

The Many Faces of Business Localness: Systematic Review and Integrative Framework Incorporating Economic Embeddedness

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Abstract

This study presents a systematic review of the literature on business localness, a concept which, despite increasing interest, remains theoretically fragmented. This fragmentation limits a comprehensive understanding of how firms are embedded in local economies and how localness can be systematically measured. Using the PRISMA methodology, 54 articles were analyzed from an initial set of 500 publications in the Scopus database. Combining bibliometric clustering and qualitative synthesis, the study identifies seven major research clusters and organizes them into broader research streams. The findings suggest that localness is primarily examined in terms of its relational, spatial and economic dimensions. Mechanisms such as knowledge diffusion, trust and access to resources are emphasized, as are outcomes relating to innovation, business performance, sustainability and regional development. However, the economic dimension remains fragmented and is rarely conceptualized as a distinct and measurable component of business localness. Combining findings from previously fragmented research streams, this study develops an integrative framework for business localness that incorporates spatial, relational, and economic dimensions of embeddedness and links them to the mechanisms and outcomes through which firms contribute to local economies. The study is limited by its reliance on English-language journal articles indexed in Scopus and by the conceptual nature of the proposed framework, which requires further empirical validation across different contexts and industries. By explicitly introducing economic embeddedness as a distinct analytical dimension, the framework extends existing embeddedness theory and provides a foundation for future empirical research on how firms contribute to local economic development and sustainability.

Keywords: business localness; embeddedness; local economies; regional development



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1. Introduction

1.1. The Importance of Local Economy in Business Research

In recent decades, the role of local economies and regional ecosystems has become increasingly important in business and management literature. Businesses now operate and engage in complex local environments shaped by social networks, institutional mechanisms, and economic relationships. In this context, the concept of embeddedness has emerged as a central theoretical tool for understanding how businesses interact with their local environments and develop relationships with the economic and social actors that shape them. At the same time, to maintain or enhance their competitiveness, companies adopt

strategies that reinforce the perception that they have a positive economic and social impact on local communities (Götze & Brunner, 2020).

Localness has also emerged as a significant factor in the shaping of business strategies and brand management. Consumer perceptions of the “local character” of a product or company can influence the effectiveness of different competition and market positioning strategies (Safeer et al., 2022). Consequently, brand managers frequently implement marketing strategies that emphasize the authenticity and local distinctiveness of the brand, leveraging locality as a competitive advantage and a means to enhance the perceived credibility of the company (Hoskins et al., 2021). In addition, the incorporation of localness into the management of brand portfolios can be a critical factor in the sustainability of companies’ expansion and rebranding strategies (Abrantes & Ali, 2023).

At the same time, the growing importance of localness is also linked to broader social, economic, and environmental developments. Businesses are now being called upon to take greater responsibility for issues related to sustainability and the social impact of their activities, which reinforces the need for stronger links with local communities. Consumer preference for local products is not only based on feelings of economic patriotism, but also on factors such as social responsibility, environmental sustainability and the strengthening of local economies (Götze & Brunner, 2020). In this context, adopting practices that enhance product transparency and traceability can help reduce environmental and health risks and strengthen consumer confidence (Gagneten et al., 2023).

Moreover, the significance of local economic activity is progressively acknowledged at the public policy level. Place-based policies have emerged as a key tool for enhancing regional development, strengthening local value chains, and promoting economic activity in less developed areas (Zheng & Pan, 2024). Concurrently, it has been determined that these policies have the capacity to enhance local innovation and entrepreneurship by facilitating access to financial resources, reducing administrative barriers, and developing human capital (Tian & Xu, 2022). The Organization for Economic Co-operation and Development (OECD) asserts that geographically targeted interventions are only effective when accompanied by genuine local economic activity and integrated into broader regional development strategies (OECD, 2023).

In this context, reliable documentation of the local presence and activity of businesses is critical for the effective implementation and evaluation of regional development policies. Scholars increasingly examine how firms develop strong connections with the local environments in which they operate. These connections are commonly conceptualized in the current literature through the concept of embeddedness, which captures the extent to which economic actors are embedded in social, institutional and spatial contexts.

Embeddedness is significant because it explains how firms can access local knowledge, build trust with stakeholders, gain legitimacy, mobilize resources and contribute to regional development. Previous research has shown that embeddedness can support knowledge creation in subsidiaries (Andersson et al., 2005), strengthen the perception of entrepreneurial opportunities (Birkholz, 2025), promote firm growth (Li et al., 2025) and influence firms’ relationships with local communities and stakeholders (Adomako & Tran, 2024; Wang et al., 2025). Embedded firms may also contribute to employment, local value creation, social cohesion, sustainability and regional development within societies (Baù et al., 2019; Maziliauske, 2024; Nunes & Lopes, 2015).

1.2. The Concept of Embeddedness in Business Studies

The concept of embeddedness has been widely adopted in a variety of research fields, including economic geography, international business, entrepreneurship and corporate social responsibility (CSR).

In economic geography, territorial and regional embeddedness is a concept used to analyze the relationship between firms, local production systems and regional development structures (Perkmann, 2006). Similarly, the literature on international business emphasizes the embeddedness of multinational enterprises and their subsidiaries into host environments, focusing on the creation of local bonds and the transfer of knowledge (Li et al., 2025).

At the same time, the concept of embeddedness in the fields of entrepreneurship and innovation is examined through the lens of local ecosystems and knowledge diffusion mechanisms. This highlights the role of networks and regional innovation systems in creating business opportunities (Birkholz, 2025).

Finally, the concept of community embeddedness is used in corporate social responsibility to describe the relationships between businesses and local communities, and the influence of these relationships on the legitimacy and social responsibility of businesses (Ouyang et al., 2026).

Despite the growing body of research, the literature on the relationships between businesses and local economies employs a variety of concepts and perspectives, often focusing on specific aspects such as networks, innovation systems or stakeholder relationships. Consequently, the broader concept of business localness has not yet been articulated as a unified theoretical framework, remaining scattered across different research approaches.

In this study, we use the concept of embeddedness as a theoretical framework to explore the idea of business localness, which encompasses the spatial, relational and economic connections that businesses have with local economies.

Although the economic aspects of embeddedness have been examined across several research approaches, particularly in economic sociology, economic geography, international business and regional development studies, they are usually addressed indirectly through concepts such as local sourcing, regional value creation, supply chains and resource circulation. As a result, the economic aspects of embeddedness remain dispersed across different research streams and are rarely integrated into a coherent and measurable framework of business localness.

While existing studies have yielded significant insights into the spatial and relational dimensions of embeddedness, the economic aspects have received comparatively less systematic attention. Although issues such as local sourcing, regional value creation and supply-chain relationships appear in various strands of the literature, they are rarely examined as part of an integrated conceptualization of business localness. Consequently, limited attention has been devoted to understanding how firms' expenditures, procurement decisions and financial flows contribute to local economic circulation and regional development. This raises important questions regarding how business localness has been conceptualized across different research streams and how its various dimensions can be integrated into a more comprehensive framework.

In this review, business localness is defined as the multidimensional extent to which firms are embedded within local economic, social, institutional and territorial systems. Accordingly, territorial, regional, community and economic embeddedness are treated as complementary manifestations of business localness rather than interchangeable concepts.

1.3. Research Objectives and Research Questions

This study provides a systematic review of the literature on the concept of businesses localness, aiming to address the aforementioned gaps. The aim is to synthesize existing research, identify the main dimensions and trends in the study of local embeddedness and develop a comprehensive framework that conceptualizes localness as a multidimensional phenomenon. In this way, this study will contribute to a better understanding of how

businesses become embedded in local economies, while also highlighting the importance of economic flows in shaping local business ecosystems.

The objectives of the present study are fourfold: firstly, to identify the main research areas through which the localness of businesses has been studied; secondly, to examine the key dimensions of localness and embeddedness that have been discussed in the literature; thirdly, to synthesize the mechanisms and outcomes associated with business localness; and fourthly, to develop a comprehensive framework that embeds the spatial, relational, institutional and economic dimensions of embeddedness.

Specifically, the review examines the following research questions:

- RQ1: How is business localness conceptualized across different research streams?
- RQ2: What dimensions of localness are identified in the literature?
- RQ3: What mechanisms and outcomes are associated with business localness?
- RQ4: How can these perspectives be integrated into a comprehensive framework of business localness?

1.4. Structure of the Paper

The remainder of this paper is structured as follows: Section 2 outlines the methodology adopted for the systematic literature review, including the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) -based approach, the process of selecting the data, and the analytical techniques employed. Section 3 presents the results of bibliometric and thematic analyses, identifying the main research streams and synthesizing the literature across seven thematic clusters. Section 4 develops an integrative framework of business localness, combining the spatial, relational and economic dimensions identified in the review. Section 5 discusses the theoretical, managerial and policy implications of the findings, as well as the study's limitations and directions for future research. Finally, Section 6 presents the conclusions.

2. Methodology

2.1. Systematic Literature Review Approach

This study conducts a systematic review of the literature according to the PRISMA guidelines, which provide updated specifications to ensure that systematic review reports are transparent and complete (Page et al., 2021). The review process is structured to document the study selection process, with distinct stages including identification, screening, eligibility assessment and final article inclusion. The link to PRISMA 2020 checklist is provided in the Supplementary Materials.

The search was conducted in February 2026 and covered publications indexed in Scopus up to that date. No initial time limit was imposed, aiming to capture both early contributions and more recent studies on embeddedness, localness, sustainability, global value chains, and business ecosystems.

Scopus was selected because it provides extensive interdisciplinary coverage and has been widely used in systematic reviews regarding business and management. Other databases such as Web of Science, ABI/INFORM and EBSCO have a large overlap of journals that are also indexed in Scopus. The important fact is that almost all significant research is published in high-impact journals that are also found in Scopus. Furthermore, the use of a single database ensured consistency in indexing, metadata extraction and bibliometric analysis. However, the possibility of missing important studies cannot be ruled out, it is considered as a limitation of this review and should be taken into account when interpreting the findings.

The search string was constructed using explicit Boolean operators as follows:

TITLE-ABS-KEY (("localness" OR "local embeddedness" OR "territorial embeddedness" OR "regional embeddedness" OR "community embeddedness" OR "local sourcing" OR "local procurement") AND (firm* OR business* OR compan* OR enterprise* OR SME* OR organization*))

The preliminary search yielded 780 records. Figure 1, retrieved from Scopus, shows that there has been increased interest from the scientific community in the last years.

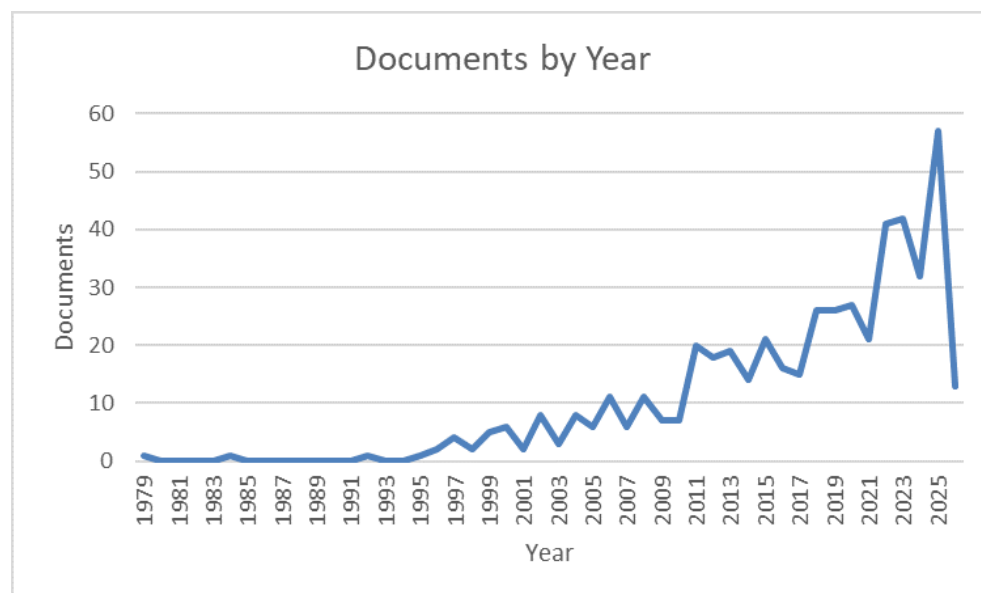


Figure 1. Documents by year.

The percentages of articles for various subject areas are presented in Figure 2.

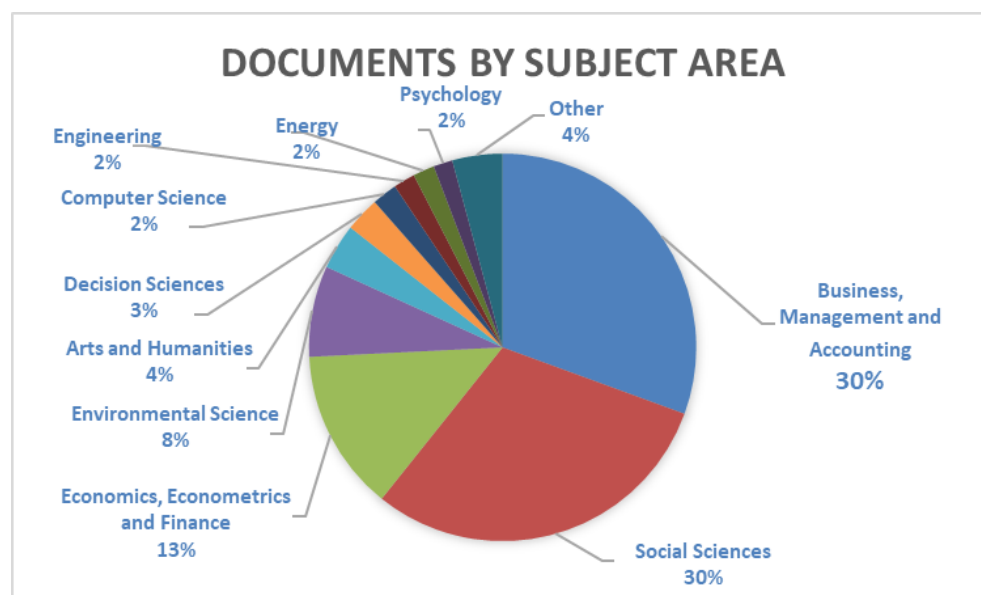


Figure 2. Documents by subject area.

