**Cycles of De-Internationalization and Re-Internationalization:**

**Towards an Integrative Framework**

**Abstract**

Internationalization is a complex process that is neither always forward moving nor monotonic. Firms often reduce the depth and scope of their international footprint or even completely withdraw from foreign markets. Although scholars have recognized that there are cycles of de-internationalization and re-internationalization (and increasingly pressures for back-shoring), the antecedents and motivators for these internationalization pathways have received limited attention. In this study, we first review prior explanations as to why firm behaviour exhibits cycles of de-internationalization and re-internationalization. We then formulate an integrative framework and propose a comprehensive agenda for future research aimed at advancing internationalization theory.

Keywords: De-internationalization, re-internationalization, divestment, market exit, market re-entry, internationalization theory, back-shoring.

**INTRODUCTION**

The international business literature offers valuable insights into what enables firms to internationalize (Fuentelsaz, Garrido, & González, 2020; Park & LiPuma, 2020), select an effective entry mode (Xie, 2017), and achieve superior performance (Kafouros, Wang, Mavroudi, Hong, & Katsikeas, 2018; Lu, Song, & Shan, 2018). Some of the theories that underpin these studies suggest that firms internationalize by following a sequential process that allows them to switch from less to more resource-intensive entry modes (Johanson & Vahlne, 1977; 2009; Cavusgil,1980; Cavusgil, Bilkey, & Tesar, 1979). Other scholars suggest that firms can avoid slow and gradual internationalization if they possess certain advantages and adopt alternative governance structures (Oviatt & McDougall, 1994; 2005; Cavusgil & Knight, 2015).

While prior theoretical perspectives have focused on how firms increase resource commitment in foreign markets, they have paid less attention to the fact that firm internationalization is not always a linear, orderly and forward-moving process (Bernini, Du, & Love, 2016; Dominguez & Mayrhofer, 2017). Rather, it is a process that involves several cycles of de- and re-internationalization. Regardless of the mode of internationalization adopted, firms often make (or are forced to make) the decision to either reduce the depth and spread of their international footprint in certain markets or to withdraw from those markets completely (Aguzzoli, Lengler, Sousa, & Benito, 2021; Chen, Sousa, & He, 2019; Javalgi, Deligonul, Dixit, & Cavusgil, 2011; Ozkan, 2020).

For some firms, exiting foreign markets reflects a commitment to focus exclusively on their home market, while for other firms it reflects the reprioritization of which markets are important. In the latter case, we see firms increasing their international presence at another point in time or re-entering different or even the same markets they initially exited (Surdu, Mellahi, Glaister, & Nardella, 2018; Surdu, Mellahi, & Glaister, 2019). For example, many exporters exhibit sporadic stop-and-restart internationalization behaviour, exiting and re-entering foreign markets (Bernini et al., 2016). Even when firms use resource-intensive modes of internationalization such as wholly owned subsidiaries, for every two new foreign subsidiaries that are set up, one is divested (Chung, Lee, Beamish, Southam, & Nam, 2013). Therefore, we observe firms in a state of re-adjustment, reconfiguring their structures at the local, regional, and global level as the markets they serve change.

Although de- and re-internationalization may be more common than linear paths of internationalization (Vissak, 2010) and increasingly there are pressures for deglobalization and back-shoring (Cuervo-Cazurra, Doz, & Gaur, 2020), the antecedents and motivators for different de- and re-internationalization pathways have received limited attention (Surdu et al., 2018; Ozkan, 2020). Significant variations in the nature, frequency and timing at which de- and re-internationalization occur highlight the need to investigate and develop theory about the determinants of de-internationalization decisions, as well as the factors that affect the willingness and ability of firms to re-start (or re-expand) foreign operations. In addition, although the literature articulates the cost and benefits of foreign market entry, it largely ignores the effects that exit and re-entry have on firm performance, as well as the underlying processes and internationalization portfolio decisions being routinely made by managers.

In this paper, we formulate an integrative framework of cycles of de- and re-internationalization and propose a comprehensive and coordinated research agenda that can lead to fuller conceptual explanations of the complex process of internationalization. Such an approach not only can advance or complement prior perspectives of firm internationalization, but it can also inform managerial practice as to how divestments can be managed, how firms can re-start international operations after market exit, and how they can improve firm performance during de- and re-internationalization (D’Angelo, Ganotakis, & Love, 2020; Mohr, Konara, & Ganotakis, 2020; Nummela, Saarenketo, & Loane, 2016; Sousa & Tan, 2015). It can also make internationalization theory more actionable, relevant, and forward looking.

Identifying the factors that affect re-internationalization is crucial for our understanding of the firm’s internationalization portfolio as well as its performance, growth, and the nature of its competitive advantages. For example, risk-averse managers might refrain from re-entering foreign markets after experiencing an adverse exit event. Hence, they might miss profitable opportunities and abandon capital and knowledge assets that might otherwise be redirected into other markets (Chen et al., 2019; Javalgi et al., 2011). In addition, de-internationalization is not purely a firm-based decision, as changes in policies and regulations as well as contemporary megatrends play a large part. Recent trends such as the global health pandemic, trade tensions and protectionism, and technological advances have ushered in a new global world order. Risks encountered by firms have grown more diverse and intense, compelling firms to reconsider their international presence (Hill, Holmes, & Arregle, 2021; Witt, 2019). Thus, a better understanding of de- and re-internationalization cycles becomes critical considering recent anti-globalization scepticism (Cuervo-Cazurra et al., 2020), anti-free trade tendencies (Amiti, Reddling, & Weistein, 2019) and other major global shocks – including the COVID-19 pandemic – that resulted in the shrinkage of global output and FDI (UNCTAD, 2020a). Such events and policy pressures have led firms to exit or suspend their activities in certain markets, but with a belief that they may re-enter when conditions change.

In what follows, we first examine extant theoretical explanations and evidence as to why firms exhibit de- and re-internationalization behaviours. This section clarifies what we know about the firm-specific and environmental drivers of de- and re-internationalization, the consequences that these actions have on firm performance, as well as what theories can be employed to analyse those. The second part of the paper delineates what we do not know but need to know. Building on these observations, we develop an integrative framework and propose a set of research questions that can help us develop fuller conceptual explanations and new theoretical insights into de- and re-internationalization.

**THE CONCEPTS OF DE- INTERNATIONALIZATION AND RE-INTERNATIONALIZATION**

Although there is consensus in the literature that de-internationalization, as a concept, refers to withdrawal from foreign markets (whereby the firm reduces its involvement or exposure to foreign markets; Benito and Welch, 1997), it is not as clear as it appears to be. Indeed, many extant studies on the subject use the term “de-internationalization” to refer to decisions and actions that are conceptually different. This not only causes confusion in the literature but also increases the difficulty of understanding the determinants and consequences of such decisions and actions. To clarify what the different types of de-internationalization imply, we argue that firm de-internationalization should be considered in two key dimensions: a) whether the firm’s exit from foreign markets is *partial* or *full;* and b) whether it is *voluntary* or *forced*. Table 1 provides an illustration of the four scenarios that result from this differentiation.

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*Partial de-internationalization* refers to cases in which the firm exits from some of the foreign markets it operates (while maintaining its presence in other markets) and/or reduces the degree of its resource commitment and investment in one or more foreign markets. The latter implies that it may still maintain presence in existing foreign markets but the scale will be smaller. Partial de-internationalization occurs when a firm liquidates or sells some of its foreign subsidiaries, ceases exporting to some of its foreign markets and/or reduces its resources commitment, operations, and involvement in those markets. By contrast, a *full-scale de-internationalization* of the firm refers to cases in which the firm stops exporting completely and/or liquidates or sells active operations in all foreign markets. When a full-scale de-internationalization of the firm occurs, the firm confines itself to its home market only.

