Opening the “Black Box” of Firm De-internationalisation Processes: What Should We Still Know?

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ABSTRACT

Objective: The purpose of the paper is to review extant research of firm de-internationalisation processes, considering the changing patterns in international operations, as well as the underlying decision-making logic.

Methodology: The paper draws on two process perspectives in management research to refine the understanding of de-internationalisation process and provide a contribution to this still under-researched area. Contrary to many reviews of international management literature, the paper adopts a deductive analytical approach by applying theory-driven process perspectives to diagnose extant research, identify key developments and research gaps.
Findings: In particular, decision-making processes still require a deeper exploration. The review provides a synthesis of extant knowledge on the antecedents, patterns and outcomes of de-internationalisation processes, which is of particular value added.

Value Added: By applying two different process approaches known from strategic management research, the paper presents a comprehensive review of existing studies, summarising the current stock of knowledge about both patterns of de-internationalisation and the underlying decision-making logic, and indicating certain gaps therein.

Recommendations: The paper ends up with recommendations for future research, which relate to the subject of de-internationalisation processes, i.e. aspects of internationalization strategy which change, as well the nature of the underlying decision-making processes. Interest for decision-makers responsible for international expansion.

Key words: de-internationalisation, international divestment, withdrawal, foreign market exit, strategic change, decision-making processes

JEL codes: F20, F21, F23, M16

1. Introduction

Nordic researchers proposing a learning model (Johanson and Wiedersheim-Paul, 1975; Luostarinen, 1979; Johanson and Vahlne, 1990) have considered internationalisation as a gradual, evolutionary and sequential process, evolving in an interplay between the development of knowledge about foreign markets and operations on the one hand, and an increasing commitment of resources on the other. In contrast to the linear character of the process perspective, empirical evidence shows that paths observed in reality often tend to be irregular (Buckley, 1982; Van de Ven, 1992). The deterministic character of the stage sequence has recently been questioned by developments including leapfrogging of intermediate stages (McKiernan, 1992; Bell, 1995), as well as emergence of international new ventures (Oviatt and McDougall, 1997) or born globals (Freeman and Cavusgil, 1984).

On the other hand, Welch and Luostarinen (1988, p. 47) point out that “once a company has embarked on the process, there is no inevitability
about its continuance” (Welch and Luostarinen 1988, p. 37). In fact, empirical evidence shows that international evolution in itself can turn out to be negative (Fletcher, 2001). Macharzina and Engelhard (1991, p. 34) in their gestalt-oriented approach assert that the internationalisation can be regarded as a result of a series of strategic decisions by the use of which “the firm increases (or decreases) its level of international economic involvement or inward-outward connection.” To explain this possibility, Benito and Welch (1994) argue that the learning process of internationalisation might correct the initial unawareness of certain risks of international involvement, therefore prompting decision makers to pay a greater attention to subsequent foreign moves, or – in more extreme instances – temporarily reverse some of the foreign commitments. In a similar vein, Calof and Beamish (1995) note that during their internationalisation companies sometimes drop a product, divest a division, sell a foreign production plant or lay off people involved in their international operations. While the choice of a market entry mode can be considered as one of the most important decisions in the internationalisation of the firm (Brouthers & Hennart, 2007), the related, predominantly static research stream has looked into motives behind given entry modes. Meanwhile, far less attention has been paid to differentiating between first entry and subsequent mode decisions which may change previous choices (Calof, 1993; Fletcher, 2001). Internationalisation process research has neither devoted sufficient attention to explaining the mechanics behind internationalisation strategy changes, nor explicitly considered a downgrade of an operating mode as one of scenarios in the internationalisation process (Gomes-Casseres, 1987; Calof & Beamish, 1995).