To ensure transparency and reproducibility, predefined inclusion and exclusion criteria were applied during the screening and eligibility stages. These criteria, presented in Table 1, were designed to retain studies that make a substantive contribution to understanding firms' embeddedness in local, regional, community, institutional, or economic contexts.

So, for a study to be retained, it was necessary to be a peer-reviewed journal article written in English and located within relevant subject areas, including business, manage-

ment, economics, social sciences, regional studies and economic geography. It should focus on firms, organizations, subsidiaries, entrepreneurs, or business ecosystems. Moreover, the study was required to address the concepts of embeddedness, localness, territorial embeddedness, regional embeddedness, community embeddedness, local sourcing, and local procurement. The exclusion criteria that were applied excluded publications that were books, book chapters, conference papers, editorials, non-English publications, disciplinary studies that were not related to the subject under discussion, and papers that used the term ‘embeddedness’ in a non-business or conceptually irrelevant sense.

Table 1. Inclusion and exclusion criteria.

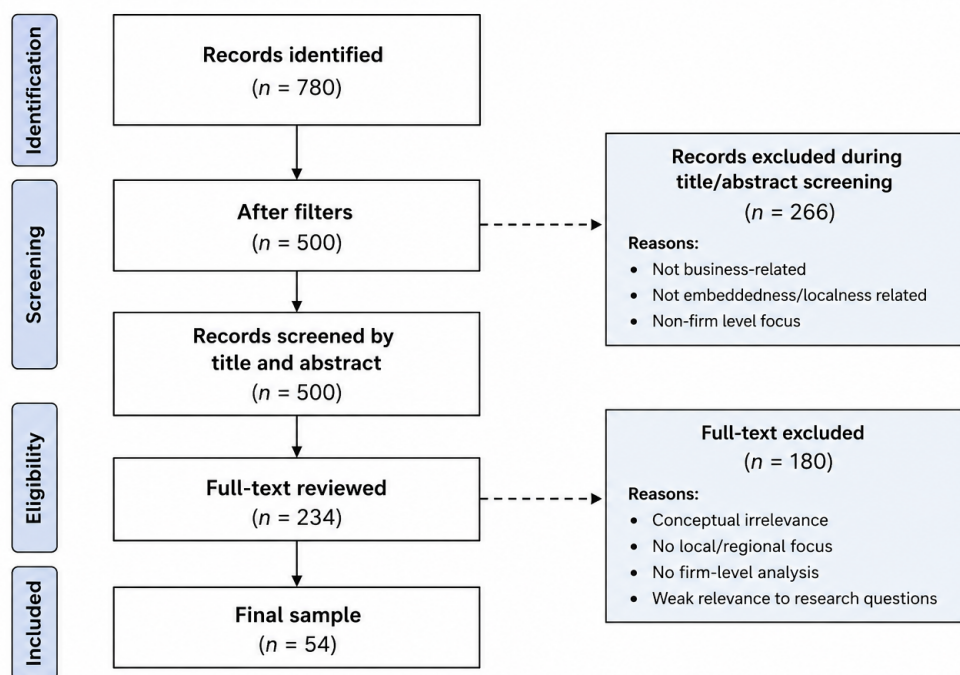
Criterion	Inclusion Criteria	Exclusion Criteria
Document type	Peer-reviewed journal articles	Books, book chapters, conference papers, editorials
Language	English	Non-English publications
Database	Scopus-indexed studies	Not Scopus-indexed studies
Subject area	Business, management, economics, social sciences, regional studies and economic geography	Irrelevant disciplinary areas
Unit of analysis	Firms, organizations, subsidiaries, entrepreneurs, business ecosystems	Studies unrelated to business or firm-level activity
Conceptual relevance	Embeddedness, localness, territorial embeddedness, regional embeddedness, community embeddedness, local sourcing, local procurement	Unrelated uses of embeddedness
Analytical relevance	Studies contributing to understanding firms’ local relationships, networks, spatial positioning, institutional contexts, or economic flows	Studies with no clear relevance to business localness

After applying inclusion and exclusion criteria, 500 articles remained for bibliometric mapping and title/abstract screening. These 500 articles constituted the broader bibliometric dataset used to map the intellectual structure of the literature. Subsequent bibliometric and qualitative analyses are described in Section 2.2. During title and abstract screening, articles were excluded when they did not focus on firms, organizations, subsidiaries, entrepreneurs, or business-related forms of embeddedness, or when they used embeddedness in unrelated contexts. After screening titles and abstracts, 234 articles were selected for full-text review.

During the eligibility stage, the full texts of these 234 articles were reviewed to ensure that they substantially contributed to understanding businesses’ embeddedness in local environments. Articles were retained when they had a clear focus on firm-level, organizational, subsidiary, entrepreneurial, regional, or network/ecosystem analysis and when embeddedness or localness was used as a relevant conceptual lens. Articles were excluded when they lacked business or organizational relevance, did not address local, regional, or community relationships, or did not contribute directly to the research questions.

Following the full-text eligibility assessment, the final sample comprised 54 articles. The inclusion of these articles in the qualitative synthesis was predicated on their ability to make a substantive contribution to understanding how firms are embedded in local, regional, community, institutional, or economic contexts.

Figure 3 illustrates the previously described multi-stage screening procedure, including identification, screening, eligibility assessment, and final inclusion of studies.



Note: The broader dataset of 500 Scopus-indexed articles was used for bibliometric mapping, while the final sample of 54 articles was used for qualitative synthesis and framework development.

Figure 3. PRISMA Flow Diagram of the Study Selection Process. Textboxes connected by solid arrows indicate the main sequence of steps in the selection process, while dashed arrows point to textboxes presenting the reasons for exclusion.

This study followed a two-stage analytical design. The broader dataset of 500 Scopus-indexed articles was used for bibliometric mapping and cluster identification, while the final sample of 54 articles was used for qualitative synthesis and framework development. The procedures of bibliometric mapping, cluster generation, and qualitative coding are described in Section 2.2.

In short, this review considers business localness as the multidimensional extent to which firms are embedded within local economic, social, institutional, and territorial systems. Accordingly, territorial, regional, community, and economic forms of embeddedness are treated as complementary manifestations of business localness rather than interchangeable concepts. This perspective provides the conceptual foundation for integrating diverse streams of research into a unified framework of business localness.

2.2. Data Coding and Analysis

Following data collection, a multi-stage coding and analysis procedure was implemented to ensure transparency, consistency, and comparability across studies.

The analysis was conducted in three sequential stages. In the first stage, the broader bibliometric dataset consisting of 500 articles was systematically coded using a structured data extraction protocol. For each article, information was recorded regarding citation details, authors, publication year, title, source title, DOI, scientific field, theoretical framework, level of analysis, dimensions of embeddedness, measurement methods, key findings, and study limitations. All information was organized in a structured Excel sheet to facilitate systematic comparison and bibliometric analysis.

In the second stage, a bibliometric mapping analysis was performed using VOSviewer (version 1.6.20) to identify the intellectual structure of the literature and detect thematic clusters. A keyword co-occurrence analysis was performed on the broader dataset of

500 articles. The keyword co-occurrence network was generated from the author keywords and index keywords contained in the 500 articles that formed the bibliometric dataset. To enhance conceptual consistency and reduce geographical bias, country-specific keywords were excluded from the analysis. Conceptually similar keywords were harmonized through manual preprocessing prior to interpretation. The mapping focused on keywords directly related to embeddedness and business localness, including local embeddedness, regional embeddedness, territorial embeddedness, community embeddedness, organizational embeddedness, job embeddedness, local sourcing, local procurement, foreign direct investment, global value chains, entrepreneurship, innovation, sustainability, social capital, CSR, and family firms. The resulting keyword network was examined to identify groups of conceptually related terms based on their co-occurrence patterns.

The resulting network revealed patterns of conceptual proximity among studies and enabled the identification of seven thematic clusters representing the main intellectual streams of the literature: (1) Local Embeddedness and Entrepreneurship, (2) Foreign Direct Investment and Multinational Enterprises, (3) Global Value Chains and Production Networks, (4) Innovation and Sustainability, (5) Community Embeddedness and Stakeholder Relations, (6) Organizational and Job Embeddedness, and (7) Localness, Identity and Family Firms. The cluster structure that occurred after using VOSviewer is presented in Table 2 and served as the basis for the subsequent qualitative interpretation of the literature. The clusters were subsequently interpreted through an iterative examination of keyword patterns and article content. Consequently, bibliometric clustering was employed as an analytical tool to identify thematic structures within the literature rather than as a sampling mechanism. The resulting clusters should therefore be understood as conceptually informed analytical representations of the literature rather than purely algorithmic classifications.

In the third stage, the clusters served as the basis for qualitative synthesis. Articles were screened and assessed for conceptual relevance to the research questions. During this process, particular attention was given to the scientific field, theoretical framework, level of analysis, dimensions of embeddedness, methodological approach, and key findings of each study. Following full-text assessment, 54 articles were retained for in-depth qualitative analysis and framework development. The complete coding matrix for the 54 articles included in the qualitative synthesis is provided in Appendix A to enhance the transparency and reproducibility of the review process.

As this study aims primarily to synthesize conceptualizations of business localness and embeddedness rather than evaluate intervention effects or causal relationships, a formal methodological quality assessment was not conducted. Instead, quality assurance was addressed indirectly through the inclusion of peer-reviewed journal articles and through the multi-stage screening and full-text eligibility assessment process. This approach is consistent with the objective of synthesizing conceptualizations of business localness and embeddedness across diverse research streams. Nevertheless, future reviews could complement thematic synthesis with formal quality appraisal tools to assess methodological rigor and potential sources of bias across studies.

The coding process combined deductive and inductive approaches. Deductive coding was based on dimensions commonly identified in the embeddedness literature, including spatial, relational, institutional, governance-related, identity-related, and economic embeddedness. Inductive coding was subsequently employed to identify recurring mechanisms and outcomes emerging from the studies, including knowledge spillovers, trust and legitimacy, resource access, local economic circulation, innovation, firm performance, sustainability, and regional development.

Table 2. Thematic clusters identified through keyword co-occurrence analysis.

Cluster	Theoretical Foundation	Research Focus	Main Concepts	Representative Papers
Cluster 1: Local embeddedness and entrepreneurship	Social capital theory, regional development	Local business ecosystems	local embeddedness, entrepreneurship, social capital, regional embeddedness	Baù et al. (2019), Birkholz (2025), Li et al. (2025), Permana (2025), Andersen and Lindgaard Christensen (2023), Sharafizad et al. (2022), Martínez-Sanchis et al. (2021), Piasecki (2021), Baù et al. (2024), Y.-P. Chen et al. (2024)
Cluster 2: Foreign direct investment and multinational enterprises	International business theory	Multinational corporations and local embeddedness through supply chains	foreign direct investment, local sourcing, global sourcing	Andersson et al. (2005), Mattes (2013), Javernick-Will (2013), Halaszovich and Lundan (2016), Wood et al. (2019), Bian et al. (2019), Xu et al. (2023), Gyensare et al. (2025)
Cluster 3: Global value chains and production networks	Global production networks	The relationship between embeddedness and global SC	global value chains, upgrading, multinational enterprises	Perkmann (2006), Coe and Lee (2006), Kleibert (2015), Craviotti (2016), Tukamuhabwa et al. (2017), Song (2022), Jipa-Muşat (2025), Lang et al. (2026)
Cluster 4: Innovation and sustainability	Innovation systems theory	Embeddedness and regional innovation	innovation, territorial embeddedness, knowledge spillovers	Nunes and Lopes (2015), De Massis et al. (2018), Firlus et al. (2023), Bonfanti et al. (2023), Maziliauske (2024), Qu and Zhang (2025), Kotlar et al. (2025)
Cluster 5: Community embeddedness and stakeholder relations	Stakeholder theory	Business Relations with Local Communities	community embeddedness, CSR, legitimacy	Landry et al. (2005), Bae et al. (2021), Mehmood et al. (2022), Johansson et al. (2022), Tuckerman et al. (2024), Adomako and Tran (2022), Adomako and Tran (2024), Wang et al. (2025)
Cluster 6: Organizational embeddedness	Organizational behavior	Integration of employees into local communities	job embeddedness, organisational embeddedness	Amankwaa et al. (2022), Ampofo et al. (2017), Ampofo et al. (2018), Susomrith and Amankwaa (2020), Singh (2016), Haag and Sandberg (2020)
Cluster 7: Local identity and family firms	Family business theory	Local identity and business culture	localness, family firms, culture	Amato et al. (2023), Lumpkin and Bacq (2022), Patuelli and Amato (2026), Meyer-Ohle (2014), Parastatidou and Chatzis (2025), Pallares-Barbera et al. (2004), Adjei (2025)

A structured coding protocol was developed prior to the qualitative synthesis to ensure consistency throughout the review. The protocol specified the information to be extracted from each study, including the scientific field, theoretical framework, level of analysis, dimensions of embeddedness, methodological approach, key findings, and study limitations. These coding categories were applied systematically across all included studies and were refined iteratively as the analysis progressed in order to improve conceptual consistency and support cross-study comparison.