De-internationalization can also be either voluntary or forced. *Voluntary de-internationalization* occurs when it is part of the (willing) strategic reshuffling of the firm’s portfolio of foreign activities (Berry, 2013). This may occur when certain markets lose their appeal (while the home market or other markets become more profitable) or when certain locations offer advantages that can help the firm achieve its goals, including innovation (Kafouros et al., 2018).Voluntary de-internationalization can also be triggered by loss of competitiveness, falling demand in foreign markets, increased competition, and difficulty in responding to new institutional requirements and restrictions imposed by host-country government, as well as by the rebalancing of regional and global economic activity (Cuervo-Cazurra et al., 2020; Sousa & Tan, 2015).

*Forced de-internationalization* refers to foreign market exits that are imposed on the firm. This may include cases of nationalization by the host-country government (e.g., expropriation of assets), situations in which the firm faces economic boycotts (Vissak & Francioni, 2013), and changes in trade agreements between countries (e.g., Brexit and other changes in the European Union). It can also occur when institutional forces and government policies change in the home country of the firm. Indeed, we have recently seen protectionism and deglobalization trends (Cuervo-Cazurra et al., 2020), and other examples in which home country governments impose bans and restrictions on internationalization for geopolitical, strategic, or technology-related reasons.

Some of the above observations can also be made for the case of *re-internationalization* – defined as a set of actions that subsequently escalate a firm’s involvement or exposure to foreign markets following a period of reduced activity. The re-internationalization trajectory of some firms might be similar to their prior internationalization trajectory in terms of two key dimensions (namely, their location choices and foreign entry modes), while other firms might decide to enter entirely new markets or choose entry modes that they have not employed in the past. Due to limitations in how quickly firms can re-enter foreign markets and re-initiate certain activities abroad, it is more likely that re-internationalization will occur gradually (i.e., it will be partial). Nevertheless, it might be possible for certain firms to make the decision to re-invest in or re-initiate exporting to several foreign markets simultaneously. Firms’ re-internationalization is also more likely to be voluntary (e.g., due to improvements in internal capabilities or external conditions), rather than forced. However, even forced re-internationalization may occur in some situations, e.g., governments in emerging economies may use coercive pressures to force firms (especially those that are partly owned by the State) to internationalize, either directly or more subtly (Wang, Hong, Kafouros, & Wright, 2012).

Furthermore, taking into consideration variations in the modes that firms adopted prior to de-internationalization as well as during re-internationalization is valuable for advancing new explanations. Entry modes differ in several dimensions including: (a) the sunk costs lost during the exit as well as the level of investment and type of capabilities required at re-entry, (b) the level and type of knowledge lost at exit and needed when firms re-enter foreign markets, and (c) the extent of involvement in foreign markets and the managerial effort required. The forms of de- internationalization and re-internationalization may also vary across different types of firms (e.g., smaller firms vs. established MNEs) and industries (e.g., highly dynamic vs. less dynamic industries; manufacturing vs. services and digital firms).

Given the above differences, it is important to differentiate between the various types of de-internationalization and re-internationalization when investigating their antecedents and consequences. For example, exit and subsequent re-entry due to strategic or operational failure (Surdu et al., 2019) differs considerably from a voluntary strategic reshuffling (Berry, 2013). As the explanatory role of certain factors may vary from case to case, treating all types of de-internationalization and re-internationalization the same may lead to inaccurate predictions and conclusions. The same applies to different location choices and entry modes. Re-internationalizing by entering new markets requires different knowledge and capabilities than entering the same markets. Similarly, exiting and re-entering foreign markets through exporting differs from carrying out the same process through wholly owned subsidiaries (WOS) or joint ventures (JV).

**WHAT DO WE KNOW ABOUT DE-INTERNATIONALIZATION?**

The extant literature has adopted various theoretical perspectives for studying de-internationalization. Boddewyn (1983) provided an explanation of the divestment aspect of de-internationalization. He proposed that de-internationalization occurs when the original motivations that led to foreign investment no longer apply (e.g., loss of competitive advantage; McDermott, 2010). Building on Dunning’s eclectic paradigm (Dunning 1980; 1998), Boddewyn suggested that de-internationalization takes place if any of the three OLI elements deteriorate (an approach recently used to explain MNEs’ back-shoring choices; Dachs, Kinkel, & Jäger, 2019).

In other cases, the Resource Based View (RBV) of the firm (Barney, 1991) has been used to explain which firm resources and capabilities offer a competitive advantage and are important for reducing the likelihood of de-internationalization (Konara & Ganotakis, 2020; Kolev, 2016). Similarly, the Knowledge Based View (KBV; Grant, 1996) has been adopted to explore how knowledge transfer within the MNE can affect de-internationalization. Organizational Learning Theory (OLT; Huber, 1991) is useful for explaining the role that different types of international experience play in the likelihood of de-internationalization, while Real Options Theory (ROT; Chi, Trigeorgis, & Tsekrekos, 2019) has been brought to bear on decision making relating to international portfolios and operations under conditions of uncertainty. From an external perspective, institutional economics (North, 1991) and institutional theory (Scott, 1995) have been employed to assess the impact of the foreign institutional environment on the decision to de-internationalize. Ultimately, however, much of de-internationalization can also be explained by the simple demand and supply dynamics that imply market related changes in revenues and the cost of production and delivery.

**Determinants of De-Internationalization**

Table 2 provides an overview of extant findings and insights concerning the determinants of de-internationalization as well as the insights offered and the theories used. Some of these determinants are specific to the firm (e.g., organizational) and other determinants are external to the firm (environmental).[[1]](#footnote-1) Firm-specific factors such as firm capabilities and advantages, experiential knowledge, foreign market performance, geographic and product diversification, and internationalization strategy can influence the de-internationalization decision of the MNE. Environment specific factors include the stability and overall risk of a country’s institutional environment, market growth, product demand, cultural distance, economic downturns, and the overall portfolio of markets in which the MNE operates (although the last factor has not received sufficient attention, as we discuss later).

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*Firm-specific determinants of de-internationalization*

Firm resources and capabilities have been the focus of many de-internationalization studies (Berry, 2013; Benito & Welch, 1997; Konara & Ganotakis, 2020; Tan & Sousa, 2019) that accordingly adopted the RBV and/or the capabilities-based view as their theoretical lenses. The key reasoning in these studies is that certain resources and capabilities, such as R&D and innovative products, help firms compete abroad. This applies to exporting firms (Love & Roper, 2015), subsidiaries that draw on the advantages of the MNE (Mohr et al., 2020) and subsidiaries that develop their own capabilities (Konara & Ganotakis, 2020) or exploit country-specific advantages including knowledge and technologies (Kafouros et al., 2018). For instance, radical innovations help firms enjoy a prolonged competitive advantage, capture new market segments and secure higher profit margins (Hsieh, Ganotakis, Kafouros, Wang, 2018; Tan & Sousa, 2019). Therefore, subsidiaries that develop their own capabilities reduce the likelihood of being divested (Konara & Ganotakis, 2020) or sold. However, from a KBV perspective, subsidiaries that commercialize products unrelated to the MNE’s core business are more likely to be divested due to the complexity of managing such diverse activities and because of the limited scope for knowledge transfer between the MNE and the subsidiary (Benito & Welch, 1997; Berry, 2013; Lee, Chung, Beamish, 2019; Sousa & Tan 2015). By contrast, subsidiaries with related business activities develop interdependencies with other units (Lee et al., 2019), thereby increasing their importance and value to the corporate network.

Nevertheless, reasoning from behavioural theory (Surdu, Greve, & Benito, 2020) suggests that the effect that subsidiary capabilities and product relatedness have on the likelihood to de-internationalize (i.e., divestment) might depend on the type of relationship that exists between headquarters and subsidiaries. When a subsidiary’s performance drops below its aspiration levels, it can change managerial intentions and stop subsidiaries from sharing information with the MNE in order to safeguard their local competitive position and market share. It is also possible that subsidiaries can, in some instances, develop disparate and competing goals in relation to those of the headquarters. Behavioural theory can help us consider the role of subsidiary-specific factors alongside the ability of an MNE to manage relationships with foreign units.

