formal and informal institutional variables, emphasizing the dynamic and complex nature of contemporary business environments
Dunning (2009)	Location and the multinational enterprise: John Dunning's thoughts on receiving the <i>Journal of International Business Studies</i> 2008 Decade Award	To reflect on the developments in understanding MNE choices	The paper reviews the understanding of MNEs' location choices over the past 50 years, emphasizing the key role of digitalization and institutional variables

**Note(s):** \*Two papers highlighted in italic are key papers in building the eclectic paradigm

### 3.2 The theory limitations

The eclectic paradigm, while widely utilised, has its limitations when applied in manufacturing location decision research. Some can argue that it struggles to account for random or idiosyncratic actions or behaviours by firms. However, it is worth noting that no theory within

international business or decision-making research has successfully explained how seemingly random human behaviour influences firms' decisions or actions regarding international production. As decision-making ultimately remains a human activity, even with the help of decision-making tools, strategic behaviour is not a variable that can be easily understood or related to certain characteristics (Dunning, 2001). Another limitation arises from the blurred distinctions between the resource-seeking, market-seeking, efficiency-seeking and strategic asset-seeking categories. In practice, these categories might overlap, and a single factor may fit into multiple categories depending on the context (i.e. hybrid-seeking). As a case in point, six hybrid-seeking factors were found in the eclectic paradigm (1998). The cost of resources can be considered resource-seeking when a firm aims to access low-cost materials, market-seeking when the goal is to offer products at competitive prices, and efficiency-seeking when it contributes to cost-efficient production. Other hybrid factors such as local infrastructure (resource-seeking, market-seeking and efficiency-seeking), knowledge-related assets (resource-seeking and strategic asset-seeking), legislation and regulations (resource-seeking, market-seeking and efficiency-seeking), investment incentives (resource-seeking, efficiency-seeking) and agglomerative spatial economies (market-seeking and efficiency-seeking). Recent research (Li *et al.*, 2025a, 2025b) also acknowledges this complexity, noting that a single factor may influence decision-making in multiple ways simultaneously. While this phenomenon does not discriminate the theory's value, to make a well-informed decision, the decision-maker should analyse the criteria from different perspectives.

A further challenge identified is the difficulty of categorising contingency factors within the framework's four types of strategic advantage-seeking categories. These factors are often specific to the country-, industry- or firm-specific considerations. This finding aligned with Slater *et al.* (2007), scholars noted the OLI paradigm does not take into account institutions-, environment- and culture-related influences. Dunning (1988a, 1988b, 2000) has summarised how contemporary knowledge of context-specific characteristics has driven attention and attempts to categorise them under the OLI parameter. These contingency factors cannot be categorised into resource-, market-, efficiency- and strategic asset-seeking categories without consideration of the specific case. As such, this paper argues that the eclectic paradigm may lack the ability to clearly present contingency factors. To enhance its applicability, decision-makers should consider the specific regional or industrial context when analysing location decisions. In addition, as the global business environment continues to evolve, so too do the factors that influence decision-making. While the eclectic paradigm remains a valuable tool, firms must adapt their criteria to reflect contemporary developments in the global marketplace. Even though the 1998 version of the theory provides a robust framework, it is essential to update the criteria based on the specific circumstances of each decision-making scenario.

#### 4. The eclectic paradigm in location decision-making research

Table 5 presents the overview of the 27 papers identified during the second-phase literature review. The table summarises each paper's research focus, countries and regions studied, the location strategy, application of the eclectic paradigm and the proportion of which decision-making is considered. Not all papers use the eclectic paradigm as the lens to explore the location decisions or relocation phenomenon. For instance, some studies (e.g. Chen *et al.*, 2022; Kinkel and Maloca, 2009; Roza *et al.*, 2011; Theyel and Hofmann, 2021) only mention the theory or its related concepts in the background sections, such as the introduction, literature review or discussion. Other papers introduced a framework based on multiple-theory perspectives, including the eclectic paradigm, while not using the theory directly

**Table 5.** Papers that use the eclectic paradigm in location decision research

Reference	Study type	Countries and region	Research focus	Location strategy	The application of the eclectic paradigm	Decision-making proportion
<a href="#">Ancarani et al. (2015)</a>	Archives	US and Europe	The paper analyses the length of offshoring before reshoring using a survival modelling approach	Reshoring	The paper uses the eclectic paradigm as a framework for analysis drivers, with four seeking categories	Moderate
<a href="#">Aspelund and Butsko (2010)</a>	Case	Norway	The paper investigates the offshoring process and identifies the effects of offshoring on subsequent marketing and sales activities in the Norwegian SMEs	Offshoring	The paper uses the OLI framework to discuss the offshoring motivations and argue the internalisation. The analysis was based on multiple theoretical perspectives, including the eclectic paradigm, the Uppsala model and behavioural model. It also discussed the applicability and weakness of the OLI paradigm in qualitative study	Major
<a href="#">Barbieri et al. (2019)</a>	Archives	Europe	The paper investigates the relationships between manufacturing location decisions and internationalisation strategies	Offshoring and reshoring	The paper uses the OLI framework to introduce internationalisation. It analyses how location advantages from offshoring influence reshoring probability, classifying these advantages into market-seeking, asset-seeking and efficiency-seeking, but does not include resource-seeking category	Major