Secondly, apart from analysing patterns of foreign operating modes, internationalisation process research has addressed international market choices. The conventional approach to internationalisation process assumes that firms follow an incremental pattern from geo-culturally close to more distant markets (Johanson & Vahlne, 1990; Andersen, 1993). From a portfolio perspective, firms can allocate their resources over a limited
number of markets or follow a strategy of market diversification (Ayal & Zif, 1978). However, in the long run the strategy of diversification could lead to the decrease of the number of markets, as a result of re-concentration and exit from less profitable markets in the international portfolio (Cairns et al., 2008). In fact, a fast rate of expansion can result in a limited attention and resource allocation to single markets, thus exposing entrants to mistakes in the market choice (Ayal & Zif, 1979). In addition, expansion into unfamiliar markets can result in a higher failure rate (Zaheer & Mosakowski, 1997; Sounder and Song, 1998). This assertion is supported by inconsistent empirical evidence on the relationship between firm internationalisation degree, mostly measured by its international sales, and the performance outcomes of the firm (Matysiak & Bausch, 2012). In fact, after a certain threshold of internationalisation managerial and coordination costs exceed its benefits (Hennart, 2011). And yet, reduction patterns in the diversification of foreign markets and their underlying motives have only received limited attention (Swoboda et al., 2011; Turner and Gardiner, 2007).

Thirdly, a hitherto poorly explored area of research on internationalisation processes pertains to the actual decision-making processes which lead to possible reductions of foreign commitment, partial or complete withdrawals from international operations. Andersson and Florén (2008) argue that managerial characteristics and behaviour are critical determinants of a firm’s internationalisation process. However, apart from several contributions, including Aharoni’s (1999) seminal study on managerial behaviour behind U.S. outward FDI decisions, or Larimo’s (1995) qualitative study of FDI by Finnish firms, there has been little research on the related decision processes. Even more so, decision processes leading to reductions in international operations have received little attention despite their theoretical and practical relevance (Pauwels & Matthyssens, 2003; Torneden, 1976). While it has sometimes been argued that divestment is the reverse of the investment decision process (Boddewyn, 1983), this symmetry cannot be easily assumed since decision-making processes and their rationality can be affected by firm-level
or individual factors, such as international experience (Buckley, Devinney & Louviere, 2007). In fact, the relevance of microfoundations of management has recently been stressed, pertaining specifically to behavioural strategies in organisational action (Greve, 2013).

Accordingly, to address the three above deficiencies in extant process research, the purpose of this paper is to critically review empirical research on de-internationalisation processes. In doing so, a conceptual framework of strategy process perspectives will be applied to the phenomenon of de-internationalisation in order to diagnose the current state of related research and formulate recommendations for future studies. The process is understood both as a dynamic pattern of changing strategies, but also as a set of organisational activities that lead to strategy formation and implementation. The paper is organised as follows. The subsequent section discusses influential concepts of firm internationalisation with regard to their ability to explain the opposite phenomenon. Subsequently, the literature on international strategy of the firm serves as a foundation for identifying important dimensions of internationalisation strategy. These dimensions are then adopted as a heuristic lens applied to existing studies on the reduction of international firm operations to examine the already developed insights and the existing research gaps.

2. Process perspectives in management research

Despite the vital importance of processes, the process perspective has always played a minor role in the literature on international management as compared to the static view (Kutschker et al., 1997). The distinction between static and dynamic perspectives is inherent to strategy research (Ginsberg & Venkatraman, 1985). Research on strategy content has focused on the determinants of particular strategic decisions, as well as their impact for firm success (Fahey & Christensen, 1986). The authors summarise this approach as one revolving around the question what “performance results
arise from following specific strategies under different conditions” (p. 169). Thereby, strategy content research frequently addresses the positioning of the firm with respect to its environment, drawing a lot of attention to external conditions, yet frequently neglecting the inside of the firm. In a similar vein, Ginsberg and Venkatraman (1985) argue that in contingency-theory based strategic research, strategy is formulated based on the input of environmental variables, and it is implemented by means of a process which involves different organisational variables, ultimately leading to performance outcomes. By large, most firm-level theoretical concepts explaining foreign expansion, particularly in the form of FDI, can be argued to be predominantly of static character and fall into the content-based paradigm, i.e. linking certain external (and internal) antecedents to strategic choices and, at a more normative level, to their performance outcomes.