In addition, other firm capabilities – such as market orientation (Yayla, Yeniyurt, Uslay, & Cavusgil, 2018) and marketing expertise – can reduce the chances of de-internationalization. Market-oriented firms tend to collect intelligence regarding their customers and use such information more effectively (Kohli & Jaworski, 1990; Pelham, 2000). They can, therefore, understand a country’s environment and avoid threats (Armario, Ruiz, & Armario, 2008). Even if such firms reduce operations in a certain country when they encounter problems, these attributes increase their strategic flexibility, helping them shift foreign activities to more favourable environments (Yayla et al., 2018). Marketing capabilities that can result in increased brand equity, as is the case for R&D, provide competitive advantages and increase firm performance, thus reducing the chances of de-internationalization (Schmid & Morschett, 2020). A question that naturally emerges from the above discussion is under what conditions different types of capabilities matter more for an MNE. This might be determined by whether a firm operates in a developed or emerging market, the quality of foreign market institutions, cultural differences, the capabilities that rivals possess and how costly and time consuming it is to develop those.

Prior performance and the financial resources of exporting firms, MNEs, or individual subsidiaries can also determine market exit and result in scaling down operations (Benito & Welch, 1997; Berry, 2013; Tan & Sousa, 2019; Ozkan 2020; Vissak, Francioni, & Freeman, 2020). Poor performance signals the failure of strategic decisions and operations and implies that action should be taken (Chen et al., 2019; Sousa & Tan, 2015), often in the form of reducing activities in certain markets while re-directing resources to more successful ventures. For instance, MNEs may divest underperforming subsidiaries that have a negative effect on their overall market value (Berry, 2013; Dominguez & Mayrhofer, 2017; Sousa & Tan, 2015).

Nevertheless, the role that performance plays in de-internationalization is still subject to debate. Some studies (Konara & Ganotakis, 2020) suggest that reduced levels of performance do not always matter for de-internationalization and that this effect varies depending on the type of de-internationalization. Beyond examining the effect of performance itself under different circumstances, disentangling the reasons that led to poor performance in the first place may shed more light on why de-internationalization takes place. What firms can then do to reduce the effect of poor performance can offer important guidance. For instance, organizational learning theory and the related literature suggest that firms reduce the chances of poor performance (and, therefore, the likelihood of de-internationalization) when they possess extensive international experience. Such experience can help firms exploit new opportunities abroad, adopt appropriate innovation and marketing strategies (Kafouros, Love, Ganotakis, & Konara, 2020; Mohr et al., 2020; Sampson, 2005; Tan & Sousa, 2019), and overcome difficulties related to the liability of foreignness (Dominguez & Mayrhofer, 2017; Nielsen & Nielsen, 2011). Yet, it is less well understood how firms acquire international knowledge (market specific, mode specific etc.) through different means and how these (and their interactions) influence the likelihood of de-internationalization.

Moreover, strategic decisions such as the speed at which firms internationalise or enter different markets may lead to de-internationalization (Mohr & Batsakis, 2017; Nummela et al., 2016; Yayla et al., 2018). From an OLT perspective, internationalizing at a higher pace exacerbates coordination problems thereby putting pressure on managerial resources and capacity due to information overload, while reducing the firm’s ability to absorb foreign knowledge and adjust their international strategy (D’Angelo et al., 2020; Hashai, Kafouros, & Buckley, 2018;). Faced with these factors, firms are forced to optimize managerial resources by reducing activities in some markets (Mohr & Batsakis, 2017; Yayla et al 2018). What is still not well understood, however, is what organizational practices and resources firms can use to better manage such a process.

Finally, the Real Options Theory suggests that any of two possible opposing scenarios can arise if an MNE increases its geographic diversification. One scenario implies that the likelihood of de-internationalization is reduced as MNEs have more options to diversify operational risk. The other scenario posits that the likelihood of de-internationalization can increase, especially when subsidiaries have similar mandates and/or when MNEs face adverse economic conditions abroad (Chung et al., 2013; Schmid & Morschett, 2020).

*Factors external to the firm in de-internationalization*

 Building on institutional economics (North, 1991) and institutional theory (Scott, 1995), we expect the type of formal institutions (laws, regulations), informal institutions (norms) and various isomorphic pressures to play an important role in affecting de-internationalization. Host country factors, such as political risk, instability, foreign policies, intellectual property rights (IPR) protection, trade tariffs and labour rights, can affect the likelihood of de-internationalization as they increase complexity related to decision making (Gaur, Pattnaik, Singh, & Lee, 2019; Yayla et al., 2018). When operating in markets characterised by higher levels of instability or risk, managers must allocate time to gather and process information which distracts from running the company and increases failure rates (Berry, 2013). Nevertheless, home country factors including those related to the institutional environment, have received less attention (Li, Xia, Shapiro, & Lin, 2018). For instance, firms might be forced to de-internationalize to accommodate political and social objectives (Rodrigues & Dieleman, 2018). Reversal in governmental policies in the home or foreign markets because of de-globalization pressures, coupled with technological improvements, may lead to back-shoring activities (Dachs et al., 2019; Weng & Peng, 2018; Witt, 2019). Similarly, socio-political factors in home markets may imply that foreign production generates stakeholder conflict that make maintenance of foreign operations in certain locales challenging because of consumer or shareholder backlash.

Scepticism towards globalization has been observed in several countries recently.[[2]](#footnote-2) This is often accompanied by a change towards more nationalistic policies that involve regulations designed to restrict the flow of goods in a country’s market and control the actions of foreign firms (Amiti et al., 2019; Cuervo-Cazurra et al., 2020; Witt, 2019). Concerns regarding globalization have been intensified because of the global pandemic, leading to additional protectionist policies and institutional changes to safeguard jobs and domestic firms’ economic interests (Hill, Holmes, & Arregle, 2021; Delios, Perchthold, & Capri, 2021). Changes in governmental policies towards a more protected market environment and the effects of Covid-19 require MNEs to reconsider their position in certain markets and engage in different forms of de-internationalization including back-shoring and repositioning their supply chains at a more regional level (Cuervo-Cazurra et al., 2020; Witt, 2019).

Other studies suggest that firms operating in culturally distant countries are more prone to reduce their presence in those markets (Sousa & Tan, 2015), particularly when they are experiencing lower levels of performance. Cultural distance exacerbates the challenges that managers face while trying to adapt their products but also while attempting to understand business practices, institutions, and networking rules (Vissak & Francioni, 2013). In addition, the effect that cultural friction, especially in the setting of foreign subsidiaries, has on the likelihood of a foreign unit being divested (Popli, Akbar, Kumar, & Gaur, 2016) remains a question worthy of investigation. For instance, it is unclear what issues arise from different types of conflicts between parent and host country nationals, how frictions within the MNE can lead to divestment, and how their effect can change depending on factors such as the cultural distance between countries (Singh, Pattnaik, Lee, & Gaur, 2019).

 Further, performance feedback perspectives (as implemented in Bernini et al., 2016) are used to examine how foreign market growth and demand can influence de-internationalization. While foreign market growth creates potential opportunities (Schmid & Morschett, 2020), markets do not operate in isolation and a portfolio approach is needed for explaining certain outcomes. For example, increased product demand domestically can force firms to switch attention to the home market (Bernini et al., 2016). Hence, a substitutive relationship between domestic and foreign demand may exist (Belke, Oeking, & Setzer, 2015; Blum, Claro, & Horstmann, 2013). Moreover, an interplay between subsidiary performance and foreign demand has been observed. While performance certainly matters, managers are incentivised to preserve operations even for low performing subsidiaries when foreign demand increases (Berry, 2013).