(continued)

Table 5. Continued

Reference	Study type	Countries and region	Research focus	Location strategy	The application of the eclectic paradigm	Decision-making proportion
<a href="#">Barbieri et al. (2022)</a>	Archives	Europe	The paper investigates how Industry 4.0 innovation intensity (through patenting) and home-country policies influence firms' relocation decisions	Reshoring and offshoring to the third country	The Eclectic Paradigm provides the theoretical lens to conceptualise Industry 4.0 innovation intensity as an asset-based ownership advantage and Industry 4.0 policy as a home-country location advantage. The study analyses how these advantages shape relocation choices	Major
<a href="#">Casadei and Iammarino (2023)</a>	Survey	UK	The paper explores manufacturing reshoring drivers. Investigate different interrelated factors that influence reshoring strategies within an analytical framework drawn from different international business perspectives	Reshoring	The paper introduces the OLI framework to explain international production and manufacturing, grouping location motivations into assets-driven (resource-seeking), proximity-driven (market-seeking), cost-driven (efficiency-seeking) and value-driven (strategic asset-seeking)	Moderate
<a href="#">Chen et al. (2022)</a>	Survey	China	The paper aims to investigate reshoring determinants under the high levels of uncertainty brought about by the ongoing US–China trade war and the COVID-19 pandemic	Reshoring	The paper analyses six factors and categorises them as supply chain factors and location factors while using the eclectic paradigm as a background to introduce three location factors: local market potential, material cost and labour cost	Major

(continued)

**Table 5.** Continued

Reference	Study type	Countries and region	Research focus	Location strategy	The application of the eclectic paradigm	Decision-making proportion
<a href="#">Di Mauro <i>et al.</i> (2018)</a>	Case	Italy, China and Romania	The paper investigates the relationship between key motives of offshoring and reshoring	Offshoring and reshoring	The eclectic paradigm was introduced in the theoretical background, and categorised factors into cost-efficiency seeking, efficiency-seeking, market-seeking and resource and competence seeking. It adopted a conceptual framework from <a href="#">Fratocchi <i>et al.</i> (2014)</a> to aggregate relocation motivations	Minor
<a href="#">Di Mauro and Ancarani (2022)</a>	Archives	US	The paper investigates reshoring initiatives and drivers	Reshoring	The paper introduced the OLI framework to clarify reshoring initiatives in the introduction and literature review. Instead of using the OLI directly, the analysis employed a six-cluster model: market seekers, caretakers, mass servers, performance seekers, footloosers and legitimacy seekers	Moderate
<a href="#">Eliram <i>et al.</i> (2013)</a>	Survey	US	The paper explores the factors that affect organisations' manufacturing location decisions	Offshoring and reshoring	The paper uses the four seeking categories to analyse the findings and categorise factors that influence location decisions under an eight-factor category. Cost represents a marketing-seeking advantage, whereas logistics is an efficiency-seeking advantage	Major

(continued)

Table 5. Continued

Reference	Study type	Countries and region	Research focus	Location strategy	The application of the eclectic paradigm	Decision-making proportion
Hätönen (2009)	Case	Finland	The paper identifies factors that influence the final location decision, in which ownership is not the mode of control. It also explores the relations between offshoring and international expansion	Offshoring	The paper used the eclectic paradigm and related concepts throughout the paper, however, mentioning only location-specific advantages. The categorisation used in the analysis was different from the eclectic paradigm	Major
Johansson and Olhager (2018a)	Survey	Sweden	The paper analyses the role, relevance and relationship of manufacturing location factors for offshoring and backshoring decisions and operational performance	Offshoring and reshoring	The paper summarises location factors based on three dimensions: low-cost operations (efficient and resource-seeking), market proximity (market-seeking) and development competencies (strategic asset-seeking) in the literature review. It also combines three models, including the OLI paradigm, to describe three location factors	Major
Johansson and Olhager (2018b)	Survey	Sweden	The paper discovers the relationships, similarities and differences between offshoring and reshoring	Offshoring and reshoring	The OLI framework was introduced in both the literature review and findings align well with the theoretical predictions of the OLI framework, supporting its relevance for manufacturing relocation	Moderate

*(continued)*

Table 5. Continued

Reference	Study type	Countries and region	Research focus	Location strategy	The application of the eclectic paradigm	Decision-making proportion
Johansson <i>et al.</i> (2019)	Survey	Denmark, Finland, Sweden	The paper explores how decision-making factors influence offshoring and reshoring; and the benefits. It also discovers how factors and benefits are related	Offshoring and reshoring	The four types of seeking categories and OLI were mentioned in the literature review. In addition, the findings were discussed and bundled under the four types of location advantages	Major
Kinkel and Maloca (2009)	Archives	Germany	The paper discovers drivers and prerequisites of offshoring and reshoring, and their relations	Offshoring and reshoring	The eclectic paradigm was only mentioned in small parts of the discussion and analysis as reference support	Major
Mazzola <i>et al.</i> (2022)	Archives	US	This paper discover relationship between reshoring decision and company share price	Reshoring	The paper understands reshoring motivation from an eclectic paradigm perspective and highlights how four types of seeking motivations positively affect the share price of the companies	Moderate
McIvor and Bals (2021)	Conceptual	N/A	The paper develops a multi-theory conceptual framework for understanding factors influence reshoring decisions	Reshoring	The paper uses the eclectic paradigm alongside the RBV and TCE to explain the influence for reshoring decision, it uses the location advantage dimension of the OLI model	Major