On the other hand, the process perspective in strategy research concentrates on two areas. Firstly, “process” can mean the change of a given strategy and its characteristics over time, in the meaning of organisational change (it can be referred to as the “content-oriented process view”). It can be imagined as a “dynamised” content perspective (Bamberger and Wrona, 2012). In the context of firm internationalisation, specifically, this perspective embraces all approaches seeking to describe or explain the sequence of different foreign entry modes, foreign market choices or allocation of value-adding activities (see e.g. Bell, 1995; Johanson & Vahlne, 1990). A number of process models has been developed, whose common denominator is the premise that firms start their internationalisation with entry modes requiring the least commitment of resources and gradually increase this commitment. Thereby, the progression along the sequence of operating modes is driven by the learning process related with innovation adoption, i.e. internationalisation can be regarded as (strategic and organisational) innovation to the firm (Andersen, 1993). However, many of these approaches are mostly descriptive in nature, without explicitly addressing the actual mechanisms of foreign expansion.
Secondly, “process” can be understood as a sequence of decisions, interactions, events or activities within the organisation, which ultimately lead to the creation of a strategy, in the meaning of a decision process (“activity-oriented process view”) (Bamberger & Capallo, 2003). Thereby, the interest of this perspective is focused around actors participating in the processes, the methods used, as well as the conditions in which these processes occur. Applying this perspective to firm internationalisation concepts, the activity-oriented view is focused on all the activities within the MNE which lead to foreign expansion. This perspective is crucial given that internationalisation decisions are highly strategic by nature, with a high influence of individual values in the decision-making process. Andersson and Florén (2008) argue that managerial characteristics and behaviour are critical determinants of a firm’s internationalisation process. The decision-making approach, which has gained a prominent role in international entrepreneurship literature, explores the character of decision making processes characterised by high uncertainty and goal ambiguity (Acedo & Jones, 2007). Innovative, proactive, and risk-seeking behaviour has been regarded as a source of value creation (McDougall & Oviatt, 2000). A seminal contribution to understanding the organisational process leading to FDI was made by Aharoni (1999). In his concept, the organisation is perceived as a system of individuals involved in continuous interactions, who pursue specific goals, act in conditions of uncertainty and given constraints. According to Aharoni (1999), the decision to invest abroad results from the interest of managers to undertake foreign ventures on the one hand, and from a set of environmental factors, on the other. The aforesaid two perspectives on strategy process are summarised in Figure 1.
3. Literature review design

Rather than performing a conventional review of de-internationalisation literature, subsequent sections of the paper will aim to apply the above two-sided approach to strategy processes to the body of existing studies so as to identify key research problems, as well as those yet to be answered. Extant literature reviews in management research have used qualitative and quantitative methodical designs, depending on the purpose and contents of literature analysis.

Since the purpose of the current review is to present a possibly comprehensive overview of the existing research on de-internationalisation processes, a query in all management, marketing, strategy and international business journals was run in the EBSCOhost, ScienceDirect, Emerald, JSTOR and ProQuest databases. The triangulation of these sources was aimed
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at maximising search results, given the limited number of articles on this topic. The search was not confined to a specific publication period, all relevant articles irrespective of their publication dates being included instead. A systematic search process combined identification of papers in the said electronic databases by keywords with manual search for printed materials, books, as well as sources tagged by authors dealing with this area of study. While the initial set of keywords in titles and abstracts (“(de-)internationalisation process”, “market exit process”, “export withdrawal process”, “international/foreign divestment process”) was provided by general readings on de-internationalisation, in order to identify the relevant contributions it was systematically extended and adjusted due to the multidimensional character of the phenomenon, as well as heterogeneity in the related vocabulary. Moreover, studies pertaining only to the national context, as well as those not based on a process perspective, had to be filtered out of the scope of review. In total, the search revealed only 15 process contributions, while 55 further contributions were not retained for analysis due to their static character and predominant focus on the determinants of exit or divestment, while neglecting the broader process perspective or the underlying decision logic.

Subsequently, the identified empirical contributions underwent content analysis (Seuring & Gold, 2012), involving the said dimensions of both process approaches (see Tables 1a and 1b). A quantitative analysis of the direction of influence of focal antecedents of de-internationalisation would have not been possible due to the different forms of de-internationalisation under study, the predominance of qualitative research designs, as well as distinct research objectives and designs for both process views. Thus, instead of devising a meta-analysis (Sousa et al., 2008), the review is narrowed down to the main findings of analysed studies, providing available information on the character of relationships (positive or negative). For the activity-oriented process perspective, studies were screened from the perspective of providing insights on relevant aspects of decision processes, as proposed by Bamberger & Capallo (2003) and Rajagopalan, Rasheed & Datta (1993). These
dimensions are visible in Table 1b. The use of the conceptual framework as a lens for review reveals the state-of-the-art and missing relationships related to de-internationalisation processes.