Finally, firms may pull back from their foreign engagements as a result of adverse megatrends in the global economy. As we have observed, the events of the 2020 global health pandemic and the ensuing prolonged recession caused firms to reconsider their portfolio of international activities and try to minimize disruptions in global supply chains. There is empirical evidence that suggests that, during periods of global economic downturn, MNEs invest in their core competencies (UNCTAD, 2020b; Berry, 2013). Consequently, they may be more likely to divest low-performing subsidiaries or those that exhibit low strategic fit (Bowen & Wiersema, 2005; Zhou, Li, & Svejnar, 2011).

**Performance Consequences of De-Internationalization**

 The effects of de-internationalization on firm performance have not received the same level of attention as its determinants (Mohr et al., 2020; Zschoche, 2016). Scholars have relied mainly on the RBV and OLT when exploring this relationship. For example, a cutback in foreign operations can decrease financial resources, including cash flows. For born global firms with a less domestic focus (Nummela et al., 2016), this can threaten their survival, as firms that scale down foreign activities experience a long-term reduction in output and employment levels. It can also adversely affect a firm’s overall competitiveness because less internationalized firms are less likely to benefit from technological advances in foreign markets (Kafouros et al., 2018; Love & Ganotakis, 2013).

 Yet there are potential positive performance effects of de-internationalization when they are coupled with a proactive restructuring of all foreign and domestic activities (Markides, 1992). A planned market exit can reduce risk exposure and coordination costs, improve the management of the remaining operations, and enable the optimization of resources (Gleason, Mathur, & Singh, 2000). If coordinated well, de-internationalization can be a lever in the MNE’s toolkit that can be wielded to increase overall performance and efficiency. The above discussion suggests that when scholars investigate the effect of de-internationalization on different aspects of performance, specific reasons for such de-internationalization must be factored in. Finally, beyond investigating the effect of de-internationalization at the MNE level, we know very little about the effect that de-internationalization has on the divested units.

**WHAT DO WE KNOW ABOUT RE-INTERNATIONALIZATION?**

To explain re-internationalization, scholars have focused on a narrow range of theoretical perspectives around experiential learning, firm-specific advantages, and market conditions. Decision theory (Wierenga, 2011) may explain the decisions that managers make under conditions of risk and uncertainty. As for the case of de-internationalization, the decision to re-enter foreign markets may be triggered when managers balance expected returns from re-entry and those from the domestic market (Chen et al., 2019). The behaviour of sporadic exporters (firms that stop and re-initiate exporting) has been examined (Bernini et al., 2016) using three distinct theoretical perspectives. Drawing from the RBV, the first focused on the advantages that help firms to be competitive in foreign markets. The second builds on the performance feedback literature (Lin, 2014) that suggests that firms arrive at decisions after comparing potential performance against an aspirational level. The third concerns the process of internationalization (Cavusgil, 1980; Johanson & Vahlne, 1977; 2009) and how firms learn from prior international experience. Foreign market re-entry and the decision to switch the mode of re-entry from that used prior to exit have also been examined (Surdu & Narula, 2020; Surdu et al., 2018; 2019) using organizational learning theory (OLT) (Huber, 1991).

**Determinants of Re-Internationalization**

Table 3 provides an overview of the studies that examined the determinants of re-internationalization as well as the insights they offered and the theories that they used. Some of these determinants are internal to the firm (either at the managerial or organizational level) while other determinants concern the firm’s external environment.

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*Internal to the firm*

 Firms may re-internationalize to capture newly emerged opportunities or resources, salvage sunk costs, and attain diversification objectives (Javalgi et al., 2011). Although some of these motivations are shared by firms that attempt de novo foreign market entry, re-internationalization differs significantly from first time internationalization as the decision making is affected by prior international experience (Welch & Welch, 2009). Hence, many studies on re-internationalization, often drawing from OLT, considered how the different types of foreign market experience determine the likelihood, speed and success of this process (Javalgi et al., 2011; Surdu et al., 2019; Surdu & Narula, 2020).

 Overall, foreign market experience helps firms assimilate information about foreign market conditions and assists them in overcoming some of the difficulties associated with re-entering foreign markets (Bernini et al., 2016; Dominguez & Mayrhofer, 2017; Love & Ganotakis, 2013; Welch & Welch, 2009). Nevertheless, although certain types of experience can be beneficial for re-internationalization, others may reduce its likelihood or speed (Surdu et al., 2018; Welch & Welch, 2009). We observe this articulated in work about the disaggregation of different types of experience and the examination of how each impacts the process of re-internationalization.

 First, confidence to re-enter a foreign market is higher when firms possess substantial market-specific experience. Having prolonged experience in a market increases the ability of a firm to evaluate a country’s underlying institutions and business systems (Aguzzolli et al., 2021; Casillas & Moreno-Menendez, 2014; Javalgi et al., 2011). Firms that re-enter the same market may also receive information from prior partners, reducing the firm’s effort in gathering and analysing information (D’Angelo et al., 2020; Dominguez & Mayrhofer, 2017;Yayla et al., 2018). These mechanisms may reduce the perception of risk, the costs of re-entry, and liability of foreignness which may allow for faster re-internationalization and higher levels of post entry performance.

 However, when managers *experience an adverse exit*, they develop a strong negative predisposition towards re-internationalization driven by the incurred financial loss, the ‘stigma’ of failure and the associated reputational damage (Javalgi et al., 2011; Surdu & Narula, 2020). This increases managerial risk aversion, reduces the value of prior experiential knowledge, and slows down their reaction to new opportunities (Aguzzoli et al., 2021; Benito & Welch, 1994).[[3]](#footnote-3) The trauma of a failed internationalization attempt can increase with the depth of foreign market experience, which is linked with the resource intensity of the adopted foreign entry mode (Surdu et al., 2018).

 This view does not necessarily imply that firms do not learn from failure (Lee, Jiménez, & Devinney, 2020). When managers overcome the negative feelings associated with failed internationalization, they can benefit from the knowledge gained during the exit, understand the factors that led to failure, re-evaluate prior beliefs and avoid repeating the same mistakes (Javalgi et al., 2011; Surdu et al., 2019; Tsinopoulos, Yan, & Sousa, 2019). Nevertheless, several studies (Aguzzoli et al., 2021; Meschi & Métais, 2015) have shown that not all firms can turn the knowledge gained from failure into effective decision-making. Managers may focus excessively on not repeating the same mistakes or might become too confident that the knowledge gained from failure has adequately prepared them for re-entering foreign markets. In both cases, managers may ignore other important factors, such as intensified competition, that may affect re-entry (Aguzzoli et al., 2021). Hence, under what conditions managers learn from failure associated with foreign market exit (and when they do not) remains less well understood. Beyond the reasons that are related to the severity of the exit event, others can include managerial skills (and the diversity of such skills) as well as the firm’s corporate governance structure.

 Although failure does not always lead to effective learning, there is consensus that focusing on the positive experiences during the previous internationalization attempts leads to lower levels of effective learning in relation to trying to learn from failures (Surdu et al., 2019; Vissak et al., 2020; Welch & Welch, 2009). By focusing on success, managers ignore the causes of failures and the reasons that led to the previous exit event. Moreover, managers can develop an unwarranted confidence in their ability to re-enter foreign markets which can cause them to ignore external information and engage in selective learning about changed foreign market conditions. This, in turn, can lead to inefficiencies in the way firms approach re-internationalization (Surdu et al., 2020; Welch & Welch, 2009).

Finally, the advantages that firms derive from internationalization experience (and which can be used in re-internationalization) are not available indefinitely as the value of relevant knowledge progressively depreciates (Chen et al., 2019; Surdu et al., 2019). Once knowledge is no longer used, the particular routines and practices can be unlearned to a point they are no longer useful (Dodgson, 1993; Levitt & March, 1988). This argument raises a question that has not sufficiently been examined: how can firms balance the time that it takes to overcome the shock of the exit without losing the advantages needed for foreign market re-entry?