To enhance analytical consistency, coding categories were reviewed and refined iteratively throughout the analysis. Articles were repeatedly compared within and across clusters to ensure conceptual coherence. Although no formal inter-coder reliability test was conducted, the coding protocol was applied consistently across all stages of the review. This limitation is acknowledged in Section 5.5.

Finally, the results of the bibliometric mapping and qualitative synthesis were integrated to develop an integrative framework of business localness. The framework conceptualizes business localness as a multidimensional phenomenon shaped by spatial, relational, and economic embeddedness and linked to a set of mechanisms and outcomes operating across different levels of analysis.

3. Results

The bibliometric analysis performed using VOSviewer revealed seven distinct thematic clusters in the literature on embeddedness, through keyword co-occurrence analysis, as described in Section 2. The representative articles were then assigned to each cluster based on their thematic relevance and keyword alignment. These clusters reflect the main thematic directions of the research and confirm that the concept of local business is examined through different theoretical and empirical lenses. The thematic clusters reported below emerged from the bibliometric mapping of the broader dataset of 500 articles. The interpretation of these clusters was subsequently informed by the qualitative examination of the final sample of 54 studies.

Figure 4 illustrates the co-occurrence relationships among keywords extracted from the initial dataset of 500 articles.

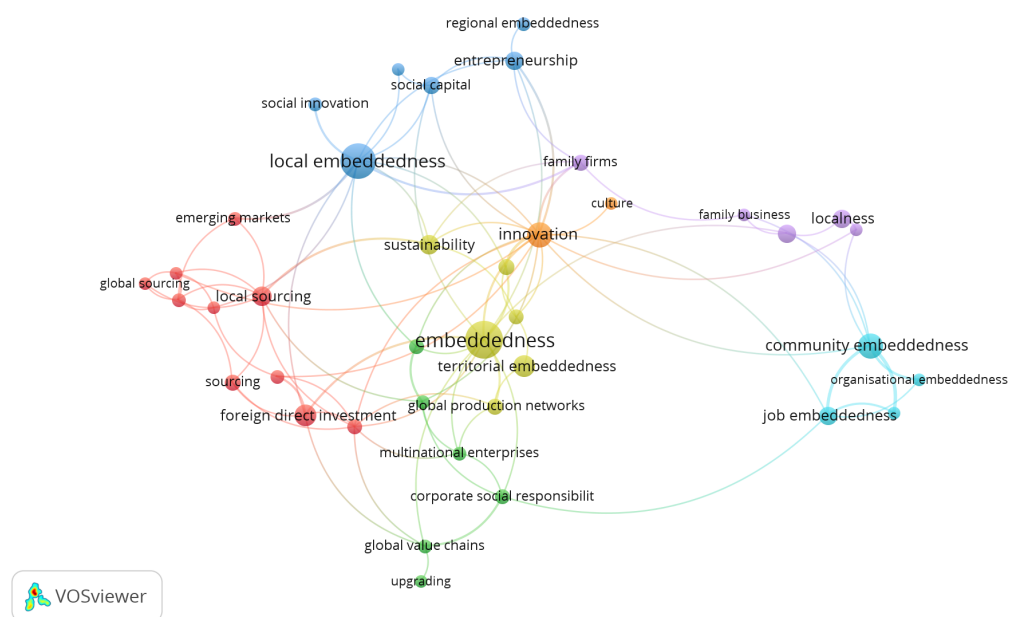


Figure 4. Keyword Co-occurrence Map of Embeddedness Literature Network Visualization.

The network density and overlay visualization in Figures 5 and 6 reveal the seven distinct thematic clusters, each representing a different research stream within the embeddedness literature. Node size reflects keyword frequency, while link strength indicates the intensity of co-occurrence between keywords.

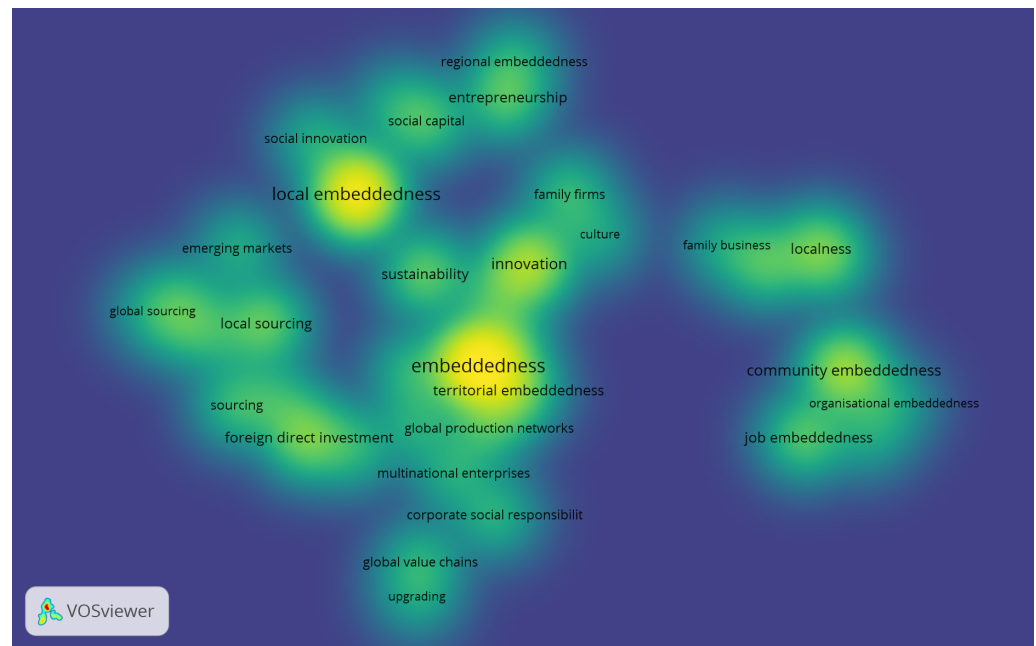


Figure 5. Keyword Co-occurrence Map of Embeddedness Literature Density Visualization.

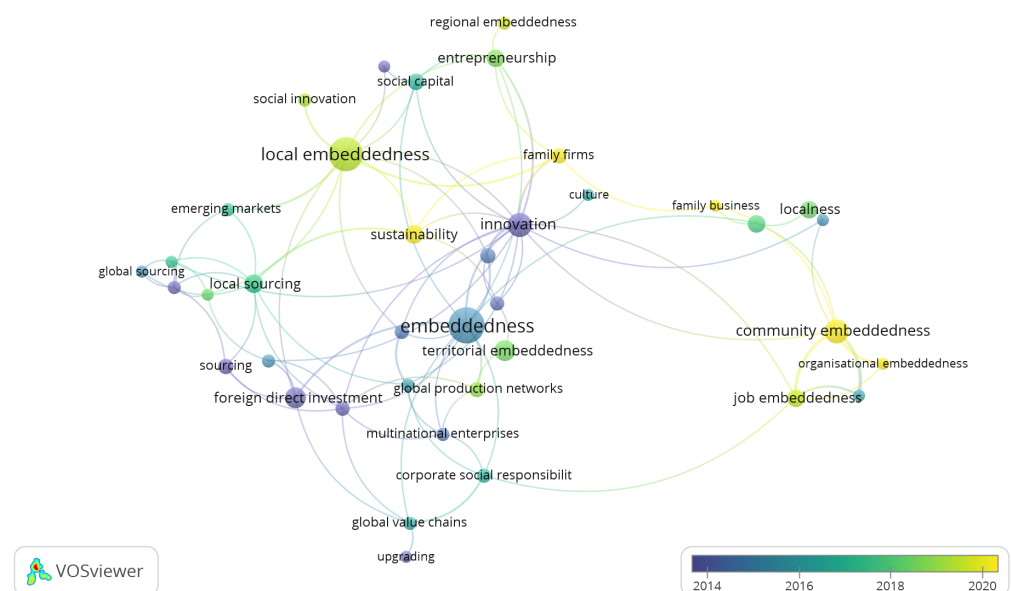


Figure 6. Keyword Co-occurrence Map of Embeddedness Literature Overlay Visualization.

The keyword co-occurrence analysis revealed seven major thematic clusters in the business embeddedness literature:

1. Local embeddedness and entrepreneurship,
2. Foreign direct investment and multinational enterprises,
3. Global value chains and production networks,
4. Innovation and sustainability,
5. Community embeddedness and stakeholder relations,
6. Organizational embeddedness, and
7. Local identity and family firms.

The thematic clusters, their characteristics and the corresponding papers are presented in Table 2. These clusters reflect the interdisciplinary nature of the field, highlighting the various ways in which businesses' relationships with their local environments have been conceptualized. While some groups emphasize spatial and relational dimensions,

others focus on global networks, innovation and stakeholder interactions. Each cluster is described in detail below.

3.1. Cluster 1: Local Embeddedness and Entrepreneurship

The studies in the first cluster highlight the central role of local embeddedness in shaping entrepreneurial activity and firm-level outcomes across various contexts.

A recurring theme within this stream is that business performance and growth are significantly influenced by embeddedness in relationships, expressed through networks, institutional ties and governance structures (Y. Chen & Zhao, 2026; Li et al., 2025; Piasecki, 2021). Specifically, empirical evidence suggests that stronger local embeddedness is associated with measurable improvements in business performance, such as increased growth rates and enhanced organizational capabilities (Baù et al., 2019; Li et al., 2025). Concurrently, spatial embeddedness has been identified as a critical factor in the development of business ecosystems, with regional environments, urban density, and local clustered populations facilitating the identification of opportunities and business expansion (Andersen & Lindgaard Christensen, 2023; Birkholz, 2025; Permana, 2025). The literature further highlights the importance of institutional frameworks, demonstrating that embeddedness functions differently within formal and informal institutional environments (Martínez-Sanchis et al., 2021). Others highlight the impact of socio-emotional and non-economic factors, such as identity and passion, on business behaviour and survival (Andersen & Lindgaard Christensen, 2023; Baù et al., 2024). Furthermore, the literature highlights the importance of embeddedness for sustainability and long-term growth, particularly for small and regional businesses that need supportive ecosystems to deepen their local embeddedness (Sharafizad et al., 2022).

Table 3 summarizes key characteristics of the studies included in Cluster 1, focusing on firm-level embeddedness in entrepreneurial and regional contexts.

Table 3. Cluster 1—Local Embeddedness and Entrepreneurship.

Authors & Year	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Y. Chen and Zhao (2026)	Innovation Studies	Firm; Regional/Industry	Relational; Institutional; Governance; Economic	Shifts the analytical lens from political uncertainty to relational reconfiguration induced by political succession.
Birkholz (2025)	Entrepreneurship; Economic Geography/Regional Studies	Firm; Individual; Network/Ecosystem	Spatial; Relational; Identity	Regional embeddedness matters, though innovative opportunity perception is less dependent on embeddedness than general opportunity perception.
Li et al. (2025)	Organizational Studies/HRM	Firm; Individual	Relational; Institutional; Governance	A one standard deviation increase in local embeddedness leads to a 3.4% increase in firm growth.
Permana (2025)	Entrepreneurship; Innovation Studies	Firm; Individual; Network/Ecosystem	Spatial; Relational; Identity	Online workers act as micro-entrepreneurs leveraging urban density and ecosystems to scale services.
Baù et al. (2024)	Entrepreneurship; Organizational Studies/HRM	Firm; Individual; Regional/Industry	Spatial; Relational; Economic	Provides insights into family firms as employers, highlighting the role of embeddedness across contexts.

Table 3. Cont.

Authors & Year	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Andersen and Lindgaard Christensen (2023)	Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational	Passion among owners and investors influences firm survival beyond purely economic rationality.
Sharafizad et al. (2022)	Entrepreneurship; Innovation Studies	Firm; Individual; Regional/Industry	Spatial; Relational	Regional SMEs require additional support to deepen embeddedness in sustainability practices.
Martínez-Sanchis et al. (2021)	Entrepreneurship; Economic Geography/Regional Studies	Firm; Individual; Regional/Industry	Spatial; Relational; Institutional	Embeddedness varies across institutional contexts through formal and informal mechanisms.
Piasecki (2021)	Organizational Studies/HRM	Firm; Individual	Relational	Local embeddedness is positively associated with training intensity.
Baù et al. (2019)	Entrepreneurship; Organizational Studies/HRM	Firm; Individual; Regional/Industry	Spatial; Relational	Family firms benefit more from local embeddedness, achieving higher growth, especially in rural areas.

Overall, the studies in this cluster suggest that local embeddedness functions as a multidimensional strategic asset that combines spatial, relational, institutional, and identity-based elements. However, the benefits of embeddedness appear to be contingent upon regional and institutional contexts, indicating that embeddedness should be understood as a context-dependent rather than universally beneficial phenomenon.

This cluster indicates that local embeddedness is approached as a mechanism for strengthening entrepreneurship, social innovation, and regional development. Despite the above findings, the economic dimension of embeddedness remains relatively unexplored in this field, as most studies focus primarily on the relational and spatial aspects of business embeddedness.

3.2. Cluster 2: Foreign Direct Investment and Multinational Enterprises

The second cluster focuses on multinational corporations and foreign direct investment, examining how these firms become embedded in local economies. The literature emphasizes the importance of developing local ties through suppliers, partnerships and investments, and adapting to the institutional and cultural characteristics of host markets. The embeddedness of multinational enterprises is linked to both the acquisition of local knowledge and the improvement in performance and competitiveness. This cluster examines how multinational enterprises establish local connections through procurement, production and investment.