4. Findings

4.1. Content-based process perspective

It can be observed that the process perspective focused on changes in the international strategy has been clearly dominated by qualitative research designs, as well as empirical contributions stemming from the retail sector. For instance, Turner and Gardiner (2007) explored the case of British Telecommunications’ de-internationalisation process, reinforcing the premise of the present paper that this phenomenon requires consideration along several dimensions. In fact, British Telecommunications experienced declining performance, as it was offering its corporate services in cooperative modes with foreign partners on several continents. The decision was to re-focus on markets where the company could establish market leadership and recur to highly integrated operating modes. Mellahi (2003), on the other hand, elaborated on the case of Marks and Spencer to shed more light on the implementation aspects of foreign exit via sale of extant operations to competitors and closures. He highlighted the role of appropriate management of the processes, the accompanying communication activities and tackling the reactions of public opinion and trade unions, particularly in foreign countries where the latter have strong bargaining power.

Cairns et al. (2008), also focusing on the retail sector, proposed a process model for withdrawing from foreign markets, which is initiated by the divestment decision in order to refocus on improving performance. Subsequently, the process itself involves announcement activities, a specific timeframe, types of divestment, as well as the management of the process. At the third stage, strategic reorientation should ideally take place, whereby the
divestment should affect the strategic direction of the company. Finally, the last stage called strategic and operational response is concerned with how the company responded at home and in foreign markets to the divestment, which can include re-establishing core organisational values, refocusing on core products, managerial restructuring, restructuring of the international franchise business, and so on. Burt et al. (2002) provide a process perspective on Marks and Spencer based on extensive documentation, however no clear conclusions as to a generalisable process model and its antecedents could be formulated. Rather, the diversity of motives for exit was shown, as well as the clear fact that the process is multi-dimensional, thus a withdrawal from one market can be compensated with an upgraded operating mode in another one. Otherwise, little, is known about the specific determinants of de-internationalisation patterns. Burt et al. (2004) as well as Alexander et al. (2005) only use overall industry data to observe divestment levels in specific countries, regional exit rates of retail firms, as well as their average length of country operations before exit.

Finally, the said process-oriented studies generally do not discuss performance implications for the de-internationalising firms, apart from some background information based on secondary performance data which is not directly attributable to de-internationalisation. Only Palmer (2004), in an in-depth longitudinal case study, explored the process of de-internationalisation of Tesco in Ireland and France, pointing the attention to the fact that it has important implications for the competitive positioning of the firm in terms of international markets portfolio. It leads to the creation of higher operational flexibility and thus lower exit costs in the future, as well as better defined exit options within the international strategy and more focus on international stakeholders (such as customers, investors and financial institutions).
4.2. Activity-based process perspective

Apart from early studies of Gilmour (1973) or Nees (1978), which were focused on detailed descriptions of divestment-decision processes involved in corporate divestments and their characteristics, albeit not in the international context, little efforts have been devoted to opening the “black box” of decision processes underlying de-internationalisation decisions. A seminal contribution shedding light on the decision process leading to the disinvestment of foreign subsidiaries was made by Torneden (1976). It was arguable the only one to explore in-depth the determinants of the process, its duration and actors involved. He concluded that companies were particularly active in divesting foreign operations when their long-term earnings growth was endangered. Moreover, few companies – regardless of their international operations size – had clearly defined processes for the case of divestments. Middle management was only involved in formal rationalisation to top-executive decisions, also regardless of the overall international operations scale of the parent. Interestingly, firms with limited divestment experience made divestment decisions more rapidly. Finally, as to the role of host-country governments, the author concluded that few companies worked with governments on managing the exit process, including pre-divestment discussions. Also, only few companies solicited assistance from outside consultants.