Overall, research on international experience prior to exit (i.e., Surdu et al., 2018; 2019; Surdu & Narula, 2020) has shown that, although certain types of experience enhance the likelihood of re-internationalization, others can have the opposite effect. Yet, two issues remain less well understood. First, how the effects of different types of international experience can be combined at different points in time and how they in turn influence firms’ re-internationalization. Second, the extant research has paid limited attention to other forms of international knowledge and different ways that firms can receive such knowledge. Future inquiries may help us understand why firms exit and subsequently re-enter foreign markets.

For instance, although the literature has identified several firm-specific and external factors relevant to re-internationalization, many aspects have not yet received the attention they deserve (Aguzzolli et al., 2021; Dominquez & Mayrhofen, 2017;Surdu et al., 2019;Vissak et al., 2020). These include learning from others (vicarious learning), the restructuring of a firm’s managerial hierarchy, and the recruitment of staff with international experience during the time-out period. These factors can strengthen a firm’s international heritage, assist in overcoming the trauma of previous exit and allow firms to better prepare for the re-internationalization attempt. Beyond the discussion regarding experience and foreign market knowledge, it is important to evaluate how suitable current products are for the targeted foreign markets as this reduces adaptation costs (Dominquez & Mayrhofen, 2017).

*External to the firm*

 Past research has largely focused on how market conditions and the foreign institutional environment affect the likelihood and the speed of re-internationalization. According to institutional theory, firms need more time to complete the re-internationalization process in countries with weak or unstable institutional environments. This is because it takes longer to develop capabilities and learn how to operate when formal institutions are lacking or are not enforced, but also deal with institutional ambiguities, and adapt to possible changes (Aguzzoli et al., 2021; Surdu et al., 2019; Vissak et al., 2020). On the other hand, stable environments increase the likelihood that firms can transfer and use prior internationalization knowledge, particularly when these markets are characterised by similar institutional conditions (Surdu et al., 2018). Moreover, they increase managers’ confidence about the accuracy of their decision making as they gather information about a country’s institutional environment and macroeconomic conditions and policies (Surdu & Narula, 2020; Surdu at al., 2018; 2019).

 As for the case of market exit, decision theory and the performance feedback literature can help explain why domestic and foreign market conditions at exit are associated with the possibility of re-entering foreign markers (Bernini et al., 2016). Firms may exit not because they face issues abroad but to profit from the improved domestic market environment. These benefits, in turn, allow them to re-start foreign operations. On the other hand, exiting under conditions of growth in foreign market demand, reduces the likelihood of re-entry because this event signals that the firm was ineffective or faced strong competition.

 Finally, although *inter-organizational linkages (or focused external search* as defined in OLT [Huber, 1991]) may play a role in a firm’s re-entry attempt (Aguzzoli et al., 2021; Chen et al., 2019; Javalgi et al., 2011), only qualitative evidence (Vissak et al., 2020) currently exists on how linkages that were formed prior to the exit event affect the re-internationalization process. This is despite the belief that foreign partners can provide more information about foreign customers’ needs and help the firm forecast future scenarios (Aguzzoli et al., 2021; Vissak et al., 2020). Previous partners can also introduce the firm to new customers, which may result in greater revenue (Chen et al., 2019; Vissak et al., 2020).

**Performance Consequences of Re-Internationalization**

 The effect of re-internationalization on firm performance is the least explored aspect in the literature. One exception is the study of Chen et al (2019) that examined different aspects of the post re-entry performance (export sales in a market and price/quality ratio) of firms that exited and then re-entered foreign markets. Following the logic of Bernini et al. (2016), the authors link post re-entry performance with conditions at exit and more specifically with how the firm was doing across the same performance dimensions just before exiting. The main underlying argument is that performance at exit reflects a firm’s level of resources, capabilities, networks, and quality of experiential knowledge that can be used in the re-internationalization effort.

**TOWARDS AN INTEGRATIVE CONCEPTUALIZATION OF DE- AND RE-INTERNATIONALIZATION**

Based on the above discussion aimed to bring clarity to the de- and re-internationalization phenomena and after reviewing what we currently know about their determinants and consequences, we formulated an integrative framework as depicted in Figure 1. Rather than seeing the firm’s international expansion as a process that is always forward moving, it explicitly reflects the fact that a firm may initially internationalize but such a decision may affect various factors that can subsequently lead to the firm’s de-internationalization. In turn, de-internationalization may once again affect various factors that may influence the firm’s willingness and ability to re-internationalize. This cycle can be repeated several times. Our proposed framework captures not only the different cycles of de- and re-internationalization, but also different choices (*location choices*, *foreign entry modes* and *temporal aspects*) and different levels (*managerial*, *organizational*, *environmental*).

--- Insert Figure 1 about here ---

The starting point of our framework is the initial internationalization of the firm (as represented by the top left corner of the figure). This represents the point at which the firm first decides to enter foreign markets in one way or another. This first step of internationalization involves three different, but interrelated, sets of decisions that the firm has to take. These are represented by the three different axes (a, b, c):

* *Location choices*: The firm must identify appropriate countries, regions, and cities to enter. Such location choices gradually shape the firm’s international footprint and geographic dispersion (e.g., some firms may choose to spread their operations widely across several countries while others may concentrate their operations in few countries). Such location choices can be potentially influenced by the other two axes, as a certain entry mode may limit the firm’s possible location choices (or vice versa).
* *Foreign entry modes*: The firm must identify appropriate foreign entry modes. Some of these modes are more effective for certain functions (e.g., sales, production, R&D) and each mode requires different time and resource commitments from the firm. Once again, this axis is interrelated with the other two, as it is possible that only some entry modes can be used in a particular country, given that market conditions and government regulations might prevent the firm from choosing certain entry modes.
* *Temporal aspects:* The third axis involves several time-related (temporal) decisions that reflect the dynamics of firm internationalization. These decisions include the pace of internationalization or put differently how quickly the firm will expand in the locations that it has identified. Another temporal dimension might be, the duration that a firm decides to stay in certain countries or for how long it engages in certain entry modes (e.g., entry modes). Once again, this axis might be interrelated with the other two given that a specific pace of internationalization might require specific entry modes.

 The above choices that a firm makes along these three axes (as well as their interactions) lead to several consequences. These consequences, as Figure 1 shows, may be felt at different levels (*managerial*, *organizational,* and *environmental*). At the managerial level, the choices that a firm makes along these axes can influence the intentions and motives of managers as well as their skills and personal connections. At the organizational level, the firm’s choices along the three axes may strengthen or weaken the firm’s resources and capabilities and result in the development of completely different resources and capabilities. Similarly, the firm’s choices may affect factors at the environmental level. We contend that the firm will not necessarily affect the external environment (although some very large multinationals might). Rather, we suggest that such choices determine the environments in which the firm will operate. For example, the firm’s location choices will directly determine what kind of institutions the firm faces (e.g., in terms of IP protection, political instability and so on) as well as various industry-specific factors (e.g., the knowledge pools available in an industry or regulatory prescriptions). Importantly, as Figure 1 shows, there are significant interactions (and often overlap) between these different levels, which means that certain factors from one level influence (or are influenced by) factors at a different level.

 Furthermore, many of the consequences presented in Figure 1 also serve as determinants for the next phase (i.e., the firm’s *de-internationalization*). Put differently, the way in which managers, organizations and environmental factors change will, in turn, determine how firms will subsequently behave during the de-internationalization stage. Such de-internationalization (represented by the box at the top right corner of Figure 1) involves the three axes (a, b and c) discussed earlier during the initial internationalization of the firm (namely, *location choices*, *foreign entry modes* and *temporal aspects*). Specifically, in terms of axis (a), the firm may decide to partially withdraw from some of the locations it previously entered or even fully exit all these locations (in the latter case, it will no longer be international). In terms of axis (b), various changes that occur at the managerial, organizational or environmental level can affect the firm’s decisions with respect to foreign entry modes. This might involve the firm deciding that it is more effective to stop using certain entry modes but maintain others (e.g., withdraw from direct investment but keep exporting their products). Finally, with respect to axis (c), de-internationalization also involves time-related decisions including how quickly the firm will exit from some markets and for how long it will stay out of these markets before attempting to enter again.