(continued)

Table 5. Continued

Reference	Study type	Countries and region	Research focus	Location strategy	The application of the eclectic paradigm	Decision-making proportion
<i>Moradlou et al. (2022)</i>	Delphi	UK	The paper investigates the impact of geopolitical disruptions on the manufacturing location decisions of managers in UK multinational firms	Reshoring	The eclectic paradigm was used throughout the paper, mentioned as OLI framework and the four types of seeking categories were used to categorise influencing factors in the analysis and discussion	Major
<i>Podrecca et al. (2021)</i>	Archives	EU	Provides a longitudinal analysis of manufacturing offshoring evolution with 644 EU-based cases	Offshoring	This paper uses three types of seeking advantages (i.e. efficiency-, resource-, market-seeking) of the eclectic paradigm in analysing offshoring drivers	Minor
<i>Presley et al. (2016)</i>	Interview	US	This paper presents a methodology for reshoring decision	Offshoring and reshoring	The paper uses the four seeking categories as a strategic metrics matrix to analyse decision factors. It notes that not all traditional factors fit within the OLI framework, suggesting future research should explore the overlaps and gaps between these categorisations	Major
<i>Rodgers et al. (2019)</i>	Survey	UK	The paper aims to improve and explore the theoretical link between offshoring and knowledge-intensive activities	Offshoring	The paper uses an approach proposed by <a href="#">Demirbag and Glaister (2010)</a> , combined with OLI framework to investigate location decisions	Major

(continued)

**Table 5.** Continued

Reference	Study type	Countries and region	Research focus	Location strategy	The application of the eclectic paradigm	Decision-making proportion
<a href="#">Roza <i>et al.</i> (2011)</a>	Survey	Global	The paper investigates relationships of motives, functions, location decisions and entrepreneurial drivers with firm size	Offshoring	The eclectic paradigm was only used to build a theoretical background in the literature review part	Minor
<a href="#">Slepniov <i>et al.</i> (2013)</a>	Mixed	Baltic region	The paper unravels and assesses current nearshoring practices and their outlook in the Baltic region	Reshoring	The eclectic paradigm was only used in the literature review and discussion, mentioned to analyse and categorise drivers (e.g. cost minimisation, market proximity, strategic asset-seeking)	Minor
<a href="#">Theyel and Hofmann (2021)</a>	Interview	UK	The paper examines the trends and strategic consequences of manufacturing location decisions, focusing on the impact of value chain activities and the resulting organisational agility	Reshoring	The eclectic paradigm was only introduced in the literature review, and some sentences discuss the seeking advantages in the discussion	Minor
<a href="#">Woldt and Godfrey (2022)</a>	Archives	US	The paper discovers relations between home-field advantages and shareholder wealth in the USA	Reshoring	The paper uses the eclectic theory to consolidate the reasons into the four categories that motivate the internationalisation of a firm	Moderate

(continued)

Table 5. Continued

Reference	Study type	Countries and region	Research focus	Location strategy	The application of the eclectic paradigm	Decision-making proportion
<a href="#">Woldt et al. (2025)</a>	Experiment	US	The paper is examined-based, it investigates how students make global manufacturing location decisions using two systems	Offshoring	The eclectic paradigm is used as the theoretical foundation for classifying manufacturing location decision criteria into four categories: efficiency-seeking, resource-seeking, market-seeking and strategic-seeking	Major
<a href="#">Li et al. (2023)</a>	Survey	US	The paper discovers the relocation impacts on brand image in the fashion industry from the perspective of Vietnam, China and the USA	Offshoring	The paper uses the eclectic theory as a theoretical lens to explore the relationship between relocation strategies and customer response; however, the authors named OLI theory as ILO theory, which is incorrect	Minor
<a href="#">Li et al. (2025b)</a>	Interview	Sweden	The paper explores the drivers, barriers and enablers influencing manufacturing reshoring decisions in Nordic manufacturing firms	Reshoring	The paper adopts the eclectic paradigm as a theoretical lens to categorise and analyse influencing factors of reshoring decisions in the context of Nordic manufacturing	Major

(e.g. Di Mauro *et al.*, 2018; Di Mauro and Ancarani, 2022; Johansson and Olhager, 2018a, 2018b; McIvor and Bals, 2021; Rodgers *et al.*, 2019).

In the location decision research realm, only limited studies adopted the eclectic paradigm as a theoretical lens to discuss decision-making. These studies tend to focus on the relationships between location decisions and other business activities, such as performance (e.g. Barbieri *et al.*, 2019; Johansson and Olhager, 2018b; Roza *et al.*, 2011) or on the consequences of relocation decisions, such as their impact on customer relations or shareholder wealth (e.g. Li *et al.*, 2023; Woldt and Godfrey, 2022).