Notable contributions were also made by Pauwels and MatthysSENS (1999, 2003), who studied cases of foreign market withdrawal with focus on internal behaviour in these firms leading to de-internationalisation. They formulated a process model, starting with the accumulating commitment, whereby the management keeps investing in the venture and developing a strategic logic. Secondly, endogenous and exogenous stress increases, leading to an analysis of causes, but hampered by threat-rigidity behaviour. Thirdly, conflicting reactions occur, involving tactical measures at the level of executive management and reactions among challenging groups of middle managers, whereby they identified two types of reaction:
A challenging coalition of middle managers rejects the current tactical measures. However, no alternative solution is proposed. Moreover, it initiates the development of and experimentation with a strategic alternative.

Fourthly, within the stage of power play, the failing course of action is still pursued by the executive management despite increasing stress (also see Matthyssen & Pauwels, 2000). In case of passive rejection among middle management, current tactical cures continue to be questioned by some middle level managers. However, rejection fades out, as it does not take root in the organization due to a lack of a strategic alternative, a prerequisite for organizational support. In case of pro-active rejection, increasing stress and poor performance strengthen the creative efforts of knowledgeable and independent challengers, who try to formulate strategic alternatives and enhance the firm’s portfolio flexibility. Fifthly, upon the stress threshold the formal decision to withdraw from a foreign market is made, taking from several hours to several years (Pauwels & Matthyssens, 1999).

The authors argue that the withdrawal of a venture is not a real option if the venture cannot be isolated from the rest of portfolio and if no accepted strategic alternative is available for the freed resources. Otherwise, the failing venture may come into a state of strategic drift. Sixthly, the stage after withdrawal differs in consequences for the firm depending on whether exit was of strategic or only tactical character. The authors proposed that strategic withdrawal of a failing international venture is the germ of strategic reorientation in the entire international market portfolio, whilst tactical withdrawal of a failing venture prevents learning and strategic change within and beyond this venture (Pauwels & Matthyssens, 2003).

Tables 1a-1b summarises the reviewed studies, highlighting their position in the conceptual framework and presenting the research aspects covered.
<table>
<thead>
<tr>
<th>Study</th>
<th>Research design</th>
<th>Research findings</th>
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<tr>
<td></td>
<td>Theoretical approach</td>
<td>Sample size</td>
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<tr>
<td>Turner and Gardner (2007)</td>
<td>Global strategy framework</td>
<td>British Telecommunications’ international operations in 1998–2004</td>
</tr>
<tr>
<td>Mellahi (2003)</td>
<td>None; de-internationalisation literature</td>
<td>Marks &amp; Spencer exits from France, Spain, Belgium, Germany and Portugal</td>
</tr>
<tr>
<td>Cairns et al. (2008)</td>
<td>None; domestic and international divestment literature review</td>
<td>UK-based general merchandise fashion retailer trading in fashion, food and homeware sectors</td>
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<tr>
<td>Burt et al. (2002)</td>
<td>None; domestic and international divestment literature review</td>
<td>Marks &amp; Spencer</td>
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<tr>
<td>Author(s)</td>
<td>Type of Study</td>
<td>Methodology</td>
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<tr>
<td>Alexander and Quinn (2002)</td>
<td>None, domestic and international divestment literature review</td>
<td>Arcadia and Marks &amp; Spencer's exit from France</td>
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<tr>
<td>Jackson et al. (2004)</td>
<td>None, international divestment literature review</td>
<td>Marks &amp; Spencer's exit from France</td>
</tr>
<tr>
<td>Alexander et al. (2005)</td>
<td>None, retail divestment review</td>
<td>167 cases of retailer divestment activity during the years 1987-2003</td>
</tr>
<tr>
<td>Burt et al. (2004)</td>
<td>None, international divestment literature review</td>
<td>International activity by European based grocery retailers; 1200 international actions (entry, consolidation, growth, divestment) in the period 1970-2003</td>
</tr>
<tr>
<td>Palmer (2004)</td>
<td>Literature on financial restructuring, portfolio restructuring and organisational restructuring, spatial restructuring</td>
<td>Tesco's divestments in Ireland and France</td>
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</table>

Source: own work.
Table 1b. Overview of studies on de-internationalisation: activity-oriented process perspective