De-internationalization, and the firm’s associated decisions with respect to the three axes presented in Figure 1 lead to several consequences at different levels (*managerial*, *organizational,* and *environmental*) as discussed earlier, which can again serve as determinants for the next step (*re-internationalization*) that fully closes the first cycle. During its internationalization, the firm must make similar decisions along the three axes (a, b and c). It may for instance decide to enter entirely new locations or re-enter some of those markets that it exited in the past, while adopting entry modes that it used in the past or try news ones. Similarly, several time-related decisions including the pace of re-entry will have to be made. Collectively, these decisions will once again affect various factors at the managerial, organizational, and environmental level and subsequently lead to the next cycle of de- and re-internationalization.

**DIRECTIONS FOR FUTURE RESEARCH**

Based on the integrative framework presented in Figure 1, we have considered what it is that we do not know, or we cannot explain, and subsequently we have identified several dimensions and research questions that warrant further examination. These are noted in Table 4. Furthermore, we describe the merits of certain theories that can provide the basis for exploring those issues.

--- Insert Table 4 about here ---

**Acquiring and Accumulating Knowledge**

 Despite the importance of knowledge that firms accumulate, much remains unresolved in this area. First, at the organizational level, we know very little as to how exactly the decision of the MNE to de-internationalize affects different types of knowledge within the firm and how the usefulness of such internal knowledge is affected by different forms of de-internationalization that may vary in the a, b and c axes (location choices, entry modes and temporal effects).

Gaining a better understanding of different forms of knowledge accumulation and acquisition can be a further fruitful avenue for explaining why and how firms subsequently re-internationalize (and whether they perform well). As discussed earlier, while certain types of experience can enhance the likelihood of re-internationalization, others can have the opposite effect (Surdu et al., 2018; 2019; Surdu & Narula, 2020). Given that those often coexist within a firm, it is important to understand how they interact at different points in time and ultimately what the net effect is. These can incorporate knowledge and experience that help MNEs deal with changing foreign market conditions (Ozkan, 2020).

**Skills and Experience**

Beyond the organizational level, the above questions can be examined at a more disaggregated level given that knowledge accumulation occurs at both the firm and at the individual or managerial level (via *congenital learning*) (Huber, 1991; Dodgson, 1993). They can be examined not only in terms of knowledge but also in terms of how the skills and decisions of managers and employees are affected from de-internationalization (e.g., using human capital theory; Becker, 1964; Casson, 2005). In this regard, although a complete exit might make managers more hesitant for an extensive period, managers who experienced only a partial withdrawal might be able to overcome the negative influence of de-internationalization sooner. They may, therefore, start using such experience earlier and in more effective ways. Moreover, we currently know very little as to how the skills and experience of managers affects the way they handle and learn from failure associated with de-internationalization and how in turn this can affect re-internationalization. Finally, although the roles of managerial restructuring, decision making and attitudes have been acknowledged in the literature (Vissak & Francioni, 2013), how changes in the top management team can influence the decision to re-enter foreign markets has not been adequately investigated. All these questions should factor in the different dimensions of de- and re-internationalization (as summarized in Table 1).

**Formal and Informal Interorganizational Linkages**

 As organizational learning theory (Huber, 1991) suggests, firms learn through ‘*focused external search’* and by forming ‘*inter-organizational linkages’* with foreign partners (Hsieh et al., 2018; Kafouros et al., 2020; van Beers & Zand, 2014). Although the literature has acknowledged the benefits of such linkages, there is a need to understand how firms learn from foreign partners especially during the time-out period and what implications this can have for the ability of the firm to re-enter foreign markets and improve their post re-entry performance (Surdu et al., 2019; Surdu & Narula, 2020; Vissak et al., 2020).

 External linkages may complement internal knowledge if the skills accumulated from previous internationalization experience have depreciated or to even substitute relevant knowledge if this is completely unlearned. External linkages can also influence the likelihood of a firm exiting foreign markets, albeit not necessarily in a positive way e.g., not being able to choose the right collaborations can increase the likelihood of exiting foreign markets (Vissak et al., 2020). Future research should examine such issues and explore under what conditions such effects occur (e.g., depending on the firm’s international experience and resources).

 Firms can also learn by observing the strategies of other firms, or otherwise through ‘*vicarious learning’* (Huber, 1991). This can occur directly, through consultants, or by collecting information informally from suppliers or other networks. Future studies can examine whether informal knowledge sourcing (Love, Roper, & Vahter, 2014) can complement or substitute internal experiential knowledge, especially as such knowledge types can often prove more useful in relation to formal collaborations (Tsinopoulos et al., 2019).

**Organizational Practices and Decision Processes**

There are also significant gaps in our understanding when it comes to the behaviour of managers and to the way in which certain de- and re-internationalization decisions are taken. We do not fully understand how managers arrive at decisions that lead them to disengage or re-engage in international activities, or how such decisions and managerial intentions are affected by unsatisfactory firm performance. These and similar questions can be guided by the behavioural theory of the firm and the performance feedback literature (Cerrato, Alessandri, & Depperu, 2016; Iyer & Miller, 2008; Ruth, Iyer, & Sharp, 2013; Surdu et al., 2020).

Regarding managerial decision making, it is yet not clear whether such decisions and processes are systematic or purely arbitrary driven by instincts, institutionalized behaviours, or individual goals and intentions (Surdu et al., 2020). A formal decision model would call for clear delineation of alternative actions, assessment of risks and opportunity costs associated with each option, as well as expected returns and timing. Yet, there are ample examples in the business press of market exits and re-entries that can be characterized as capricious or whimsical rather than well-though out.

We know from the behavioural theory of the firm that some firms measure their performance in comparison to an aspiration level and if this falls below an acceptable level, even as a result of de-internationalization, managers might decide to respond by taking greater risks, such as re-expanding foreign activities, while ignoring previous problems (Cerrato et al., 2016; Iyer & Miller, 2008). This can also be a result of firms mimicking the behaviour of other competitors but also that of managers pursuing personal goals, as some managers can be eager to prove that de-internationalization was the result of external circumstances rather than ineffective decision making. Under such conditions, managers engage in a myopic search where real issues are ignored and preference is shown to familiar albeit less effective solutions (Surdu et al., 2020). How often this happens, and the importance of each factor remain unclear. For the case of market exit, when asked directly why their firm may be pulling out of a certain market, managers are likely to provide perfectly rational reasons. As an example, when questioned about why the company abandoned the Chinese market after only a few years, senior executives of Home Depot offered purely rational and reasonable justification. They rationalized the company’s exit from the Chinese market by arguing that the returns on its investment in the U.S. market is much more favourable than in China. Mid-level managers, and the business press, gave more honest explanations, mentioning numerous mishaps in execution.

Finally, future research should further investigate what kind of practices and processes are adopted at the organisational level, how these might lead to de- and re-internationalization and how they can be managed more effectively. Related questions can focus on the organizational practices that firms adopt to distribute information that has been collected from external sources, either across different units or even among units within the firm’s network (Kafouros et al., 2020). Future research can also investigate the role of organizational slack in internationalization. In a study of large Brazilian conglomerates, Carniero, Bamiatzi, & Cavusgil (2018) found that excess managerial capacity enabled these firms to escalate their international market portfolio.

**Post Exit and Re-Entry Performance**

 Although many studies have examined the determinants of de- and re-internationalization, they have neglected examining what drives firm performance after those events. It is particularly important to know what actually allows the subsequent success of those actions. Understanding why and how firms re-enter foreign markets without examining what determines the success of this process (e.g., prolonged presence after re-entry, increased profitability) can only provide an incomplete account of re-internationalization. For example, although market experience can increase the confidence of managers, this does not mean that the skills derived from that type of experience will be useful for the effective management of foreign operations. Organizational learning theory suggests that experience can create rigidities in decision making (Lane & Lubatkin, 1998) particularly when market environments change, which may result in a poor fit between strategy and external conditions (Surdu et al., 2019; Ozkan, 2020). Future studies should examine firm-level performance not only directly after the re-entry but also a few years after (Love et al., 2014). This will help us understand which factors matter more for the early stages after re-entry and which ones are more important for sustaining presence in foreign markets.