A recurring finding across this stream is the significant impact of relational embeddedness on facilitating knowledge transfer and subsidiary performance, particularly through interactions between central management and local units (Andersson et al., 2005; Gyensare et al., 2025). The literature suggests that being embedded in a local area enhances a firm's ability to access local knowledge and integrate into the host country's economy, thereby supporting international expansion and growth (Bian et al., 2019). The evidence further indicates that the spatial and economic dimensions of embeddedness influence the organi-

zation of multinational operations, particularly in situations of regional restructuring and industrial transformation (Mattes, 2013; Xu et al., 2023).

Table 4 summarizes studies that examine how multinational enterprises develop and leverage their embeddedness in host-country environments.

Table 4. Cluster 2—Foreign Direct Investment and Multinational Enterprises.

Authors & Year	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Gyensare et al. (2025)	International Business; Innovation Studies	Subsidiary; Firm; Individual	Relational	Most expatriates lack knowledge on how to overcome cultural challenges prior to international assignments.
Xu et al. (2023)	International Business; Economic Geography/Regional Studies	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Economic	Industrial restructuring toward multiscale embedded systems drives urban transformation beyond traditional exogenous models.
Bian et al. (2019)	International Business	Firm; Network/Ecosystem	Relational; Economic	Evidence from FDI firms shows that embeddedness supports international expansion across multiple regions.
Wood et al. (2019)	International Business; Innovation Studies	Subsidiary; Firm; Network/Ecosystem	Spatial; Relational; Institutional; Economic	Market entry is shaped by inward-looking embeddedness, with limited investment in host-country infrastructure and resources.
Halaszovich and Lundan (2016)	International Business; Global Value Chains/Supply Chain	Subsidiary; Firm	Relational; Institutional; Economic	Embeddedness effects follow a reversed U-shaped relationship with firm outcomes.
Javernick-Will (2013)	International Business; Innovation Studies	Firm; Regional/Industry	Spatial; Relational	Firms with high embeddedness rely heavily on local knowledge but often lack formal knowledge-sharing mechanisms.
Mattes (2013)	International Business; Innovation Studies	Firm; Regional/Industry	Spatial; Relational; Institutional	Embeddedness varies across levels within the same firm, reflecting selective and dynamic regional integration.
Andersson et al. (2005)	International Business; Innovation Studies	Subsidiary; Firm; Network/Ecosystem	Relational	Headquarters influence subsidiary embeddedness, enhancing local knowledge creation.

It is important to note that the literature reveals that embedding in international contexts is not always beneficial. The evidence suggests that the relationship between embeddedness and business performance may follow nonlinear patterns, implying that excessive embeddedness can lead to inefficiencies or reduced flexibility (Halaszovich & Lundan, 2016). Furthermore, some studies highlight strategic constraints in how multinational firms interact with host environments, showing that market entry strategies often remain on inward-looking societal embeddedness approach, with limited investment in local infrastructure and capabilities (Wood et al., 2019). Differences also arise in how firms

manage knowledge at different levels of embeddedness, as firms with a high degree of embeddedness may rely heavily on local knowledge, but lack formal mechanisms for its effective transfer across all projects (Javernick-Will, 2013).

Taken together, the studies in this cluster suggest that embeddedness in multinational contexts represents a dynamic balancing process between local integration and global coordination. Compared with Cluster 1, which emphasizes entrepreneurial ecosystems and regional opportunity structures, this stream places greater emphasis on strategic adaptation, institutional alignment, and cross-border knowledge integration. However, despite several studies incorporating economic dimensions, the systematic measurement of economic embeddedness, particularly with regard to local financial flows and expenditure, remains limited.

3.3. Cluster 3: Global Value Chains and Production Networks

The third cluster emphasizes the connection between local embeddedness and global production networks and value chains. This approach emphasizes that firms operate both locally and globally, being embedded in multi-level networks. Rather than being considered an isolated phenomenon, local embeddedness is seen as part of a dynamic relationship between local and supra-local structures, in which firms seek to leverage local resources while remaining integrated into international production chains. This cluster shows that embedding is not just local, it often coexists with supra-local and global production networks.

A recurring theme within this literature is that embedding is not confined to local contexts, but rather occurs simultaneously at firm, network and regional levels. This reflects the complex position of firms within global production structures (Coe & Lee, 2006; Lang et al., 2026; Perkmann, 2006). In this context, the spatial and relational dimensions remain important, but they are closely linked to economic embeddedness, especially with regard to creating and capturing value along the value chain (Song, 2022; Tukamuhabwa et al., 2017).

The literature suggests that participating in global value chains does not necessarily lead to equitable outcomes for local stakeholders. Although firms may gain access to international markets and resources, their ability to generate value is frequently limited by their position within the network and the governance structures imposed by leading firms (Craviotti, 2016; Kleibert, 2015). These findings reveal important tensions between local development and global integration by institutional and industrial transformations that, while facilitating upgrading, can simultaneously create dependency and precarious working conditions (Jipa-Muşat, 2025). Furthermore, being embedded in global value chains is a dynamic and evolving process where strategies for local adaptation develop over time, influencing both subsidiaries and parent companies in a two-way manner (Coe & Lee, 2006).

Table 5 summarizes studies that examine how firms are embedded within global production networks and value chains. These studies highlight the multi-scalar and dynamic processes of embeddedness.

The findings across this cluster conceptualize embeddedness as a multi-level phenomenon shaped by interactions between local and global actors, network governance structures, and power asymmetries. Compared with Clusters 1 and 2, this stream places greater emphasis on economic processes, particularly value creation, value capture, and the distribution of resources across geographical scales.

Table 5. Cluster 3—Global Value Chains and Production Networks.

Authors & Year	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Lang et al. (2026)	International Business; Innovation Studies	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Institutional; Economic	Focuses on embeddedness in global production contexts and its implications for firm integration within multi-level systems.
Jipa-Muşat (2025)	International Business; Organizational Studies/HRM	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Institutional; Economic	Industrial upgrading facilitates value chain advancement but also creates dependency and labor precarity.
Song (2022)	International Business; Global Value Chains/Supply Chain	Subsidiary; Firm; Individual	Spatial; Relational; Economic	The risk-reduction benefits of multinationality vary depending on resource and production heterogeneity.
Tukamuhabwa et al. (2017)	Global Value Chains/Supply Chain; Economic Geography/Regional Studies	Firm; Individual; Network/Ecosystem	Spatial; Relational; Economic	Supply chain risks are mainly driven by small-scale, chronic disruptions rather than large-scale shocks.
Craviotti (2016)	Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational	Local actors participate in GVCs but have limited capacity to capture value due to lack of control over integration terms.
Kleibert (2015)	International Business; Innovation Studies	Firm; Regional/Industry	Spatial; Relational; Institutional; Economic	Collaboration in global networks is dominated by large firms and focuses on low-skill activities.
Coe and Lee (2006)	International Business; Global Value Chains/Supply Chain	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Economic	Localization is a dynamic, bidirectional process influencing both local subsidiaries and parent firms.
Perkmann (2006)	International Business; Innovation Studies	Subsidiary; Firm; Network/Ecosystem	Spatial; Relational; Institutional	Branch plants play differentiated roles in non-core regions depending on their embeddedness.

3.4. Cluster 4: Innovation and Sustainability

The studies in Cluster 4 examine the role of embeddedness in shaping innovation processes and sustainability outcomes, primarily at enterprise and regional levels.

Relational embeddedness, which is characterized by networks, stakeholder interactions, and trust-based relationships, is said to play a pivotal role in promoting innovation and sustainable value creation (Bonfanti et al., 2023; Kotlar et al., 2025; Maziliauske, 2024). Specifically, companies that are deeply embedded in local networks are better positioned to co-create value with stakeholders, access local knowledge, and develop innovation strategies that align with sustainability goals (De Massis et al., 2018; Maziliauske, 2024).

Several studies also highlight the importance of the spatial and institutional dimensions of embeddedness, particularly in regional and governance contexts. Embedding in regional systems and institutional frameworks facilitates innovation, as it shapes access to resources, political support, and collaborative environments (Nunes & Lopes, 2015;

Qu & Zhang, 2025). In this context, territorial embeddedness emerges as a key driver of specific modes of innovation, particularly those based on interaction and local learning processes (Nunes & Lopes, 2015). Furthermore, the literature indicates that transitions toward sustainability are closely linked to embeddedness, as firms engage in processes of asset upgrading, resource reallocation, and green transformation within their local environments (Firlus et al., 2023).

Table 6 summarizes studies that have explored the relationship between embeddedness, innovation processes, and sustainability outcomes at firm and regional levels.

Table 6. Cluster 4—Innovation and Sustainability.

Authors & Year	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Kotlar et al. (2025)	Innovation Studies; Family Business/Identity Studies	Firm	Relational	Environmental strategies link sustainability and innovation in family firms, explaining when they outperform non-family firms in innovation.
Qu and Zhang (2025)	Innovation Studies; Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational; Institutional; Economic	Gender diversity and local embeddedness in governance structures promote regional economic growth.
Maziliauske (2024)	Innovation Studies; CSR/Stakeholder Studies	Firm; Regional/Industry	Relational; Economic	Rural SMEs co-create sustainable value through local stakeholder networks, trust, and local sourcing practices.
Bonfanti et al. (2023)	Innovation Studies; Organizational Studies/HRM	Firm; Individual; Net-work/Ecosystem	Relational	Sustainable innovation is driven by voluntary practices embedded in organizational and network relationships.
Firlus et al. (2023)	Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational	Green transformation involves multiple asset modification processes, with upgrading and creation as key drivers.
De Massis et al. (2018)	Entrepreneurship; Innovation Studies	Firm; Individual; Net-work/Ecosystem	Relational; Economic	The Mittelstand model highlights the role of embedded innovation strategies and their transferability across contexts.
Nunes and Lopes (2015)	Innovation Studies; Economic Geography/Regional Studies	Firm; Net-work/Ecosystem; Regional/ Industry	Spatial; Relational; Institutional; Governance	Identifies three innovation modes (DUI, STI, TEI), emphasizing the role of territorial embeddedness in innovation systems.

The fourth cluster links the concepts of embeddedness, innovation and sustainability. It emphasizes the importance of local embeddedness for the diffusion of knowledge, innovation and the sustainable development of businesses and regions. The findings suggest that the relationship between these three concepts is largely mediated by social and institutional mechanisms, while the economic dimension remains under-researched. While some studies recognize the importance of local economic interactions, such as local procurement and resource synergies (Maziliauske, 2024), there has been little systematic analysis of the contribution of financial flows and business expenditure to local sustainability out-

comes. This highlights a significant gap in the literature regarding our understanding of the economic basis of business locality in relation to innovation and sustainability.

3.5. Cluster 5: Community Embeddedness and Stakeholder Relations

The studies in Cluster 5 mainly examine embeddedness through the lens of community relations and stakeholder engagement. They highlight the role of embeddedness in shaping corporate social responsibility, legitimacy and the creation of social value. A consistent finding throughout the literature is that relational and institutional embeddedness enables firms to establish trusting relationships with local stakeholders, thereby enhancing the effectiveness of corporate social responsibility and community-oriented strategies (Adomako & Tran, 2024; Wang et al., 2025). Embeddedness operates by mediating mechanisms such as community identification, satisfaction, and social legitimacy, thereby linking businesses' local presence to philanthropic and socially responsible activities (Adomako & Tran, 2024; Wang et al., 2025).

Other studies have highlighted the role of embeddedness in promoting social innovation and community-based business practices, beyond CSR. The literature further suggests that community embeddedness extends beyond traditional CSR activities and contributes to broader forms of social innovation and community-oriented business practices (Adomako & Tran, 2022). Community relationships and local governance arrangements appear to facilitate the development of such practices, particularly in organizations that maintain strong local stakeholder ties (Tuckerman et al., 2024). Moreover, community embeddedness may influence consumer perceptions, as locally rooted firms are often viewed as places of social interaction and community participation rather than solely as economic actors (Landry et al., 2005). Collectively, these findings suggest that community embeddedness functions as an important mechanism linking business activities to social innovation, stakeholder engagement, and community development. Businesses embedded in local networks are better placed to engage in collaborative innovation processes and co-create value with stakeholders, especially when facing competitive and institutional pressures (Adomako & Tran, 2022; Tuckerman et al., 2024). At the same time, however, the spatial and intergovernmental dimensions of embeddedness influence how firms interact with broader ecosystems, including suppliers and regional actors. This shapes the diverse perceptions and outcomes of CSR practices (Bae et al., 2021).

However, the literature reveals that, contrary to prevailing assumptions, embeddedness does not always lead to stronger local embeddedness, as firms may exhibit lower levels of embeddedness in regional areas compared to the national context (Johansson et al., 2022). Furthermore, some studies suggest that embeddedness may have unintended negative consequences, such as reinforcing counterproductive behaviors in the workplace, despite its positive association with organizational justice (Mehmood et al., 2022). These findings suggest that embeddedness is not inherently beneficial, but rather depends on the context and is shaped by complex social dynamics.

Table 7 summarizes studies that examine the influence of firms' embeddedness in local communities on stakeholder relationships, corporate social responsibility (CSR) outcomes, and social value creation.

Overall, this body of research views embeddedness as a social process that creates value through relationships, trust and legitimacy rather than purely economic mechanisms. While some studies acknowledge broader systemic and economic dimensions, such as governance structures in global value chains, the economic aspects of embeddedness, particularly with regard to local financial flows and expenditure, remain largely unexplored. This highlights the need for a more comprehensive understanding of the local nature of businesses that incorporates both social and economic factors.

Table 7. Cluster 5—Community Embeddedness and Stakeholder Relations.