<table>
<thead>
<tr>
<th>Study</th>
<th>Research design</th>
<th>Sample size</th>
<th>Research methods</th>
<th>External process antecedents</th>
<th>Internal process antecedents</th>
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<tbody>
<tr>
<td>Griffin (2003)</td>
<td>None; review of empirical studies</td>
<td>1 Irish subsidiary of an MNE (CDMI Corporation), 1970–2002</td>
<td>Longitudinal single case study over four years; interviews of senior managers</td>
<td>No information</td>
<td>Poor financial performance of the subsidiary and of the MNE, disappearance of original motives for investment; new HQ strategy of optimising international operations</td>
</tr>
<tr>
<td>Torneden (1976)</td>
<td>None; review of empirical studies</td>
<td>15 U.S. firms making foreign disinvestments</td>
<td>Qualitative analysis based on interviews with senior executives</td>
<td>Threat to long-term profits increases probability of divestment decisions; host-country economic incentives decrease divestment likelihood</td>
<td>Prior divestment experience reduces decision speed; subsidiary autonomy and geographic isolation increases likelihood of divestment; product focus of the parent increases divestment likelihood; organisational changes lead to divestment.</td>
</tr>
<tr>
<td>Matthyssens and Pauwels (2003)</td>
<td>Global portfolio perspective</td>
<td>2 Belgian SMEs withdrawing from export ventures</td>
<td>Iterative grounded theory methodology; comparative case study approach based on collected interview material</td>
<td>No information</td>
<td>No information</td>
</tr>
<tr>
<td>Pauwels and Matthyssens (1999)</td>
<td>Strategic fit concept, strategic flexibility</td>
<td>4 Belgian SMEs exporting to the U.S., Poland and France prior to exit</td>
<td>Qualitative analysis based on interviews with multiple informants in each organisation</td>
<td>External dynamics may change dominant logic of increasing commitment to a given market</td>
<td>Low performance initially increases commitment to the venture</td>
</tr>
<tr>
<td>Pauwels and Matthyssens (2003)</td>
<td>Strategy process concept</td>
<td>8 SMEs exporting to Spain, Belgium, Japan, Germany, Turkey, Russia, Brunei and UK prior to exit</td>
<td>Qualitative analysis based on interviews with multiple informants in each organisation</td>
<td>No information</td>
<td>Exogenous stress as misfit between marketing strategy and changing environment; endogenous stress as misfit between strategy and its implementation; the two types of stress are affected by hierarchical position of the decision maker, his remoteness from the decision centre, as well as scope and orientation of his tasks</td>
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<tr>
<td>Ghertman (1987)</td>
<td>None; review of empirical studies</td>
<td>Foreign subsidiaries of 3 multinationals from Canada, Europe and U.S.A in 1985</td>
<td>Qualitative analysis based on interviews, study of internal documents</td>
<td>No information</td>
<td>Financial reasons at the level of divested subsidiary; strategic re-orientation</td>
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<td>Research findings</td>
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<tr>
<td><strong>Process stages and duration</strong></td>
<td><strong>Involved actors and organisational levels</strong></td>
<td><strong>Decision-making practices and procedures</strong></td>
<td><strong>Outcomes for the firm</strong></td>
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<td>No information</td>
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<tr>
<td><strong>Rationalisation of actions taken at headquarters level; actions aimed at subsidiary survival by subsidiary managers</strong></td>
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<td>No structured process; process affected by tacitly held views of actors within the network</td>
<td>No information</td>
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<td>No information</td>
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<tr>
<td><strong>Middle management role limited to formal rationalization of top-executive decisions (no influence on top managers’ decisions), Limited cooperation with host-country government; pre-divestment consultations with host government only if initiated by the latter; limited role of external consultants.</strong></td>
<td></td>
<td>Limited scale of well-defined processes; 2-3 criteria for the decision.</td>
<td>No information</td>
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<td>No information</td>
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<td>No information</td>
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<tr>
<td><strong>(a) the escalation of commitment, an inhibitor of change process; (b) the creation of strategic flexibility, an accelerator of change process; and (c) a confrontation between processes (a) and (b)—a dialectical process</strong></td>
<td>No information</td>
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<td><strong>(1) initial and accumulating market commitment, (2) increasing stress, (3) two opposite reactions, (4) toward a stress threshold, (5) confrontation at the threshold, and (6) learning beyond the withdrawal.</strong></td>
<td>Decision process model involving executive and middle management coalitions driven by commitment, stress and threat-rigidity behaviour</td>
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<td>No information</td>
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<tr>
<td><strong>(1) Accumulating Commitment, (2) Increasing Stress, (3) Conflicting Reactions to Increasing Stress, (4) Power Play towards the Stress Threshold, (5) A Fait Accompli or A Vacuum (depending on exit type) (6) Beyond the Withdrawal</strong></td>
<td>To redress a failing venture, a business unit’s executive management adopts tactical routine measures within the scope of the venture’s marketing strategy; tactical routine measures in reaction to decreasing performance induce rejection of these measures and of the current strategic logic; Rejection of tactical routine measures in reaction to decreasing performance induces the creation of alternative strategic options if (1) sufficient, and (2) relevant market and business knowledge is (3) autonomously available in the venture’s organization.</td>
<td>In disregard of a failing venture’s history and performance, withdrawal of a venture is not a real option if the venture cannot be isolated from the rest of portfolio and if no accepted strategic alternative is available for the freed resources. When a failing venture needs to be withdrawn, though the above conditions are not fulfilled; the venture comes into a state of strategic drift.</td>
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<tr>
<td>No information; processes spread over years due to lack of time pressure</td>
<td>Actors involved vary across types of decisions: for restructuring of the business portfolio – top management decisions without subsidiary, hierarchic process, some initiative and impetus phases from the CEO, for plant closure – actors entirely from subsidiary, parent intervenes late to give approval, standard hierarchic process, for closures in a situation of crisis – actors located one level above subsidiary CEO, process is standard hierarchic or with initiative from higher levels of hierarchy</td>
<td>Dismissal of subsidiary CEO brings rupture in the system of actors and starts a new process with impetus from the new subsidiary CEO</td>
<td>Limited consequences for competitiveness, but negative social effects could affect price negotiations</td>
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**Source:** own work.
5. Discussion and further research