Among studies specifically addressing location decision-making, the discussion originated with Aspelund and Butsko (2010). Their Norwegian case study investigated the offshoring process and its effects, using the OLI framework to discuss the motivations, the applicability and the weaknesses of the theory in qualitative studies. Building on this, Ellram *et al.* (2013) identified eight key factors influencing relocation decisions. Subsequent research by Ancarani *et al.* (2015) expanded the content by considering new factors, such as automation and skilled human resources. The latest contribution by Li *et al.* (b) advances this discussion by exploring drivers, barriers and enablers for manufacturing reshoring in the Nordic context. Applied the eclectic paradigm as a lens to categorise the influencing factors. Their approach was applied to complex scenarios, such as the relationships between location decisions and internationalisation strategies (Barbieri *et al.*, 2019), the impact of Brexit on reshoring decisions (Moradlou *et al.*, 2022), the impact of the US–China trade war and the COVID-19 pandemic (Bettiol *et al.*, 2023; Chen *et al.*, 2022). To investigate what types of decision criteria affecting global manufacturing location decisions, Woldt *et al.* (2025) introduced a three-stage Total Cost of Ownership exercise. The study examined how such behavioural decisions can be made and evaluated through the lens of eclectic theory.

The following subsections analyse and discuss three key topics identified in this research. The terminology debate focuses on which terms should be used and how they have been applied in literature. Then, the relationship between the OLI framework and the four types of strategic-seeking advantages, exploring how these elements interact. Finally, the question of which version of the eclectic paradigm is most appropriate for use, considering the evolution and application of different versions over time.

#### 4.1 *The terminology debate: which term should we use?*

Several terms have been identified in the literature that adopt the eclectic paradigm. These include “Dunning’s theory”, “the eclectic theory”, “the OLI framework”, “the OLI advantages” and “the OLI model”. Although these terms all pertain to the eclectic paradigm, there are subtle distinctions among them. The term “Eclectic Paradigm” typically refers to the comprehensive theory known as the “Eclectic Paradigm of International Production”. The OLI framework is a central concept derived from this theory, providing an explanation for international production. It presents three critical parameters influencing firms’ production decisions: ownership, location, and internalisation. Kinkel and Maloca (2009, p. 155) argue that “the eclectic paradigm of ownership, internationalisation and location advantages, are powerful frameworks to explain why firms produce internationally”. Aspelund and Butsko (2010) use the term OLI model to describe the eclectic paradigm and use it in analysis. Similarly, Ancarani *et al.* (2015) refer to it as the eclectic paradigm (theory) of international production and incorporate four types of seeking categories in their findings and analysis. Similarly, Tsai and Urmetzer (2024) use the term “eclectic theory” to refer to the whole concept. One paper (Li *et al.*, 2023) misspelt the term as “ILO theory”, which has never been mentioned in other literature and should be avoided in future research.

In conclusion, the most formal way to refer to the eclectic paradigm is as the eclectic paradigm of international production (Dunning, 1998). Scholars may also use the terms “the eclectic theory” or “the eclectic paradigm”. “The OLI” should not be used as a direct substitute for the eclectic paradigm. The OLI framework should be reserved for discussions that focus specifically on the three parameters – ownership, location and internalisation – when scholars aim to develop new insights based on these dimensions. While the four types of seeking categories – resource-seeking, market-seeking, efficiency-seeking and strategic asset-seeking – are frequently used in research, there is no formal collective term for them. Scholars typically refer to these categories as part of the broader eclectic paradigm or as the advantages firms pursue in their relocation decisions. This distinction between the OLI framework and the four seeking advantages raises an important question: how do these two perspectives align or differ in their application? The following section explores the relationship between them.

#### *4.2 Discover the relationship: the ownership, location and internalisation parameter and the four types seeking advantages*

An interesting finding from the literature review is the tendency among scholars to categorise the four types of seeking advantages under the “L” advantages. For example, Johansson *et al.* (2019, p. 2) stated, “The L-advantages are of greatest interest for [...] essentially location-related decisions. The L-advantages in the OLI framework are further categorised into four groups of factors that influence the location decision: resource-seeking, market-seeking, efficiency-seeking and strategic asset-seeking advantages”. The authors, like many others, reference Dunning (1998) to clarify the relationship between the OLI paradigm and the four types of seeking advantages.

This classification of the four seeking advantages solely under the “L” advantages is not uncommon. Numerous scholars, including Ancarani *et al.* (2015), Barbieri *et al.* (2019), Ellram *et al.* (2013) and Gray *et al.* (2013), also attribute these categories exclusively to the location parameters, often quoting Dunning (1998, 2000) as the source of this perspective. However, a careful investigation reveals that Dunning (1998) did not explicitly state that resource-seeking, market-seeking, efficiency-seeking and strategic asset-seeking are exclusively under the L parameters. Previous scholars may have misunderstood the title of Table 1 presented in Dunning (1998, p. 53), “Some Variables Influencing the Location of Value-Added Activities by MNEs in the 1970s and 1990s”. Here, the term “location of value-added activities” refers to location decisions, not necessarily “L” advantages. As Dunning (1998, p. 52) stated: “In Table 1, we attempt to summarise some of the differences between the kinds of variables posited to influence the locational decisions of MNEs”.

Further evidence that the four seeking categories encompass not only “L” but also “O” and “I” parameters can be found in Dunning (2000). Dunning (2000, p. 164) subsumes factors that influence location decisions into four main types of seeking advantages that firms are looking for. Numerous examples are provided in this version of the eclectic paradigm, presented as a matrix that shows how OLI parameters can be categorised into resource-seeking, market-seeking, efficiency-seeking and strategic asset-seeking. One research has acknowledged the linkages between OLI paradigm and the advantage-seeking categorisation; however, Podrecca *et al.* (2021) refer it as efficiency-seeking, resource-seeking and market-seeking, neglected the strategic asset-seeking.