Authors & Year	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Wang et al. (2025)	CSR/Stakeholder Studies	Firm; Network/Ecosystem	Relational; Institutional	Community satisfaction and identification mediate the relationship between embeddedness and corporate social responsibility outcomes.
Adomako and Tran (2024)	CSR/Stakeholder Studies	Firm; Regional/Industry	Relational; Institutional	Social legitimacy mediates the relationship between local embeddedness and corporate philanthropy.
Tuckerman et al. (2024)	CSR/Stakeholder Studies	Firm	Relational; Institutional; Governance	Qualitative evidence highlights the role of embeddedness in supporting community-based business practices and policy development.
Adomako and Tran (2022)	Innovation Studies; CSR/Stakeholder Studies	Firm	Relational	Local embeddedness positively influences social innovation, moderated by competitive CSR pressures.
Johansson et al. (2022)	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Individual; Regional/Industry	Spatial; Relational	Firms may be less embedded in peripheral regions than expected, challenging assumptions about local integration.
Mehmood et al. (2022)	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Individual	Relational; Institutional	Community embeddedness is positively related to organizational justice but may also lead to counterproductive work behavior.
Bae et al. (2021)	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Institutional; Governance; Economic	Supplier perceptions of CSR vary depending on governance structures and combinations of embeddedness dimensions.
Landry et al. (2005)	CSR/Stakeholder Studies	Firm	Relational	Community embeddedness shapes consumer perceptions, with firms acting as social spaces that generate relational value.

3.6. Cluster 6: Organizational and Job Embeddedness

The studies in Cluster 6 mainly examine embeddedness at the individual and organizational levels. They focus on outcomes for employees and internal business processes rather than interactions between firms and the local economy.

A consistent finding across the literature is that relational embeddedness, expressed through connections between employees, organizations and communities, plays a significant role in shaping employees' attitudes and behaviors. Specifically, work embeddedness has been found to be associated with reduced intentions to leave, higher life satisfaction and improved workplace outcomes (Amankwaa et al., 2022; Ampofo et al., 2017, 2018).

Many studies demonstrate that both organizational and community embeddedness contribute to positive outcomes at the employee level, such as innovative work behavior

and commitment (Susomrith & Amankwaa, 2020). These findings suggest that integration functions as a micro-level mechanism that strengthens employees' connection to their organizations and their local environment. Moreover, organizational structures and practices, such as central coordination, learning processes and standardized operations, have been shown to facilitate embeddedness within broader networks and territorial contexts (Haag & Sandberg, 2020).

Table 8 summarizes studies that focus on embeddedness at the individual and organizational level, particularly in relation to employee outcomes and internal firm processes.

Table 8. Cluster 6—Organizational Embeddedness.

Authors & Year	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Amankwaa et al. (2022)	CSR/Stakeholder Studies; Organizational Studies/HRM	Individual; Regional/Industry	Relational	Job embeddedness may reduce employee turnover, although evidence remains limited in high-turnover sectors such as hospitality.
Haag and Sandberg (2020)	Economic Geography/Regional Studies	Firm; Individual; Network/Ecosystem	Spatial; Relational	Organizational structures (e.g., centralized logistics, continuous learning) support territorial and network embeddedness in firm expansion.
Susomrith and Amankwaa (2020)	Innovation Studies; CSR/Stakeholder Studies	Firm; Individual	Relational	Organizational and community embeddedness positively influence innovative work behavior.
Ampofo et al. (2018)	CSR/Stakeholder Studies; Organizational Studies/HRM	Individual	Relational	Job embeddedness is positively associated with life satisfaction.
Ampofo et al. (2017)	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Individual	Relational	Both organizational and community embeddedness enhance life satisfaction, particularly through fit and sacrifice dimensions.
Singh (2016)	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Individual	Relational	Provides conceptual insights and outlines future research directions on job embeddedness.

In contrast to the other clusters, this strand views embeddedness primarily as a relational concept at the individual level, paying limited attention to spatial, institutional, or economic dimensions. As a result, the emphasis remains on internal organizational dynamics rather than on firms' interactions with local economic systems. Although this perspective offers valuable insights into the microeconomic foundations of integration, it contributes only indirectly to understanding the local nature of businesses. In particular, the economic dimension of embeddedness is completely absent, highlighting a clear gap in linking embeddedness at the employee level to local economic activities and firms' financial flows.

3.7. Cluster 7: Local Identity and Family Firms

The seventh cluster emphasizes the relationship between local identity and matters of identity, culture, and family businesses.

A key finding from the literature is that embeddedness is relational, spatial and deeply rooted in identity-based processes such as a sense of belonging, loyalty and attachment to place (Pallares-Barbera et al., 2004; Patuelli & Amato, 2026). Specifically, businesses, especially family businesses, develop strong ties with their local environment through socially constructed relationships that influence strategic decisions and stakeholder engagement (Amato et al., 2023; Lumpkin & Bacq, 2022). Furthermore, several studies highlight the role of relational and spatial embeddedness in strengthening local commitment, demonstrating that proximity and shared identity foster trust, cooperation, and a long-term orientation (Meyer-Ohle, 2014; Patuelli & Amato, 2026). This is particularly evident in family businesses, where embeddedness is often intertwined with socio-emotional and identity-based motivations, influencing how businesses interact with employees, communities, and regional ecosystems (Amato et al., 2023). At the same time, territorial embeddedness and spatial loyalty have been shown to contribute to regional economic dynamism and the formation of clusters (Pallares-Barbera et al., 2004).

Table 9 summarizes studies examining how identity, place attachment, and financial behaviors shape firms' local embeddedness and localness.

Table 9. Cluster 7—Localness, Identity and Family Firms.

Authors & Year	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Adjei (2025)	Economic Geography/Regional Studies; Family Business/Identity Studies	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Institutional; Governance	Provides conceptual insights and proposes directions for future research on localness and embeddedness.
Patuelli and Amato (2026)	CSR/Stakeholder Studies; Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational	Place attachment emerges as a co-constructed process shaped by interactions across individual, firm, and family levels.
Parastatidou and Chatzis (2025)	Entrepreneurship; Innovation Studies	Firm; Individual	Spatial; Identity; Economic	Firm localness increases with the share of expenditures directed toward local financial entities.
Amato et al. (2023)	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Individual; Regional/Industry	Spatial; Relational; Economic	Social proximity and sense of belonging lead family firms to prioritize employees as key stakeholders, especially during crises.
Lumpkin and Bacq (2022)	CSR/Stakeholder Studies; Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational	Case-based evidence shows strong links between community embeddedness and stakeholder-oriented firm behavior.

Table 9. *Cont.*

Authors & Year	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Meyer-Ohle (2014)	Organizational Studies/HRM; Family Business/Identity Studies	Firm; Network/Ecosystem; Regional/Industry	Relational; Identity; Economic	Firms balance internationalization with local embeddedness, maintaining identity while leveraging local networks.
Pallares-Barbera et al. (2004)	Entrepreneurship; Organizational Studies/HRM	Firm; Individual; Network/Ecosystem	Spatial; Relational; Institutional; Identity	Territorial embeddedness and spatial loyalty drive regional economic dynamism and cluster formation.

It is important to note that this thematic area represents one of the few explicit links between embeddedness and economic behavior. The data suggest that the degree of business localness increases when a larger portion of their expenditures is directed toward local entities and financial institutions (Parastatidou & Chatzis, 2025). This finding goes beyond traditional conceptualizations of embeddedness, introducing a measurable economic dimension of localness that links firms' financial practices to their degree of local embeddedness.

Overall, the literature in this cluster emphasizes that the localness of firms is shaped not only by networks and institutions, but also by identity and economic practices. Compared to the previous clusters, this stream offers the most direct bridge between embeddedness and economic localness, although such approaches remain limited and underdeveloped. This reinforces the need for a more systematic framework that integrates the dimensions of identity, relationships, and the economy of localness into business studies.

3.8. Cross-Cluster Synthesis

A comparison across the seven clusters reveals several important patterns. First, spatial and relational embeddedness appear consistently across almost all research streams, suggesting that they constitute the dominant dimensions of business localness (Mattes, 2013). Second, institutional and governance dimensions emerge primarily within studies of multinational enterprises, regional development, and stakeholder relationships (Andersson et al., 2005; Coe & Lee, 2006). Third, economic embeddedness is only partially represented and is usually examined indirectly through concepts such as local sourcing, value chains, and regional development (Bae et al., 2021; Craviotti, 2016).

The analysis also reveals important overlaps between clusters. For example, both entrepreneurship and innovation studies emphasize knowledge spillovers and localized learning processes (Andersson et al., 2005; Mattes, 2013), while CSR and stakeholder studies focus on legitimacy, trust, and social relationships. Similarly, family business research and community embeddedness studies both highlight long-term local relationships, place attachment, and social commitment (Amato et al., 2023; Baù et al., 2019).

At the same time, tensions are evident within the literature. International business research often emphasizes global integration and access to external resources, whereas economic geography highlights the benefits of local embeddedness and regional value creation (Coe & Lee, 2006). This suggests that firms may face trade-offs between global connectivity and local economic integration, balancing the advantages of international networks with the benefits derived from strong local ties (Andersson et al., 2005; Bae et al., 2021).

Taken together, these patterns provide the basis for the integrative framework developed in Section 4, which conceptualizes business localness as a multidimensional phenomenon shaped by the interaction of spatial, relational, and economic embeddedness.

3.9. Main Research Streams of Business Localness

Based on the identified clusters, literature can be grouped into six broader research streams. Table 10 summarizes the main research streams and their correspondence to the identified thematic clusters. These streams reflect the multidisciplinary nature of embeddedness research and highlight the different ways in which firms' relationships with local environments have been conceptualized. While some streams emphasize spatial and structural dimensions, others focus on relational, organizational, and cultural aspects of localness.

Table 10. Main Research Streams of Business Localness and Their Link to Clusters.

Research Stream	Core Focus	Associated Clusters
Economic Geography	Regional systems and spatial embeddedness of firms	C1; C3
International Business & Global Networks	Embeddedness of multinational enterprises	C2; C3
Entrepreneurship & Innovation	Local ecosystems and opportunity creation	C1; C4
CSR & Stakeholder Embeddedness	Firm–community relations and legitimacy	C5
Relational Embeddedness	Stakeholder interactions and trust-building	C5; C7
Organizational Embeddedness	Micro-level and employee embeddedness	C6

The first stream is rooted in economic geography and examines embeddedness as a spatial phenomenon linked to regional development and local production systems.

The second stream relates to international business and global production networks, focusing on the embeddedness of multinational enterprises within host economies.

The third stream concerns entrepreneurship and innovation, where embeddedness is conceptualized as a mechanism for knowledge creation and opportunity development within local ecosystems.

The fourth stream encompasses corporate social responsibility and organizational studies, linking embeddedness to stakeholder relationships and firm legitimacy.

The fifth stream further emphasizes the relational dimension of localness, highlighting firms' interactions with local stakeholders and their role in building trust and legitimacy within communities.

Finally, the sixth stream reflects the micro-level dimension of embeddedness, focusing on how individuals and organizational members are connected to local environments and how these ties influence organizational behavior and performance.

Table 11 summarizes how different research streams conceptualize business localness by linking embeddedness dimensions to key mechanisms and outcomes at both firm and regional levels, while highlighting the limited attention given to the economic dimension.

While the spatial and relational dimensions of embeddedness are extensively explored across these streams, whereas the economic dimension, referring to the geographical distribution of firms' expenditure and financial flows, remains underdeveloped. Although several studies recognize the importance of local interactions and resource flows, few examine how firms' financial activities, such as sourcing, procurement and payments, are embedded within local economies.

This imbalance suggests that the current conceptualization of embeddedness only provides a partial understanding of business localness. Specifically, they capture how firms are socially and institutionally embedded within local contexts, but not how they are economically embedded. Consequently, the literature lacks a systematic framework for

analyzing the economic dimension of localness, particularly with regard to local economic circulation and financial flows.

Table 11. Integrative Synthesis of Business Localness Literature.

Research Stream	Dominant Dimensions	Key Mechanisms	Firm-Level Outcomes	Regional-Level Outcomes	Economic Embeddedness Coverage
Economic Geography	Spatial; Relational	Knowledge spillovers; Proximity; Resource access	Innovation; Productivity	Regional development; Cluster formation	Limited: focuses on spatial proximity rather than financial flows
International Business & Global Networks	Relational; Institutional; Economic	Knowledge transfer; Network coordination; Institutional alignment	Firm performance; Internationalization success	Integration into global networks	Partial: emphasizes value creation but not local economic circulation
Entrepreneurship & Innovation	Relational; Spatial	Knowledge spillovers; Network interaction; Opportunity recognition	Innovation; Firm growth	Regional innovation systems	Weak: economic dimension largely implicit
CSR & Stakeholder Embeddedness	Relational; Institutional	Trust; Legitimacy; Stakeholder engagement	Reputation; Social performance	Social cohesion; Community development	Absent: focuses on social rather than economic impact
Relational Embeddedness & Local Interaction	Relational	Trust-building; Social interaction; Network ties	Firm performance; Collaboration	Strengthening local networks	Very limited: lacks focus on financial activities
Organizational & Micro-level Embeddedness	Relational	Social ties; Organizational commitment; Employee attachment	Employee performance; Retention	Indirect local effects	Absent: no link to local economic systems

Closing this gap is crucial for advancing the field, as it allows for a more comprehensive understanding of how firms contribute to local economic development and sustainability. This review therefore emphasizes the importance of taking an integrative approach that combines spatial, relational, institutional and economic dimensions to achieve a more holistic conceptualization of business localness.

These findings highlight the need for a more integrative conceptualization of business localness, which is developed in the following section.