The negative aspects of firm internationalisation have so far received far less attention than the process of international expansion itself. The rarity of studies devoted to the negative evolution of international operations of firms can be partly attributed to the fact that exit is often perceived as failure rather than a proactive stance and sign of optimisation. Burt et al. (2003) argue that this situation results from the fact that international operations are the result of successes, hence failures are less visible. Thus, it is crucial to note that exit or reduction may not necessarily express failure, particularly if it makes part of broader reorganisation actions. Whether regarded as a necessity or as a novel strategic option, they constitute an inherent part of the corporate life cycle (Boddewyn, 1979). Thus, while it has been argued that the divestment process is the opposite side of the investment process (Boddewyn, 1983), this symmetry should be challenged. In fact, it cannot be just assumed that divestment is caused by the same factors that led to international investment, which the present review highlights, nor can it be supposed that a same decision process leads to de-internationalisation.

On the whole, the present paper indicates that process-oriented studies have remained in the minority of de-internationalisation research. There have been numerous studies on different forms of de-internationalisation, such as export withdrawals (e.g. Crick, 2004), operating mode downgrades (e.g. Swoboda et al., 2011), foreign divestments (e.g. Belderbos & Zou, 2009), or product exits (e.g. Rahu, 2015), however predominantly adopting a static perspective and hence not discussed in this paper. This scarcity refers to both studies describing how international divestments unfold change over time, as well those pertaining to organisational decision-making processes that underlie de-internationalisation. For the first category, there is a clear need for more case studies from a variety of industries (which also affect de-internationalisation processes) and other empirical contexts than Anglo-Saxon countries, which have clearly prevailed in the reviewed studies.
For instance, recent developments related to the shifting competitiveness of the emerging economies of Central and Eastern Europe and the frequently changing strategic approaches of multinational firms towards markets of this region can provide a fruitful context for investigation.