In conclusion, the OLI parameters and the four types of seeking advantages should not be viewed as distinct or separate concepts. The OLI parameters are essential for understanding why a firm chooses a specific production location and incorporating the four seeking categories into these parameters provides a more comprehensive understanding of the

eclectic paradigm. This integration allows for deeper investigations into firm-specific characteristics, including their strategic objectives and motivations. While we have discussed the development of the theory above, this naturally raises the question of which version of the eclectic paradigm is most appropriate for use, and this will be discussed in the next part.

#### 4.3 Navigating versions: which version should be used?

In Section 3, the development of the eclectic paradigm has been thoroughly detailed and compared. Two key versions were identified – [Dunning, \(1988, 1998\)](#), which introduces both the OLI parameters and the four types of seeking categories with detailed examples. In practice, scholars refer to various versions when adopting or mentioning the eclectic paradigm. For example, [Kinkel and Maloca \(2009\)](#) and [McIvor and Bals \(2021\)](#) use 1980 and 1988 versions; while [Casadei and Iammarino \(2023\)](#) introduce the OLI framework in research background to explain international production and manufacturing reshoring while citing [Dunning \(1980, 1988a, 1988b, 2009\)](#). Similarly, [Ancarani et al. \(2015, p. 142\)](#) reference multiple iterations of the eclectic theory, citing [Dunning \(1980, 1998, 2000, 2009\)](#).

This variation in citations observed in location decision-making research suggests that scholars may interpret the development of the eclectic paradigm differently, sometimes leading to overlapping or inconsistent use of its versions. For instance, some researchers simultaneously reference the 1998 and 2009 versions, despite the fact that the 2009 publication is a republished edition of the 1998 paper. [Dunning \(1980\)](#) primarily focused on empirically testing the OLI parameters, particularly Oa and Ot, whereas the 1988 version provided a more comprehensive and theoretical framework.

### 5. Application guidelines for scholars and practitioners

The guidelines presented in this section are derived from the combined findings of Sections 3 and 4. Section 3 clarified the conceptual evolution of the eclectic paradigm and identified several critical ambiguities, including the interpretation of OLI parameters, the role of the four types of strategic advantage-seeking, and the challenge of categorising contingency factors. Section 4 further revealed inconsistencies in how scholars have applied these concepts in manufacturing location research. Together, these insights form the analytical basis for the guidelines below, which translate the literature review results into actionable recommendations for scholars and practitioners. These guidelines build directly on the findings presented in [Table 4](#), which summarises the theory's development, and [Table 5](#), which highlights how the eclectic paradigm has been applied, often inconsistently, in location decision research. Scholars are advised to consider the eclectic paradigm from both OLI parameters and four seeking categories. Future research should treat the OLI parameters and the four strategic-seeking categories as analytically intersecting dimensions rather than hierarchical constructs. Reducing the four seeking categories to location-specific (L) advantages weakens the explanatory power of the eclectic paradigm.

#### 5.1 Understand the ownership, location and internalisation parameters

As identified in Section 3, despite the extensive development of the eclectic paradigm, scholars still apply the OLI parameters inconsistently (see, e.g. [Aspelund and Butsko, 2010](#); [Li et al., 2023](#); [Tsai and Urmetzer, 2024](#)), often reducing them to simplified descriptions or isolating them from their behavioural and contextual extensions. To address these gaps, we provide the following clarification of O-, L- and I-advantages. As shown in [Table 4](#), several iterations of the eclectic paradigm explicitly extend the O-, L- and I-advantages to incorporate behavioural, contextual and institutional elements, which informs the clarification provided in this guideline.

O-specific advantages refer to the unique competitive advantages that MNEs possess, which are essential for their international or de-international activities. There are three main types of O-specific advantages (Dunning, 1973, 1988a, 1988b, 2000):

- (1) Monopoly power advantages create barriers to market entry.
- (2) Unique resources and capabilities that enhance technical efficiency and market.
- (3) Managerial competencies in coordinating global resources.

L-specific advantages refer to the location-related variables that influence MNEs to choose the production location, and the key types include:

- The spatial clustering of economic activities enhances competitiveness and innovation capabilities.
- Exchange rates and political factors.
- Cross-border acquisitions reflect the availability of strategic assets that firms aim to acquire or maintain.
- Strategically allocate assets across various locations.

Finally, I-specific advantages refer to variables that explain why MNEs prefer to internalise investments or transactions rather than using external markets for transactions. Key points include:

- Transaction and coordination costs.
- The imperfections and failures of external markets make internal hierarchies more efficient for certain transactions.
- Government intervention, such as taxation, regulations or incentives.
- Variables that help firms better utilise their capacity and overheads.

### 5.2 Understand the four types of strategic advantage-seeking categories

Section 4 demonstrated that scholars frequently misinterpret the four strategic advantage-seeking categories by assigning them solely to L-advantages, as shown in Ancarani *et al.* (2015), Barbieri *et al.* (2019), Ellram *et al.* (2013) and Gray *et al.* (2013). This misalignment is visible in Table 5, where several studies associate the four seeking advantages exclusively with location-specific variables, despite Dunning's later indicating their relevance across all OLI dimensions. To resolve this misunderstanding, this guideline clarifies how the four seeking categories relate to the OLI parameters.