4. Integrative Framework of Business Localness

4.1. Conceptualizing Business Localness

The proposed framework conceptualizes business localness through three core questions. First, where is the firm embedded? This refers to the spatial dimension of localness, which has been emphasized in studies of territorial embeddedness, regional development, and production networks (Coe & Lee, 2006; Nunes & Lopes, 2015; Perkmann, 2006). Second, with whom is the firm connected? This refers to the relational and institutional dimension, which is central in studies of entrepreneurship, CSR, stakeholder relations, and subsidiary embeddedness (Adomako & Tran, 2024; Andersson et al., 2005; Birkholz, 2025; Wang et al., 2025). The development of these relationships is shaped by broader institutional conditions, including local governance arrangements, regulations, and social norms. Third, how do the firm's economic activities circulate within the local economy? This refers to the economic dimension, which is visible in studies of local sourcing, global value chains, family firms, and local expenditure flows, but remains less systematically developed (Bae et al., 2021; Halaszovich & Lundan, 2016; Parastatidou & Chatzis, 2025).

In this sense, business localness is not limited to physical presence in a region or to relationships with local stakeholders. A firm may be located in a place and maintain local relationships, but still generate limited local economic value if most of its procurement, payments, and financial flows are directed outside the region. The framework

therefore distinguishes between spatial embeddedness, relational embeddedness, and economic embeddedness.

Institutional embeddedness emerged across several clusters, particularly in studies of multinational enterprises, regional development, stakeholder relations, and entrepreneurship. However, rather than treating institutional embeddedness as a separate dimension of business localness, the present framework conceptualizes it as a contextual condition that shapes and influences spatial, relational, and economic embeddedness. Formal institutions, regulations, governance arrangements, and local norms affect the extent to which firms can establish local relationships, access resources, and contribute to local economic systems. For this reason, institutional embeddedness is represented in the framework as part of the broader institutional context rather than as an independent dimension. Accordingly, institutional embeddedness is conceptualized as a contextual condition that shapes the operation of the three core dimensions of business localness.

The theoretical novelty of the proposed framework lies not in introducing an entirely new form of embeddedness, but in integrating previously fragmented perspectives into a unified conceptualization of business localness. Existing studies typically focus on one or two dimensions of embeddedness, such as territorial proximity, stakeholder relationships, or institutional integration. In contrast, the proposed framework conceptualizes business localness as a multidimensional phenomenon that simultaneously incorporates spatial, relational, and economic embeddedness and explains how these dimensions jointly influence firm outcomes and regional development. In doing so, it highlights economic embeddedness as a dimension that has received comparatively limited systematic attention and has rarely been incorporated into a coherent and measurable framework of business localness.

The framework distinguishes between dimensions of embeddedness and mechanisms. The dimensions represent the forms through which firms become embedded within local systems, namely spatial, relational, and economic embeddedness. Mechanisms, in contrast, represent the processes through which these dimensions influence firm and regional outcomes. For example, relational embeddedness is reflected in the existence of stakeholder relationships and social ties, whereas trust and legitimacy are the mechanisms through which such relationships generate access to resources, cooperation, and performance benefits. Similarly, economic embeddedness reflects the extent to which firms are economically connected to local actors, while local economic circulation represents the process through which these connections generate economic value within local economies.

Figure 7 presents an integrative framework of business localness, illustrating how spatial, relational, and economic dimensions influence firm and regional outcomes through key mechanisms.

4.2. Economic Embeddedness and Business Localness

Economic embeddedness, as conceptualized in this review, refers to the extent to which a firm's economic and financial activities are integrated into and contribute to the local economy. Unlike spatial embeddedness, which concerns geographical presence, and relational embeddedness, which concerns social relationships, economic embeddedness focuses on the circulation of economic resources through local suppliers, employees, financial institutions, and public authorities. It therefore captures the degree to which business expenditures remain within the local economy and contribute to local value creation.

Prior research provides partial foundations for this dimension. Studies of multinational enterprises and subsidiaries show that local embeddedness affects knowledge creation and local adaptation (Andersson et al., 2005; Mattes, 2013). Research on global value chains and production networks highlights the importance of local sourcing, supplier relationships, and value capture within regions (Bae et al., 2021; Coe & Lee, 2006; Craviotti, 2016). Family

business and local identity studies also suggest that locally rooted firms may develop stronger commitments to employees, communities, and regional economies (Amato et al., 2023; Baù et al., 2019; Patuelli & Amato, 2026). However, these studies rarely operationalize economic embeddedness as a distinct measurable dimension.

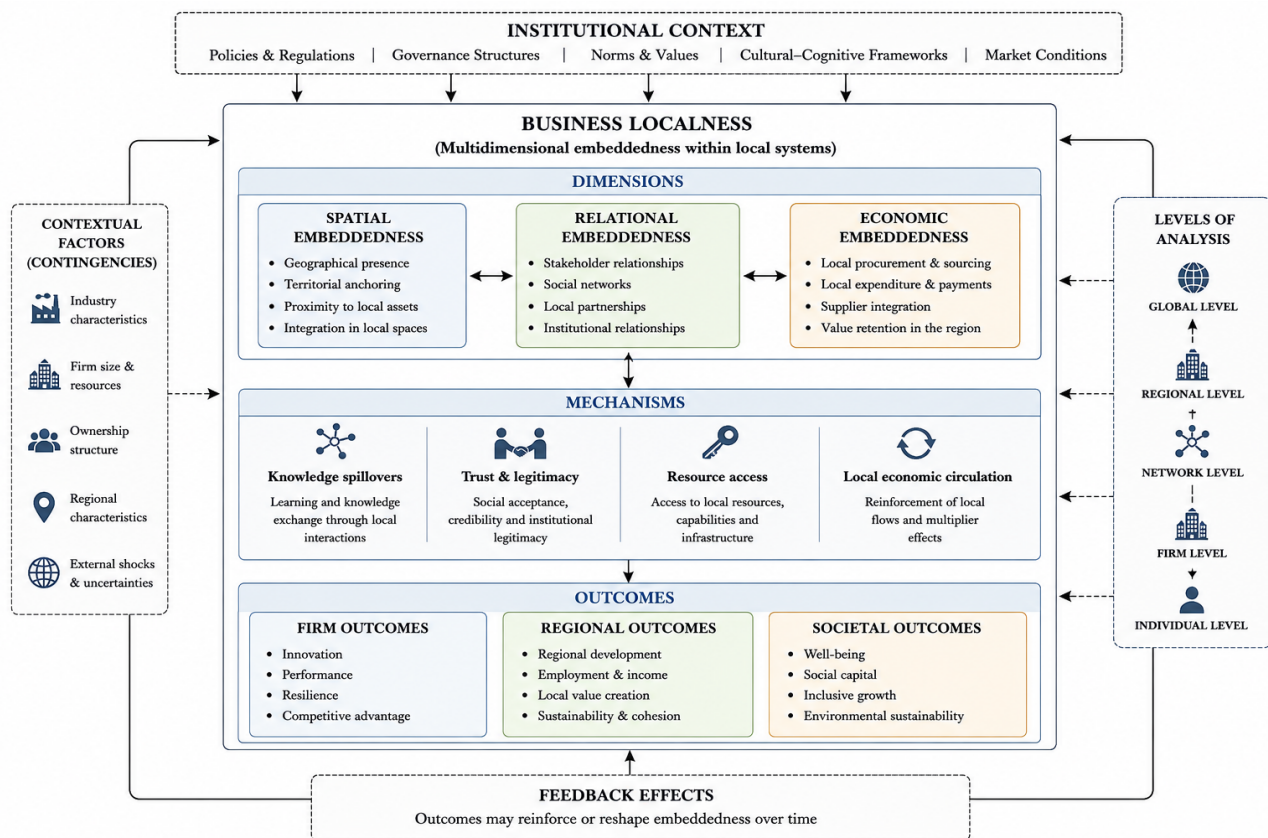


Figure 7. Integrative framework of business localness illustrating the interactions among embeddedness dimensions, mechanisms, outcomes, contextual factors, and feedback effects.

This dimension is important because local presence does not necessarily imply local economic contribution. For example, two firms may operate in the same region, but one may purchase inputs from local suppliers, employ local residents, use local service providers, and reinvest locally, while the other may rely mainly on external suppliers and non-local financial networks. These firms would have different levels of economic embeddedness.

From this perspective, economic embeddedness can be understood as the dimension through which firms become economically integrated into local economies and contribute to regional value creation. Local economic circulation represents one of the key mechanisms through which economic embeddedness generates regional outcomes. It complements spatial embeddedness by explaining where economic activities take place and complements relational embeddedness by explaining how economic relationships are translated into tangible economic outcomes. Consequently, economic embeddedness provides a missing link between firm-level activities and broader regional development processes.

Potential indicators of economic embeddedness can be grouped into five categories. First, procurement-based indicators include the share of purchases from local suppliers and the percentage of procurement expenditures retained within the region. Second, employment-based indicators include the proportion of employees residing locally and the share of wages distributed within the local economy. Third, fiscal indicators may capture local tax contributions and other payments directed to local public authorities. Fourth, financial indicators include the use of local financial institutions, local investment

activities, and the proportion of profits reinvested within the region. Finally, network-based indicators may assess the density and stability of local supplier and partner relationships. Together, these indicators provide a basis for empirically measuring the extent to which firms contribute to local economic circulation and value creation.

Collectively, these categories of indicators provide a practical basis for transforming economic embeddedness from a largely conceptual construct into a measurable dimension of business localness. They enable researchers to assess the extent to which firms contribute to local economic circulation and value creation rather than merely maintaining a physical presence within a region. Importantly, firms operating within the same geographical area may exhibit substantially different levels of economic embeddedness depending on how their expenditures, supplier relationships, employment practices, and financial activities are distributed. Consequently, economic embeddedness should be regarded as a distinct analytical dimension that complements spatial and relational embeddedness by capturing the actual economic integration of firms within local economies. By incorporating measurable indicators of local economic contribution, the proposed framework provides a foundation for future empirical research and supports the development of more robust assessments of business localness across firms, industries, and regions.

In this context, future empirical research may develop composite measures of economic embeddedness based on procurement, employment, fiscal, financial, and network indicators. Such measures would enable systematic comparisons across firms, industries, and regions and provide a more robust assessment of firms' contributions to local economic development.

Although higher levels of economic embeddedness are often associated with stronger local economic contributions, the relationship should not be assumed to be universally positive. Prior research on embeddedness suggests that excessive dependence on local suppliers, networks, or economic relationships may generate trade-offs and constraints (Andersson et al., 2005; Bae et al., 2021; Coe & Lee, 2006; Halaszovich & Lundan, 2016). For example, firms may face higher procurement costs, limited supplier availability, reduced access to specialized resources, or lower flexibility in highly competitive markets. Similarly, excessive local dependence may create forms of over-embeddedness that restrict innovation, limit external knowledge acquisition, or reduce firms' ability to adapt to changing market conditions. Consequently, the optimal level of economic embeddedness may vary across industries, firm sizes, and regional contexts. Future research should therefore examine not only the benefits but also the potential costs and trade-offs associated with different forms and levels of economic embeddedness.

This observation further supports the view that economic embeddedness should be understood as a contextual and multidimensional phenomenon rather than as a universally desirable organizational characteristic.

Beyond the identification of indicators, future research should also develop empirical procedures for testing economic embeddedness. Firm-level data on procurement expenditures, payroll allocation, tax payments, supplier relationships, and investment activities could be used to construct composite measures of economic embeddedness. Such measures may then be examined in relation to organizational outcomes such as firm performance, innovation, resilience, sustainability, and stakeholder legitimacy. Empirical testing could employ survey-based approaches, case studies, regional input-output analysis, expenditure tracking methods, or longitudinal firm-level datasets. Comparative studies across sectors and regions could further assess how different configurations of economic embeddedness influence local economic development and business performance.

The proposed framework also enables the formulation of testable propositions. For example, firms exhibiting higher levels of economic embeddedness may be expected to

generate greater local economic value, stronger stakeholder relationships, and higher contributions to regional development. Conversely, excessive dependence on local economic networks may generate trade-offs related to flexibility, efficiency, and access to external resources. Future empirical studies could therefore investigate both the benefits and potential constraints associated with different levels of economic embeddedness.

Taken together, the proposed conceptualization positions economic embeddedness as a distinct but complementary dimension of business localness, providing a bridge between firm-level economic activities and broader regional development outcomes. In this way, the framework extends existing embeddedness research by offering both a conceptual and an operational foundation for future empirical investigation.

4.3. Mechanisms Linking Embeddedness to Outcomes

The framework further identifies key mechanisms through which the dimensions of embeddedness influence firm and regional outcomes. Across the reviewed literature, several recurring mechanisms emerge as central to the functioning of business localness.

First, knowledge spillovers represent a core mechanism associated with spatial and relational embeddedness. Geographic proximity and network interactions facilitate the exchange of knowledge, supporting innovation and learning processes within local ecosystems.

Second, trust and legitimacy function as relational mechanisms that enable firms to build stable relationships with stakeholders, enhancing cooperation and reducing transaction costs.

Third, access to resources emerges as a critical mechanism linking embeddedness to firm performance. Firms that are more deeply embedded in local networks gain privileged access to information, capabilities, and institutional support.

Finally, this study introduces local economic circulation as a key mechanism associated with economic embeddedness. This mechanism captures how firms' financial activities contribute to the circulation of capital within local economies, reinforcing local development processes.

Together, these mechanisms explain how embeddedness translates into tangible economic and social effects.

4.4. Outcomes of Business Localness

The interaction of embeddedness dimensions and underlying mechanisms leads to a range of outcomes at both the firm and regional levels.

At the firm level, business localness is associated with enhanced innovation, improved performance, and increased resilience. Embedded firms benefit from knowledge exchange, resource accessibility, and strong stakeholder relationships, which collectively support competitive advantage. At the regional level, embeddedness contributes to broader outcomes such as regional development, sustainability, and the strengthening of local economic systems.

Importantly, while prior literature has extensively examined relational and spatial drivers of these outcomes, the role of economic embeddedness has received limited attention. By explicitly incorporating this dimension, the framework highlights how firms' financial behaviors influence local economic dynamics, including income distribution, value retention, and economic resilience.