Moreover, analysis of research belonging to the content-related process perspective, with distinction of several relevant dimensions (antecedents, strategies, consequences) also leads to several findings. While the majority of extant research has focused on internal (parent and foreign subsidiary-level), as well as to a lesser extent external (mostly host-country-level) variables affecting the likelihood of divestment, reduction or market exit altogether, far less attention has been paid to the actual implementation of exits and the related strategies. In fact, most studies answer the question as to the market exit altogether, not the specific method of doing it, which remains a gap for future research efforts. In the same vein, an important finding of the present review is that performance implications, which are important in corporate divestment research (Alexander & Quinn, 2002; Lee & Madhavan, 2010), have remained limited in de-internationalisation research (see Tables 1a and 1b). While there have been a few studies in relation to foreign divestments, they have remained centred around financial or capital market indicators, particularly stock reactions to divestment announcements (e.g. Tsetsekos & Gombola, 1992). More research seems relevant to shed light on the non-financial, competitiveness-related outcomes of international exit processes.

Further, most studies exploring the de-internationalisation patterns over time focus on specific episodes, or epochs in corporate history. While their longitudinal designs should be appreciated, further research could be devoted to a more comprehensive approach to foreign exits or reductions as stages in the long-term management of the international market portfolio, especially for larger firms. As Welch and Welch (2009) argue, firms may undertake re-internationalisation after prior withdrawal from inward and outward international operations. From this perspective, de-internationalisation can be perceived as a merely temporary market withdrawal after an initial
international experience, which might then be followed by an international
time-out stage and re-entry process.

More strikingly, we still know little about the underlying decision processes,
as opposed to business divestment literature rooted in finance or corporate
strategy (e.g. Brauer, 2009). As Boddewyn (1983) argued, it is not given that
international divestment decisions are identical to domestic divestment
processes. Most process-related studies have dealt mainly with U.S. and UK
multinationals and the empirical evidence is now outdated and thus cannot
be easily generalised for contemporary MNEs. Moreover, we know little about
the cognitive aspects in managerial decision-making related to contraction
decisions in foreign operations. It is yet to be found out whether the cognitive
barriers for managers in relation to reducing commitment to a given foreign
involvement are indeed lower because of the distance involved, and do they
hinder the consideration of exit or reduction as viable options of action. Con-
versely, it may happen that managerial cognitions affect exit decisions even if
objective variables do not trigger such decision. A distinct research question
pertains to the determinants of decision processes: how do factors such as
industry, entry mode, foreign venture size, internationalisation degree, parent
size, or subsidiary role affect decision-making in its different dimensions, such
as the type and sequence of activities, involved actors and their (changing)
roles within the process, use of methods, degree of formalisation, presence
of political processes and managerial coalitions, locus of decision-making
(headquarters or foreign venture) or overall process duration.

To summarise, the contribution of the present paper is twofold. It draws
attention to the dynamic nature of foreign expansion, taking into account its
multi-faceted evolution which can at times involve negative developments.
Moreover, by applying the two different process approaches known from
strategic management research, it presents a comprehensive review of
existing studies, summarising the current stock of knowledge about both
patterns of de-internationalisation and the underlying decision-making
logic, and indicating certain gaps therein. The review is nonetheless bur-
dened with some limitations. In particular, the allocation to the dimensions of the present review framework is not unambiguous. In fact, some studies address the decision-making process, while they also refer to antecedents of the changing patterns of international operations of the firm. Hence, the division between the two aforementioned process perspectives may not always be clear-cut. Furthermore, a more detailed review with a detailed list of variables would be possible for a focus on international divest, or export discontinuation only, yet this was not the purpose here. Rather, the aim was to take stock of what dimensions are discussed to diagnose what should be added to the research efforts. Moreover, studies frequently focus on isolated retraction activities without considering the overall extent of international operations, thus making it doubtful whether de-internationalisation of the firm as a whole actually took place. To avoid these shortcomings, Ghertman (1987) took into account that one plant closure can be replaced by another factory establishment, which has a different scope of operations and serves different markets. While it is not possible include all aspects at once, more awareness of the studied context of the phenomenon would nonetheless be important for a better understanding and formulation of conclusions. Moreover, the distinction between active and reactive exits is not always clear in many studies. The two types of de-internationalisation differ essentially in terms of antecedents, decision-making processes and consequences for the firm, hence this distinction should make part of an appropriate research design. Despite these shortcomings, it is hoped that it will contribute both to conceptual development and upcoming research designs.
References