**Resources and Capabilities**

 Although the extant literature has examined how resources and capabilities in the firm affect de-internationalization, we still have a limited understanding of how their importance changes depending on the conditions (e.g., institutions, business systems) that are present in foreign markets (Kafouros & Aliyev, 2016) and the different cycles (de- and re-internationalization). In that respect, what type of external resources and capabilities complement internal ones (particularly under different market conditions) remains an important question. It also less well understood how the decision of the firm to de-internationalize affects the development of its resources and capabilities. Regarding re-internationalization, existing studies tend to ignore resources and capabilities that firms have added to their portfolio during the de-internationalization period (i.e., innovative capabilities developed internally, externally or in collaboration) and the role they play in determining re-internationalization and subsequent performance.

**Portfolio-Specific Issues**

 Considering the entire internationalization portfolio of MNEs (Kafouros et al., 2018) and/or using real options theory (ROT) can be another avenue for enhancing our understanding of why different forms of de- and re-internationalization take place. As certain investment decisions and location choices within the MNE depend on other investments and assets held in its portfolio (Kafouros et al., 2018; Elia, Kafouros, & Buckley, 2020), future research must consider such interdependencies. This approach may help us answer why and how managers reshuffle their portfolio of foreign activities, why they divest from subsidiaries in one country while invest in another, why they make specific location choices, and why they decide to rebalance production and/or innovative efforts across subsidiaries located in different countries (Chi et al., 2019; Kafouros, Buckley, & Clegg, 2012).

 We also need to understand how managers’ decision about reshuffling their portfolio of foreign activities is affected by certain phenomena, including different types of risk and uncertainty, the costs of reversing an existing decision and location-specific idiosyncrasies across markets. ROT can be a useful tool for investigating the interchange between flexibility and commitment under conditions of uncertainty (Chi et al., 2019). In that respect, future studies can consider how uncertainties that arise in certain markets because of institutional and market changes (e.g., IP regime, corruption rates, political stability, labour laws, market demand) affect market exit or re-entry; or how differences between countries across those dimensions affect MNE’s choices to rebalance foreign operations while attempting to arbitrage opportunities or reduce downside risk.

 Although such analyses can be complicated by the number of options available to firms at a certain point in time and from the uncertainties in play, they can yield a more comprehensive understanding of (1) how different types of uncertainty interact and (2) how the choices of MNE managers for reshuffling their portfolio of foreign activities is affected by firm-level specificities, managerial perceptions and differences among countries.

**Institutional Variations**

 How are de-internationalization and re-internationalization decisions influenced by the institutional variations in host (and home) markets and the firm’s ability to overcome such challenges or exploit potential opportunities? The location choices that firms make when they first internationalize (or re-internationalize) directly determine the institutional contexts in which they operate (or stop operating when they de-internationalize). Each country is characterized by specific types of institutions that differ in how developed they are, their nature and complexity (Cuervo-Cazurra, Gaur & Singh, 2019), and how distant they are from those in the home market. It has also been suggested that such institutional variations manifest themselves along the regulative, cognitive and normative pillars. The first is associated with the tension arising from the different laws, regulations, and rules. The second relates to the ethical and cultural variances. Finally, the third arises from the incongruent social obligations, taken for granted professional rules, and embedded practices (Alvesson & Spicer, 2019).

Such variations and the complexities associated with institutions and institutional reforms can have a profound impact on the decisions to de-internationalize and/or re-internationalize. Given that institutional changes may also lead to the re-distribution of economic rents and alter the competitive advantages of firms (Kafouros & Aliyev, 2016), it is worth examining how such institutional variations influence the effectiveness of re-internationalization and how they affect firm performance. Such considerations should also incorporate the role of institutional distance (Gaur & Lu, 2007) between home and host countries. For example, departures of developed country firms from emerging economies might be more likely the outcome of their limited ability to address cognitive and normative institutional complexities, rather than regulatory complexities.

**Industry Specificity and Technological Evolution**

Furthermore, future explanations should integrate the role of industry more effectively. Industries change in different ways and at a different pace, and are characterized by different technological evolution and opportunities. While the literature recognizes such variations, we still have a rather incomplete understanding how such industry-specific factors may influence the de- and re-internationalization decisions of the firm, or how in turn the decision of the firm to de- / re-internationalize might affect its performance depending on the industries in which the firm operates and the characteristics and evolution of such industries.

Past research (Dachs et al., 2019) has examined how new technologies alter the value of the location advantages that firms enjoyed in foreign markets (e.g., cheaper labour), or the value of internalizing activities, which lead to de-internationalization in the form of back-shoring of manufacturing activities that were either outsourced or carried out at foreign subsidiaries. Although we know that these technologies affect the decision of firms to bring manufacturing activities back to the home country, it is less clear how technologies can be effectively implemented and how they can improve a firm’s overall performance especially during the early stages of their adoption. Similarly, we know that the implementation of new processes must be complemented with organizational changes and with the hiring (or training) of employees (Caroli & Van Reenen, 2001).

Future studies can investigate how and under what conditions the back-shoring activities driven by the adoption of technological platforms can be effectively managed and when they lead to higher levels of efficiency, flexibility and performance. In addition to investigating exit-related conditions when investigating re-entry, it is important to distinguish between the initial motives for offshoring when examining the effect of adopting new technologies on back-shoring (Dachs et al., 2019). Although such technologies could increase the likelihood of back-shoring that took place to take advantage of cheaper labour, it might not matter if it occurred in order to take greater advantage of a large market.

 Furthermore, we know that many firms choose to enter and increase investment in certain countries to become more innovative by hiring star inventors and sourcing specialized knowledge (Kafouros et al., 2018) or by establishing strategic alliances quickly (Hashai et al., 2018). In other cases, certain investment decisions are driven by the need to balance exploration and exploitation (Mavroudi, Kesidou, & Pandza, 2020). What remains less clear is how de- and re-internationalization are affected by changes in what countries and industries have to offer in terms of knowledge and potential collaborations, and by how technologies evolve over time.

 Finally, most of the limitations in our understanding unsurprisingly pertain to factors operating at the level of the firm. However, cycles of de- and re-internationalization can also occur at the macroeconomic level and over extended periods of time. Examination of secular increases and declines in FDI and/or international trade at the country or regional level may provide an important backdrop to the firm-level strategic elements highlighted in the sections above, as well as insights into the macro-determinants and consequences of re-internationalization (e.g., Kondratieff waves or super-cycles). In addition, insights from business history on the time pattern of commercial activity can provide a longer-term perspective on cycles of activity at the level of the individual enterprise than is normally the case in IB research, potentially enriching our understanding of time-related dimensions of stopping and restarting different forms of international activities.

**Ownership and Governance**

 Should we expect a difference in the de- and re-internationalization behaviour of firms based on their ownership? This is currently a rather difficult question to answer. On one hand, agency theory and behavioural agency models suggest that some characteristics of family firms – such as limited managerial resources, fear of losing control and looking after the firm’s socio-emotional wealth – can make re-internationalization less likely. On the other hand, stewardship theory and social theory suggest that family firms can take advantage of social networks to gain access to additional information and receive assistance in their re-internationalization effort, but also built a culture that promotes autonomy, support and risk taking when it comes to long-term strategies such as re-internationalization (Arregle, Duran, Hitt, & Van Essen, 2017; D’Angelo, Majocchi, & Buck, 2016; Majocci, D’Angelo, Forlani, & Buck, 2018).