4.5. Toward an Integrative Perspective of Business Localness

The proposed framework contributes to the literature by offering a more holistic conceptualization of business localness. It integrates insights from multiple research streams and bridges the gap between social and economic perspectives on embeddedness.

Specifically, the framework advances existing theory in three ways. First, it reconceptualizes embeddedness as a multidimensional construct that includes an explicit economic dimension. Second, it links embeddedness to a set of underlying mechanisms that explain how localness produces firm- and region-level outcomes. Third, it provides a foundation for future empirical research by identifying measurable components of economic embeddedness, particularly in relation to firms' financial activities and local economic circulation.

By doing so, the framework shifts the focus from viewing embeddedness primarily as a relational or spatial phenomenon toward a more comprehensive understanding that captures the full spectrum of firms' interactions with local economies.

5. Discussion

The findings suggest that business localness is not a unidimensional construct, but rather a multidimensional phenomenon influenced by spatial location, relational ties, institutional contexts, and economic flows. Across the reviewed clusters, the relational and spatial dimensions are the most developed, while the economic dimension remains less systematically theorized. This imbalance is evident in various academic domains, including entrepreneurship and regional studies (Birkholz, 2025; Sharafizad et al., 2022), international business and global value chain research (Andersson et al., 2005; Coe & Lee, 2006; Halaszovich & Lundan, 2016), CSR and stakeholder studies (Adomako & Tran, 2022; Wang et al., 2025), and family business research (Amato et al., 2023; Baù et al., 2019).

The findings also demonstrate that disparate research streams accentuate different aspects of localness. The field of economic geography, in conjunction with global value chain studies, primarily concentrates on territorial and production networks (Coe & Lee, 2006; Perkmann, 2006). Concurrently, entrepreneurship and innovation studies place significant emphasis on knowledge spillovers and the creation of opportunities (Birkholz, 2025; Nunes & Lopes, 2015). Furthermore, studies focusing on CSR and stakeholder relations underscore the significance of legitimacy, trust, and community relations (Adomako & Tran, 2024; Wang et al., 2025). Finally, organizational studies place a notable emphasis on employee-level embeddedness and organizational behavior (Piasecki, 2021; Susomrith & Amankwaa, 2020). These streams provide complementary insights, yet they remain only partially integrated. The proposed framework is designed to address this fragmentation by integrating dimensions, mechanisms, and outcomes within a unified conceptual model.

5.1. Theoretical Contributions

The findings suggest that the literature has historically privileged spatial and relational explanations of embeddedness, while economic relationships have often remained implicit or have been examined within specific research traditions rather than as part of an integrated framework (Coe & Lee, 2006). This imbalance may lead to an incomplete understanding of business localness because firms can be socially embedded without necessarily generating substantial local economic value. The proposed framework therefore challenges the prevailing tendency to equate local presence and stakeholder engagement with local economic contribution.

This study synthesizes findings from seven research streams and demonstrates that embeddedness is a multidimensional construct operating across multiple levels of analysis, ranging from individual employees and organizations to multinational enterprises and global production networks (Ampofo et al., 2018; Coe & Lee, 2006; Mattes, 2013; Singh, 2016). Across these streams, spatial and relational dimensions are consistently emphasized, whereas economic aspects of embeddedness are typically addressed indirectly through concepts such as local sourcing, regional value creation, supply-chain relationships, and resource circulation (Bae et al., 2021; Craviotti, 2016; Perkmann, 2006).

The primary theoretical contribution of this study is not the introduction of a new form of embeddedness, but the integration of previously fragmented perspectives into a multidimensional framework of business localness. By bringing together insights from economic geography, regional development studies, economic sociology, international business, entrepreneurship, stakeholder theory, and family business research (Adomako & Tran, 2024; Andersson et al., 2005; Baù et al., 2019), the framework highlights how spatial, relational, institutional, and economic dimensions jointly shape firms' connections with local economies.

In particular, the review identifies economic embeddedness as an underdeveloped but essential dimension of business localness. Although economic aspects of embeddedness have been discussed in prior research, they have rarely been conceptualized and operationalized as a coherent analytical dimension (Bae et al., 2021; Coe & Lee, 2006; Craviotti, 2016). By explicitly incorporating firms' economic activities, expenditures, procurement decisions, and resource flows into the analysis of localness, the proposed framework contributes to a more comprehensive understanding of how firms create value within local economic systems and how their activities influence regional development outcomes.

Collectively, these findings provide direct answers to the research questions of the study. The review identifies the principal research streams through which business localness has been examined, reveals seven major thematic clusters within the literature, highlights the multidimensional nature of embeddedness, and demonstrates how spatial, relational, institutional, and economic dimensions jointly shape firms' connections with local environments. Building on these insights, the study develops an integrative framework of business localness that synthesizes previously fragmented perspectives and explains how different dimensions of embeddedness influence organizational and regional outcomes through a set of underlying mechanisms.

5.2. Managerial and Community Implications

The findings of this study have significant implications for managers seeking to strengthen their companies' local presence and competitive advantage. Existing research suggests that embeddedness enhances a firm's performance, innovation, and legitimacy through strong relationships with local stakeholders and networks (Kotlar et al., 2025; Li et al., 2025; Maziliauske, 2024). Managers can therefore leverage relational embeddedness by investing in long-term partnerships, trust-building mechanisms, and stakeholder engagement strategies.

However, this study emphasizes that relationship strategies alone are not sufficient to fully leverage the local nature of businesses. Managers should also consider the economic dimension of local embeddedness, assessing how their companies' financial activities impact local economies. Increasing the share of expenditures directed toward local entities can enhance not only the legitimacy of businesses but also their contribution to local economic development (Parastatidou & Chatzis, 2025).

Furthermore, companies operating on a global scale must strike a balance between global efficiency and local embeddedness. This ensures that their international strategies do not undermine their presence in host countries' economies (Bian et al., 2019; Wood et al., 2019). This is particularly pertinent for multinational corporations, who must navigate the tension between global standardization and local responsiveness.

The findings indicate that business localness should not be regarded exclusively as a branding claim, but rather as a strategic capability embedded in firms' relationships, sourcing practices, and economic contributions to local economies. Firms seeking to strengthen their localness may benefit from developing relationships with local suppliers, investing in community-based initiatives, supporting local employment, and increasing

transparency regarding their local economic impact. This finding is consistent with previous research demonstrating that embeddedness can contribute to firm growth, innovation, sustainability practices, and stakeholder legitimacy (Adomako & Tran, 2024; Li et al., 2025; Maziliauske, 2024; Sharafizad et al., 2022).

For local communities, the framework provides a basis for evaluating whether firms contribute substantively to local development or merely signal local identity. This distinction is important because firms may appear locally embedded through communication activities and stakeholder engagement while maintaining relatively weak local economic ties. Research on community embeddedness suggests that local relationships can influence community satisfaction, place identification, social innovation, and perceptions of organizational value (Adomako & Tran, 2022; Landry et al., 2005; Wang et al., 2025).

5.3. Policy Implications

The findings suggest that policymakers should move beyond policies that focus exclusively on attracting firms to a region and pay greater attention to the depth of firms' local economic integration. Policies based solely on firm location or investment attraction may overestimate local impacts if firms remain weakly connected to local suppliers, labour markets, and financial systems.

Previous research has shown that embeddedness can influence regional development, innovation, supplier relationships, and value creation processes (Coe & Lee, 2006; Craviotti, 2016; Firlus et al., 2023; Nunes & Lopes, 2015). The proposed framework may support the development of policy instruments that assess local procurement, local employment, supplier networks, and local expenditure circulation. Such indicators could help policymakers distinguish between firms that are merely present within a region and firms that actively contribute to local economic development, resilience, and sustainability.

5.4. Addressing the Research Questions

The findings of this review provide explicit answers to the research questions raised in Section 1.3 as follows:

- RQ1: How is business localness conceptualized across different research streams?
Business localness has been conceptualized through multiple theoretical traditions, including economic geography, economic sociology, international business, entrepreneurship, stakeholder theory, and family business research. Although these research streams emphasize different aspects of firms' relationships with local environments, they collectively indicate that business localness is a multidimensional phenomenon rather than a single construct.
- RQ2: What dimensions of localness are identified in the literature?
Three core dimensions of business localness are identified: spatial, relational, and economic embeddedness. While spatial and relational embeddedness have been extensively examined across different research traditions, economic embeddedness emerged as an underdeveloped but essential dimension that has rarely been conceptualized and operationalized within an integrated framework. Institutional embeddedness also emerged across several research streams. However, the findings suggest that it is more appropriately understood as a contextual condition influencing the three core dimensions rather than as a separate dimension of business localness.
- RQ3: What mechanisms and outcomes are associated with business localness?
The identified dimensions operate through several underlying mechanisms, including knowledge spillovers, trust and legitimacy, resource access, and local economic circulation. These mechanisms are associated with a range of organizational and re-

gional outcomes, including innovation, firm performance, sustainability, stakeholder engagement, and regional development.

- RQ4: How can these perspectives be integrated into a comprehensive framework of business localness?

This study addresses this question through the development of an integrative framework that combines spatial, relational, and economic embeddedness within a unified conceptual model while recognizing the contextual role of institutional embeddedness. The framework explains how these dimensions interact through key mechanisms to influence both firm-level and regional outcomes, thereby providing a more comprehensive conceptualization of business localness than previously available in the literature.

5.5. Limitations and Future Research

5.5.1. Limitations

The present study is subject to several limitations. First, the review relies exclusively on the Scopus database and on a predefined set of search terms related to business localness and embeddedness. Although Scopus provides extensive coverage of business, management, economics, and social science research, relevant studies indexed exclusively in other databases or employing alternative terminology may not have been captured. Furthermore, the review was limited to business, management, economics, and social science subject areas, potentially excluding relevant studies from related fields such as geography, planning, environmental studies, and public policy.

Second, only English-language peer-reviewed journal articles were included. Consequently, potentially relevant studies published in other languages or alternative publication formats may have been excluded. This limitation is particularly important in the context of business localness, as embeddedness often reflects region-specific institutional, cultural, and economic conditions.

Third, the study adopted a two-stage analytical design. The broader dataset of 500 articles was used for bibliometric mapping and cluster identification, whereas the qualitative synthesis and framework development were based on a final sample of 54 articles. While this approach enabled both broad literature mapping and in-depth conceptual analysis, it may limit the direct comparability between bibliometric patterns and qualitative findings.

Fourth, although a structured coding protocol was employed, the classification of articles into dimensions, mechanisms, outcomes, and thematic clusters inevitably involved a degree of interpretive judgement. No formal inter-coder reliability test or methodological quality appraisal was conducted. As the review aimed to synthesize conceptualizations of business localness and embeddedness rather than evaluate intervention outcomes, all included studies were treated equally regardless of methodological design. Consequently, variations in methodological rigor may have influenced the findings. Future reviews could strengthen robustness by incorporating multiple independent coders, inter-coder agreement measures, and formal quality assessment procedures.

Fifth, the bibliometric analysis was based on keyword co-occurrence patterns. Consequently, cluster formation depends not only on the conceptual structure of the literature but also on authors' keyword selection practices and database indexing procedures. Furthermore, country-specific keywords were excluded to emphasize conceptual rather than geographical relationships among studies. As a result, the identified clusters should be interpreted as analytical representations of thematic proximity rather than as rigid or mutually exclusive categories. More generally, bibliometric clustering provides a useful mapping tool for identifying intellectual structures within a field but should not be interpreted as definitive evidence of theoretical boundaries.

Finally, the proposed framework should be interpreted within the boundaries of its conceptual and methodological scope. Although it integrates findings from multiple research streams and offers a theoretically grounded approach to understanding business localness, it remains a conceptual framework that has not yet been empirically validated. The proposed dimensions and their relationships should therefore be viewed as analytical propositions rather than definitive causal mechanisms. Moreover, the relative importance of spatial, relational, and economic embeddedness is likely to vary across sectors, firm sizes, ownership structures, regions, and institutional environments (Andersson et al., 2005; Mattes, 2013). The framework may be particularly applicable in contexts characterized by strong local stakeholder relationships and economic linkages, while its explanatory power may be more limited in highly globalized industries with fragmented value chains and weak local ties.

5.5.2. Future Research

Building on the limitations identified above, future research should focus on empirically validating the proposed framework across different sectors, regions, and institutional settings. Particular attention should be devoted to the operationalization of economic embeddedness, which emerged as one of the least systematically developed dimensions in the literature. Future studies may develop and validate measurable indicators of economic embeddedness based on procurement, employment, fiscal, financial, and network dimensions. Examples include local procurement share, local payroll distribution, supplier network density, local tax contributions, use of local financial institutions, and local reinvestment rates. The development of composite measures of economic embeddedness would enable systematic comparisons across firms, industries, and regions and facilitate a more robust assessment of firms' contributions to local economic circulation and regional value creation.

Future research should also investigate potential trade-offs associated with economic embeddedness, including procurement constraints, supplier availability, cost considerations, reduced flexibility, and risks of over-embeddedness. Such studies would help identify the conditions under which economic embeddedness contributes positively to firm performance and regional development, as well as the circumstances under which excessive local dependence may generate organizational constraints.

Finally, future studies should examine whether different configurations of spatial, relational, and economic embeddedness generate distinct organizational and regional outcomes. Empirical testing could employ survey-based approaches, firm-level accounting data, regional economic datasets, case studies, input–output analysis, expenditure-tracking methods, and longitudinal designs. Comparative analyses across industries, ownership forms, and geographical contexts would contribute to refining the proposed framework, identifying contextual contingencies, and strengthening its explanatory and practical relevance for both researchers and policymakers.