Resource-seeking advantages are factors that facilitate firms to access resources that are not available in the current location or that are available at a lower cost in a particular location. Market-seeking advantages are factors that exploit market opportunities in a particular location. While efficiency-seeking advantages are factors that explore cost-efficient and productivity-enhancing manufacturing in a particular location. Finally, strategic asset-seeking advantages are factors that facilitate firms to access strategic/knowledge-related assets that are not available in the current location or that are enhanced in a particular location.

With this understanding, scholars can apply these advantages in practice by using a matrix (see Table 6 as a reference) to analyse how a factor influences location decisions. This analysis can assess the likelihood of conducting relocation activities and classify the advantages into the appropriate resource-seeking, market-seeking, efficiency-seeking or strategic asset-seeking categories.

**Table 6.** Strategic positioning matrix presents the roles of practitioners in location decisions with variables

OLI parameter	Resource-seeking	Market-seeking	Efficiency-seeking	Strategic asset-seeking
Ownership parameter	<p><i>Resource builders</i></p> <ul style="list-style-type: none"> <li>• Oe-advantages include the ability to access and harness differences in the distribution of natural and created assets</li> </ul>	<p><i>Market builders</i></p> <ul style="list-style-type: none"> <li>• Country-specific resources and capabilities of firms</li> <li>• All asset-exploiting investment</li> <li>• Trademarks, goodwill</li> </ul>	<p><i>Efficiency builders</i></p> <ul style="list-style-type: none"> <li>• Oa-advantages based on efficiency (e.g. exchange rates or discount capital at higher rates of interest will be tempted to invest)</li> <li>• Digitalisation-enabled process optimisation and Industry 4.0 operational capabilities</li> </ul>	<p><i>Strategic asset builders</i></p> <ul style="list-style-type: none"> <li>• Investment designed to augment resources and capabilities</li> <li>• Capabilities related to technological upgrading and sustainability-oriented innovation</li> </ul>
Location parameter	<p><i>Resource seekers</i></p> <ul style="list-style-type: none"> <li>• Availability, quality and price of natural resources</li> <li>• Possession of related infrastructure</li> </ul>	<p><i>Market seekers</i></p> <ul style="list-style-type: none"> <li>• Demand-related variables (e.g. size, character and potential growth of local and adjacent markets)</li> <li>• Presence of competitors</li> <li>• Given production and transport costs</li> <li>• Clustering of industrial consumers</li> <li>• Government policy (e.g. regulations, import controls)</li> </ul>	<p><i>Efficiency seekers</i></p> <ul style="list-style-type: none"> <li>• Competitive advantages of labour, land and infrastructure</li> <li>• Incentives, concessionary rights for exploitation of advantages</li> <li>• Availability, quality and price of transportation costs</li> <li>• Economies of scale and scope</li> <li>• Tax advantages, incentives</li> </ul>	<p><i>Strategic asset seekers</i></p> <ul style="list-style-type: none"> <li>• Location and price of created/acquired assets</li> <li>• Exchange rates</li> <li>• Local accumulation of knowledge and exchange of information and learning experiences</li> </ul>

(continued)

**Table 6.** Continued

OLI parameter	Resource-seeking	Market-seeking	Efficiency-seeking	Strategic asset-seeking
Internalization parameter	<p><i>Resource absorbers</i></p> <ul style="list-style-type: none"> <li>• Capturing coordinating and transactional benefits of common governance of related activities</li> <li>• Ensure stability of supplies at right price</li> </ul>	<p><i>Market absorbers</i></p> <ul style="list-style-type: none"> <li>• Reducing moral hazard and adverse selection</li> <li>• Minimising customers' ignorance or uncertainty</li> </ul>	<p><i>Efficiency absorbers</i></p> <ul style="list-style-type: none"> <li>• Cutting transaction and coordination costs</li> <li>• Streamlining supply chain operations and enhancing logistical efficiencies</li> <li>• Improving cost-efficiency by internalising key operations and manufacturing processes</li> </ul>	<p><i>Strategic asset absorbers</i></p> <ul style="list-style-type: none"> <li>• Leveraging learning and experience-related assets</li> <li>• Gaining advantages from R&amp;D-related activities</li> <li>• Strengthening competitive prowess by augmenting intellectual assets</li> </ul>

### 5.3 *Understand decision factors from three dimensions*

Across the empirical studies reviewed in Section 4, decision factors were typically presented only as drivers or barriers, with the enabler dimension largely overlooked. Building on this empirical gap and the conceptual discussions in Section 3, this guideline emphasises analysing each factor across all three dimensions. Table 5 makes this gap clear: although many studies identify drivers and barriers, very few recognise enabling factors explicitly, reinforcing the need for a three-dimensional perspective.

When analysing factors that influence relocation decisions, scholars and managers should be aware that each factor can impact decision-making from three dimensions. A factor may serve as a driver, triggering relocation initiatives; serving as a barrier, impeding these initiatives or as an enabler, facilitating the successful implementation of relocation initiatives (Engström *et al.*, 2018a, 2018b; Li *et al.*, 2025a, 2025b). It is essential for scholars to consider how the global business environment evolves to understand locational dynamics fully. Including contingency factors while investigating manufacturing location decisions is essential to ensure a more comprehensive approach.

For managers dealing with supply chains and manufacturing, it is important to consider factors from multiple perspectives. For example, drivers (advantages) for offshoring could act as barriers (disadvantages) when considering reshoring. In evaluating decision factors, it is crucial to understand each factor's advantages and influence dimensions. While studies noticed the two aspects for one factor (e.g. Engström *et al.*, 2018a, 2018b), the enabler aspect is often overlooked. In addition, assigning appropriate weights to each factor and dimension may be necessary. As decisions are interconnected, evaluations may need to be recalibrated for each specific context, acknowledging that each decision is made within a broader strategic context.

### 5.4 *Mapping practitioner roles with the strategic positioning matrix*

The cross-analysis in Section 4 highlighted that inconsistent applications of the eclectic paradigm stem partly from the absence of a structured way to connect OLI parameters with the four strategic-seeking behaviours. The strategic position matrix addresses this gap by integrating these dimensions into a coherent framework. The need for such an integrative framework is evident in Table 5, which shows that existing studies apply OLI elements and strategy-seeking categories unevenly and often without a coherent structure.

Table 6 integrates the eclectic paradigm's OLI parameters with four categories. Examples were extracted from Dunning (1998, 2000), by combining these dimensions, we establish a structured framework that helps practitioners and scholars understand how firms position themselves within manufacturing location decisions. It can be used in further investigation of the characteristics of the individual firms, including the objectives or strategies that they are pursuing. Below, we present and discuss how each role can be understood, its characteristics, and how firms may identify their roles

#### a. Ownership parameter: the builders

Firms in this category develop ownership-related advantages (Oa and Ot) through capabilities, such as technology, branding and proprietary knowledge. Firms under this category can be named builders, as these advantages enable leverage their internal strengths to drive competitive success through location decisions:

- **Resource builders:** Firms in this category leverage Ot-advantages to extract and utilise key resources. Examples include the mining industry, metallurgical, chemical manufacturers and agribusinesses that integrate upstream supply chains to secure raw materials.

- Market builders: Firms in this category use country-specific resources and firm capabilities (e.g. strong brand identity and customer loyalty) to expand into new regions and exploit existing market assets. Examples include consumer goods firms, and the case includes manufacturers relocating to benefit from industrial clustering.
- Efficiency builders: Firms in this category leverage Oa-advantages to enhance cost-efficiencies and productivity (e.g. exchange rates, automation level, economies of scale). Examples include labour-intensive manufacturing setting up in highly automotive production locations to scale production.
- Strategic asset builders: Firms in this category invest in their intellectual resource base, often through acquiring technologies, know-how or Research and Development (R&D) capabilities. For example, biotech firms relocated to locations with established research centres.

b. Location parameter: the seekers

Firms in this category seek to capitalise on location-based advantages to enhance their decision-making. Unlike builders, seekers do not primarily rely on internal firm-specific advantages but seek external advantages provided by a location, such as access to resources, market proximity, cost-efficiency or knowledge assets:

- Resource seekers: Firms in this category prioritise the availability, quality and cost of essential resource inputs when choosing locations. Examples include timber processors that depend on proximity to raw material.
- Market seekers: Firms in this category target locations based on demand-related variables, such as market characteristics, growth potential. Examples include toy retailers targeting tourists located in manufacturing proximity to the market.
- Efficiency seekers: Firms in this category look for cost-effective regions that provide cost advantages in labour, facilities and infrastructure, as well as access to incentives. Examples include textile producers shifting production to regions with low-cost but skilled labour.
- Strategic asset seekers: Firms in this category are prone to locate in locations with knowledge, innovation networks and technological expertise. For example, firms are establishing development in automation clusters.

c. Internalisation parameter: The absorbers

Firms in this category maintain competitive advantages, mitigate risks and enhance efficiency by internalising key operations. Absorbers aim to manage resources, market access, efficiencies and strategic assets to maximise internal value and reduce dependence on external factors:

- Resource absorbers: Firms in this category secure key resources by coordinating and integrating resources. Examples include companies integrating upstream exploration and extraction to reduce reliance on external suppliers.
- Market absorbers: Firms in this category internalise market access by managing sales and maintaining customer relations. Examples include enabling customisation production to expand sales networks.
- Efficiency absorbers: Firms in this category internalise key operational processes to ensure cost-efficiencies and productivity. Examples include manufacturers locating the production near other departments to reduce transaction and coordination costs.

- Strategic asset absorbers: Firms in this category leverage knowledge-based advantages, R&D capabilities and enhance intellectual assets. Examples include companies developing research teams at the production site to maintain intellectual property protection.

Collectively, these guidelines operationalise the findings from the literature review by translating conceptual ambiguities, inconsistencies in application and missing analytical dimensions into practical tools. Each guideline corresponds to specific gaps or misinterpretations identified in Sections 3 and 4, ensuring that the proposed recommendations are grounded in the evidence derived from the systematic review. By linking these recommendations to the patterns identified in Tables 4 and 5, and operationalised through Table 6, we ensure that the guidelines are systematically grounded in both theory development and empirical application.