6. Conclusions

This study provides a systematic review of the literature on business embeddedness and business localness, highlighting the fragmented nature of the field and the diversity of theoretical perspectives through which firms' relationships with local environments have been examined. Through a combination of bibliometric mapping and qualitative synthesis, the study identified seven major thematic streams within the literature and demonstrated that embeddedness research spans multiple levels of analysis, ranging from individual employees and organizations to multinational enterprises and global production networks.

A key finding of the review is that business localness can be conceptualized as a multidimensional phenomenon encompassing spatial, relational and economic dimensions

of embeddedness. While the literature has extensively examined spatial and relational forms of embeddedness, economic aspects have generally been addressed across different research streams in a fragmented manner and have rarely been integrated into a coherent and measurable framework of business localness. Consequently, existing conceptualizations provide only a partial understanding of how firms contribute to local economies through their economic activities, expenditures and resource flows.

The primary contribution of this study lies in integrating previously fragmented perspectives into a comprehensive conceptual framework of business localness. The proposed framework links dimensions of embeddedness with the mechanisms, outcomes, contextual factors and feedback processes through which firms influence local economic systems and regional development. In doing so, it provides a more holistic perspective on how businesses become embedded in local environments and how local relationships are translated into economic and social outcomes.

This study also highlights the importance of economic embeddedness as an underdeveloped but essential dimension of business localness. By emphasizing economic activities such as local procurement, expenditure allocation, supplier relationships, local employment and value retention within local economies, the framework opens new avenues for empirical research and measurement development.

Future research should focus on operationalizing economic embeddedness through measurable indicators such as local procurement share, local payroll distribution, supplier network density, local tax contributions and local reinvestment rates. The development of such indicators would enable more robust assessments of firms' contributions to local economic development and strengthen the empirical applicability of the proposed framework.

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Abbreviations

The following abbreviations are used in this manuscript:

CSR	Corporate Social Responsibility
OECD	Organization for Economic Co-operation and Development
PRISMA	Preferred Reporting Items for Systematic Reviews and Meta-Analyses

Appendix A

This appendix summarizes information regarding the 54 studies included in the qualitative synthesis in Table A1. It provides the authors and year of publication, the cluster where it is classified, the scientific field, the level of analysis, the methodological approach and the key findings for every study.

Table A1. Characteristics of the 54 studies included in the qualitative synthesis.

Authors & Year	Cluster	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Y. Chen and Zhao (2026)	1	Innovation Studies	Firm; Regional/Industry	Relational; Institutional; Governance; Economic	Shifts the analytical lens from political uncertainty to relational reconfiguration induced by political succession.
Birkholz (2025)	1	Entrepreneurship; Economic Geography/Regional Studies	Firm; Individual; Network/Ecosystem	Spatial; Relational; Identity	Regional embeddedness matters, though innovative opportunity perception is less dependent on embeddedness than general opportunity perception.
Li et al. (2025)	1	Organizational Studies/HRM	Firm; Individual	Relational; Institutional; Governance	A one standard deviation increase in local embeddedness leads to a 3.4% increase in firm growth.
Permana (2025)	1	Entrepreneurship; Innovation Studies	Firm; Individual; Network/Ecosystem	Spatial; Relational; Identity	Online workers act as micro-entrepreneurs leveraging urban density and ecosystems to scale services.
Baù et al. (2024)	1	Entrepreneurship; Organizational Studies/HRM	Firm; Individual; Regional/Industry	Spatial; Relational; Economic	Provides insights into family firms as employers, highlighting the role of embeddedness across contexts.
Andersen and Lindgaard Christensen (2023)	1	Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational	Passion among owners and investors influences firm survival beyond purely economic rationality.
Sharafizad et al. (2022)	1	Entrepreneurship; Innovation Studies	Firm; Individual; Regional/Industry	Spatial; Relational	Regional SMEs require additional support to deepen embeddedness in sustainability practices.
Martínez-Sanchis et al. (2021)	1	Entrepreneurship; Economic Geography/Regional Studies	Firm; Individual; Regional/Industry	Spatial; Relational; Institutional	Embeddedness varies across institutional contexts through formal and informal mechanisms.
Piasecki (2021)	1	Organizational Studies/HRM	Firm; Individual	Relational	Local embeddedness is positively associated with training intensity.
Baù et al. (2019)	1	Entrepreneurship; Organizational Studies/HRM	Firm; Individual; Regional/Industry	Spatial; Relational	Family firms benefit more from local embeddedness, achieving higher growth, especially in rural areas.
Gyensare et al. (2025)	2	International Business; Innovation Studies	Subsidiary; Firm; Individual	Relational	Most expatriates lack knowledge on how to overcome cultural challenges prior to international assignments.

Table A1. *Cont.*

Authors & Year	Cluster	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Xu et al. (2023)	2	International Business; Economic Geography/Regional Studies	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Economic	Industrial restructuring toward multiscale embedded systems drives urban transformation beyond traditional exogenous models.
Bian et al. (2019)	2	International Business	Firm; Network/Ecosystem	Relational; Economic	Evidence from FDI firms shows that embeddedness supports international expansion across multiple regions.
Wood et al. (2019)	2	International Business; Innovation Studies	Subsidiary; Firm; Network/Ecosystem	Spatial; Relational; Institutional; Economic	Market entry is shaped by inward-looking embeddedness, with limited investment in host-country infrastructure and resources.
Halaszovich and Lundan (2016)	2	International Business; Global Value Chains/Supply Chain	Subsidiary; Firm	Relational; Institutional; Economic	Embeddedness effects follow a reversed U-shaped relationship with firm outcomes.
Javernick-Will (2013)	2	International Business; Innovation Studies	Firm; Regional/Industry	Spatial; Relational	Firms with high embeddedness rely heavily on local knowledge but often lack formal knowledge-sharing mechanisms.
Mattes (2013)	2	International Business; Innovation Studies	Firm; Regional/Industry	Spatial; Relational; Institutional	Embeddedness varies across levels within the same firm, reflecting selective and dynamic regional integration.
Andersson et al. (2005)	2	International Business; Innovation Studies	Subsidiary; Firm; Network/Ecosystem	Relational	Headquarters influence subsidiary embeddedness, enhancing local knowledge creation.
Lang et al. (2026)	3	International Business; Innovation Studies	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Institutional; Economic	Focuses on embeddedness in global production contexts and its implications for firm integration within multi-level systems.
Jipa-Muşat (2025)	3	International Business; Organizational Studies/HRM	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Institutional; Economic	Industrial upgrading facilitates value chain advancement but also creates dependency and labor precarity.
Song (2022)	3	International Business; Global Value Chains/Supply Chain	Subsidiary; Firm; Individual	Spatial; Relational; Economic	The risk-reduction benefits of multinationality vary depending on resource and production heterogeneity.
Tukamuhabwa et al. (2017)	3	Global Value Chains/Supply Chain; Economic Geography/Regional Studies	Firm; Individual; Network/Ecosystem	Spatial; Relational; Economic	Supply chain risks are mainly driven by small-scale, chronic disruptions rather than large-scale shocks.

Table A1. *Cont.*

Authors & Year	Cluster	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Craviotti (2016)	3	Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational	Local actors participate in GVCs but have limited capacity to capture value due to lack of control over integration terms.
Kleibert (2015)	3	International Business; Innovation Studies	Firm; Regional/Industry	Spatial; Relational; Institutional; Economic	Collaboration in global networks is dominated by large firms and focuses on low-skill activities.
Coe and Lee (2006)	3	International Business; Global Value Chains/Supply Chain	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Economic	Localization is a dynamic, bidirectional process influencing both local subsidiaries and parent firms.
Perkmann (2006)	3	International Business; Innovation Studies	Subsidiary; Firm; Network/Ecosystem	Spatial; Relational; Institutional	Branch plants play differentiated roles in non-core regions depending on their embeddedness.
Kotlar et al. (2025)	4	Innovation Studies; Family Business/Identity Studies	Firm	Relational	Environmental strategies link sustainability and innovation in family firms, explaining when they outperform non-family firms in innovation.
Qu and Zhang (2025)	4	Innovation Studies; Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational; Institutional; Economic	Gender diversity and local embeddedness in governance structures promote regional economic growth.
Maziliauske (2024)	4	Innovation Studies; CSR/Stakeholder Studies	Firm; Regional/Industry	Relational; Economic	Rural SMEs co-create sustainable value through local stakeholder networks, trust, and local sourcing practices.
Bonfanti et al. (2023)	4	Innovation Studies; Organizational Studies/HRM	Firm; Individual; Network/Ecosystem	Relational	Sustainable innovation is driven by voluntary practices embedded in organizational and network relationships.
Firlus et al. (2023)	4	Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational	Green transformation involves multiple asset modification processes, with upgrading and creation as key drivers.
De Massis et al. (2018)	4	Entrepreneurship; Innovation Studies	Firm; Individual; Network/Ecosystem	Relational; Economic	The Mittelstand model highlights the role of embedded innovation strategies and their transferability across contexts.
Nunes and Lopes (2015)	4	Innovation Studies; Economic Geography/Regional Studies	Firm; Network/Ecosystem; Regional/ Industry	Spatial; Relational; Institutional; Governance	Identifies three innovation modes (DUI, STI, TEI), emphasizing the role of territorial embeddedness in innovation systems.

Table A1. Cont.

Authors & Year	Cluster	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Wang et al. (2025)	5	CSR/Stakeholder Studies	Firm; Network/Ecosystem	Relational; Institutional	Community satisfaction and identification mediate the relationship between embeddedness and corporate social responsibility outcomes.
Adomako and Tran (2024)	5	CSR/Stakeholder Studies	Firm; Regional/Industry	Relational; Institutional	Social legitimacy mediates the relationship between local embeddedness and corporate philanthropy.
Tuckerman et al. (2024)	5	CSR/Stakeholder Studies	Firm	Relational; Institutional; Governance	Qualitative evidence highlights the role of embeddedness in supporting community-based business practices and policy development.
Adomako and Tran (2022)	5	Innovation Studies; CSR/Stakeholder Studies	Firm	Relational	Local embeddedness positively influences social innovation, moderated by competitive CSR pressures.
Johansson et al. (2022)	5	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Individual; Regional/Industry	Spatial; Relational	Firms may be less embedded in peripheral regions than expected, challenging assumptions about local integration.
Mehmood et al. (2022)	5	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Individual	Relational; Institutional	Community embeddedness is positively related to organizational justice but may also lead to counterproductive work behavior.
Bae et al. (2021)	5	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Institutional; Governance; Economic	Supplier perceptions of CSR vary depending on governance structures and combinations of embeddedness dimensions.
Landry et al. (2005)	5	CSR/Stakeholder Studies	Firm	Relational	Community embeddedness shapes consumer perceptions, with firms acting as social spaces that generate relational value.
Amankwaa et al. (2022)	6	CSR/Stakeholder Studies; Organizational Studies/HRM	Individual; Regional/Industry	Relational	Job embeddedness may reduce employee turnover, although evidence remains limited in high-turnover sectors such as hospitality.

Table A1. *Cont.*

Authors & Year	Cluster	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Haag and Sandberg (2020)	6	Economic Geography/Regional Studies	Firm; Individual; Network/Ecosystem	Spatial; Relational	Organizational structures (e.g., centralized logistics, continuous learning) support territorial and network embeddedness in firm expansion.
Susomrith and Amankwaa (2020)	6	Innovation Studies; CSR/Stakeholder Studies	Firm; Individual	Relational	Organizational and community embeddedness positively influence innovative work behavior.
Ampofo et al. (2018)	6	CSR/Stakeholder Studies; Organizational Studies/HRM	Individual	Relational	Job embeddedness is positively associated with life satisfaction.
Ampofo et al. (2017)	6	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Individual	Relational	Both organizational and community embeddedness enhance life satisfaction, particularly through fit and sacrifice dimensions.
Singh (2016)	6	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Individual	Relational	Provides conceptual insights and outlines future research directions on job embeddedness.
Adjei (2025)	7	Economic Geography/Regional Studies; Family Business/Identity Studies	Firm; Network/Ecosystem; Regional/Industry	Spatial; Relational; Institutional; Governance	Provides conceptual insights and proposes directions for future research on localness and embeddedness.
Patuelli and Amato (2026)	7	CSR/Stakeholder Studies; Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational	Place attachment emerges as a co-constructed process shaped by interactions across individual, firm, and family levels.
Parastatidou and Chatzis (2025)	7	Entrepreneurship; Innovation Studies	Firm; Individual	Spatial; Identity; Economic	Firm localness increases with the share of expenditures directed toward local financial entities.
Amato et al. (2023)	7	CSR/Stakeholder Studies; Organizational Studies/HRM	Firm; Individual; Regional/Industry	Spatial; Relational; Economic	Social proximity and sense of belonging lead family firms to prioritize employees as key stakeholders, especially during crises.
Lumpkin and Bacq (2022)	7	CSR/Stakeholder Studies; Economic Geography/Regional Studies	Firm; Regional/Industry	Spatial; Relational	Case-based evidence shows strong links between community embeddedness and stakeholder-oriented firm behavior.

Table A1. Cont.

Authors & Year	Cluster	Scientific Field	Level of Analysis	Dimensions of Embeddedness	Key Findings
Meyer-Ohle (2014)	7	Organizational Studies/HRM; Family Business/Identity Studies	Firm; Network/Ecosystem; Regional/Industry	Relational; Identity; Economic	Firms balance internationalization with local embeddedness, maintaining identity while leveraging local networks.
Pallares-Barbera et al. (2004)	7	Entrepreneurship; Organizational Studies/HRM	Firm; Individual; Network/Ecosystem	Spatial; Relational; Institutional; Identity	Territorial embeddedness and spatial loyalty drive regional economic dynamism and cluster formation.

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