The strategic positioning matrix is not intended as a typological classification of firms, but as an analytical framework that makes explicit the configurational logic embedded within the eclectic paradigm. Mapping OLI parameters against the strategic-seeking behaviours, it operationalises the otherwise abstract interrelationship between strategic advantages and strategic intentions.

## 6. Concluding discussion

Through the integration of Dunning's work regarding the eclectic paradigm with contemporary research on location decision-making, this paper harmonises with critical realism and once again stresses the fragmented and eclectic state of the field. While earlier research has applied the eclectic paradigm with different perspectives, it can be argued that the application of the theory was inconsistent. By introducing the strategic positioning matrix, this paper provides a structured and systematic approach to understanding the interplay between ownership, location and internalisation parameters within resource-, market-, efficiency- and strategic asset-seeking advantages.

This paper addresses several key gaps in understanding and application of the eclectic paradigm and related core concepts – the OLI parameters and the four types of seeking advantages. The evolution of the eclectic paradigm, from Dunning's initial work in 1973 to its more holistic versions in 1980, 1988 and 1998, demonstrates the theory's relevance to the changing dynamics of international production and manufacturing location decisions. By clarifying and refining the dimensions of the OLI and strategic-seeking advantages and intersections between them, this paper offers a more consistent and applicable theoretical framework for both researchers and practitioners. The theory's development mirrors the increasing complexity of global supply chains, where firms must now navigate diverse factors when making location decisions. This paper also explores the limitations of the theory, emphasising the necessity for considering contingency factors, to make well-informed decisions, as well as develop a more holistic theory.

In addition, by combining OLI parameters and the four types of seeking advantages, this paper presents the roles firms can take on – builders, seekers and absorbers. With different purposes, manufacturers may simultaneously be in multiple roles, such as a firm can be an efficiency seeker (e.g. optimising overhead costs) while it is a strategic asset builder (e.g. investing in new R&D hubs), as well as a resource absorber (e.g. securing production components internally). It is worth noting that firms do not operate solely within rigid classifications, but shift between roles depending on their financial conditions, technological advancements and strategic evolution over time. A marketing seeker may later prioritise strategic asset building to maintain competitiveness. The matrix (Table 6) reminds firms of

the need for trade-offs; some strategies complement each other, while others require trade-offs. The key is balancing between each role in the location decisions to achieve the optimisation of their business goals.

From a practical perspective, this research underscores the importance of adopting a multi-perspective approach to decision-making. The application of the OLI framework, particularly when combined with the four seeking categories, can assist practitioners in evaluating the decision factors, which can be conceptualised as drivers, barriers and enablers. This view provides a more dynamic interpretation of manufacturing configuration decisions and aligns with the evolutionary nature of the eclectic paradigm more. Previous studies have demonstrated that the majority of practitioners of SMEs have a non-systematic approach when selecting manufacturing locations (Francioni *et al.*, 2015), which leads to high failure rates with unsatisfactory performances. This helps firms better anticipate how external shifts – whether political, economic or technological – affect their strategic choices. In addition, by integrating contingency factors, participants can better address the specific, evolving circumstances that firms face, making it a more comprehensive tool for matching modern manufacturing strategies with general business strategies. The strategic positioning matrix serves as a tool for manufacturing managers and policymakers to:

- Identify their current strategic positioning based on acquired advantages and business goals.
- Assess whether their current role aligns with the current manufacturing strategy by analysing the interactions between OLI parameters and the seeking advantages.
- Understand the trade-offs between roles, helping firms make more informed strategic decisions.

This opens avenues for scholars to further apply, refine and expand the strategic positioning matrix in empirical and conceptual research, exploring its relevance across industries, time horizons and emerging strategic contexts. Incorporating illustrative empirical cases would further enhance the value by demonstrating how firms navigate real-world trade-offs, revealing nuanced insights into strategic role shifts by manufacturing relocation and validating the matrix's practical applicability.

As one of the few conceptual studies to investigate the value of the eclectic paradigm, and the only one to examine its role in analysing manufacturing relocation research, this paper makes a significant contribution by organising current knowledge and demonstrating how the theory can be applied more effectively. By doing so, this research presents how the theory can be comprehensively understood, thereby encouraging increased utilisation of the theory in future research. By systematically clarifying the distinctions between the concepts generated from the eclectic paradigm, this research offers scholars a clearer how it can be applied more effectively. By introducing a structured approach to the OLI parameters and their interplay with four types of seeking behaviours, this research provides scholars with an actionable method for studying location decisions. Furthermore, the findings bring attention to the need for a theoretical framework that can accommodate the complexities and contingencies of real-world decision-making processes. Future research could explore location decisions through the lens of the four types of strategic advantage-seeking while incorporating new variables such as sustainability considerations, digitalisation and geopolitical risks. These efforts advance academic knowledge and provide a foundation for refining and expanding the eclectic paradigm.

However, this research also highlights limitations in how the eclectic paradigm can be applied. While the theory offers a robust framework for analysing international production,

its flexibility can lead to misinterpretations, as seen in the inconsistent application of its concepts across the literature. Moreover, while the framework provides a broad lens for understanding decision-making, it may require adaptation when applied to complex, contemporary business environments where factors like digitalisation and sustainability might be increasingly important. Future research should aim to refine the theory to account for these evolving challenges.

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### Further reading

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