Along similar lines, it is often presumed that privately owned companies enjoy longer planning horizons and are better able to tolerate adverse foreign market circumstances. To the extent this assumption is valid, we can expect lower incidence of de-internationalization by family firms due to such adverse foreign market conditions as local rivalry or slow response from target customers. Empirical evidence suggests that family firms exhibit greater resilience when faced with challenging conditions (see, for example, Campopiano, De Massis and Kotlar, 2019). This may be due, among other things, to substantial capital reserves and self-financing. Their ambitions in internationalization may be of more long-term sustainment than short-term rents. It is also possible that underlying motivations of family firms might focus more on acquiring modest market niches than market dominance. These issues require considerable scholarly attention. The debate can also be expanded to include the question of why, or under what conditions some family firms are less likely to de-internationalize (or more likely to re-internationalize), than other family firms (e.g., D’Angelo et al., 2016; Majocci et al., 2018). Equally, there is a need to examine the role of corporate governance mechanisms more seriously and to go beyond ownership structure.

Some firms are also owned by government. Such firms may receive resources, assistance and preferential market intelligence from government (Wang, Kafouros, Yi, Hong, & Ganotakis, 2020). Along these lines, the relationship between government owned or affiliated firms and de- / re-internationalization can be rather interesting. Assistance that state-owned firms receive (Wang et al., 2012; 2020) can lead to direct or indirect (via increased competitiveness and productivity gains) foreign market access (Fernández-Méndeza, García-Canal, & Guillén, 2018; Luo & Bu, 2018). However, firms might occasionally be forced to depart from existing strategic objectives and exit or reduce their presence in some markets to attend to local priorities and serve political and social objectives (Rodrigues and Dieleman, 2018). Furthermore, although prior studies (e.g., Surdu et al., 2018) have focused on foreign market institutions, when it comes to state hybrids, attention should also be placed on home market institutions given that a less supportive environment can directly harm the re-internationalization effort of such firms and/or force them to abandon certain overseas investments (Rodrigues & Dieleman, 2018).

**CONCLUSION**

Increased levels of protectionism, pressures for de-globalization and the global pandemic have increased the importance of examining the determinants and consequences of de- and re-internationalization. These changes require firms to reconsider their global portfolio of activities, location choices, entry modes and collaborative agreements, while focusing their efforts on mitigating risks and minimizing how disruptions in global supply chains affect their operations and strategic advantages. Furthermore, managers have started contemplating whether re-focusing operations at a more regional level might help their firms respond to those challenges (Hill et al., 2021; Witt, 2019). However, such changes can have serious consequences and can compromise firm advantages that are highly dependent on cross-country operations. They might also present an opportunity for competitors to capture the positions relinquished by those firms with implications for their competitiveness and growth (Hitt et al., 2021).

Therefore, investigating the aspects of de- and re-internationalization identified in this study can help us advance theories of internationalization and offer valuable directions for managerial practise. The challenge now for international business scholars is to provide more compelling and complete explanations for the tendency of firms to dis-engage and re-engage in international activities. Equally, we need to enhance our understanding of the connections between the causes and effects of this repeated activity, which, in turn, should result in a more comprehensive internationalization theory. This endeavour will require input from multiple disciplinary traditions.

Undoubtedly, recent availability of large datasets about firms’ portfolio of activities and extending over multiple years provides unique opportunities to scholars for examining the cycles of such activity. Equally important are compelling narratives and insights from detailed qualitative analysis on the decision models, heuristics, and processes employed by managers in making de- and re-internationalization decisions. The research questions identified in this paper should be also considered in the light of the three dimensions of our theoretical framework (location choices, foreign entry modes and temporal aspects) and differences in the nature (partial or total, and voluntary or forced) of de- and re-internationalization. These variations as well as their interactions and interdependencies can affect the role of various factors or even change completely the answer to the same question.

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**TABLES**

**Table 1.** The different dimensions of de-internationalization

|  |  |  |
| --- | --- | --- |
| Full exit |   |   |
| Partial exit |   |   |
|  | Voluntary exit | Forced exit |

**Table 2**. What we know about the determinants of de-internationalization

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Study** | **Journal**  | **Main Theoretical Perspective** | **Level of Analysis**  | **Key Findings and Insights** |
| Belderbos & Zou (2009) | Journal of International Business Studies | Real Options Theory | Organizational / Environmental | Under conditions of macroeconomic uncertainty, subsidiaries that represent switch or growth options are less likely to be divested. However, the likelihood of divestment increases if a subsidiary carries out similar operations as other units in the host country, and when host country conditions are similar to those of other countries in which the MNE operates. |
| Bernini et al. (2016) | Journal of International Business Studies | Decision theory (performance feedback)/ RBV/ Gradual Internationalization | Organizational / Environmental | Growth in the domestic market increases the likelihood of exiting export markets, whereas growth in foreign markets reduces the likelihood of foreign market exit. When domestic market grows, less productive or smaller firms are more likely than larger and more productive enterprises to exit export markets. |
| Berry (2013) | Organization Science | Knowledge Based View | Organizational / Environmental | Subsidiaries with low levels of performance are more likely to be divested. In countries with low growth, policy stability, and exchange rate stability, lower unit performance leads to divestment regardless of its product relatedness with the MNE. In high growth countries, only low performing units with unrelated operations are more likely to be divested. In countries with high policy instability and exchange rate volatility, MNEs are likely to divest not only their poorly performing units but also their better performing ones.  |
| Chung et al. (2013) | Journal of World Business | Real Options Theory | Organizational / Environmental | MNEs with high levels of international diversification are less likely to divest a subsidiary in a country hit by crisis (and it is more likely to divest JVs). However, MNEs are more likely to divest WOS in countries that are not affected by a crisis, and where MNEs make a greater use of JVs.  |
| Dachs et al. (2019) | Journal of World Business | Dunning’s Eclectic Framework (OLI)  | Organizational | The adoption of Industry 4.0 technologies increases the likelihood of back-shoring. Suppliers that follow their customers abroad are less likely to engage in back-shoring even when external factors change (e.g., wages and cost of materials). |
| Demirbag et al. (2011) | Journal of World Business | Institutional Perspectives / Transaction Cost Economics | Organizational / Environmental | The economic freedom distance between home and host countries reduces the chances of subsidiary survival.  |
| Gaur & Lu (2007) | Journal of Management | Institutional Perspectives / Organizational Learning theory | Organizational / Environmental | The survival rates of foreign units increase at low to medium levels of institutional distance and then decrease at high levels of institutional distance. Their likelihood of survival is higher when foreign subsidiaries are wholly owned and operate in countries where regulative distance is larger. The survival of JVs is higher when their foreign parents have higher levels of equity ownership in countries where normative distance is higher. Experience in the host country reduces the chances of subsidiary survival, but the effect lessens when foreign parents have higher ownership positions in the subsidiaries. |
| Gaur et al. (2019) | Journal of International Business Studies | Internalization theory / Institutional Perspectives | Organizational / Environmental | Higher levels of inter-subsidiary sales and expatriate allocation to a subsidiary enhance the likelihood of subsidiary survival in weak rather than strong institutional environments. The relationships between inter-subsidiary sales, allocation of expatriates and subsidiary survival is further enhanced by business group affiliation. The effect of business group affiliation itself changes according to the host country institutional development, and on the size and diversification of the business group. |
| Kim et al. (2010) | Journal of Economic Geography | Organizational Learning Theory | Organizational | Learning from industry peers from the same country reduces the chances of foreign market exit. Experiential knowledge in the same industry and country reduces the likelihood of foreign market exit. However, experiential knowledge outside the industry in the same country increases the likelihood of foreign market exit. Learning from industry peers is more beneficial when a firm has low levels of prior experiential experience in the same industry in that country and high levels of experience outside the industry.  |
| Kolev (2016) | British Journal of Management  | Behavioural Theory of the Firm/ Portfolio Theory | Organizational / Environmental | The likelihood of divestment is influenced by prior divestment experience, ﬁrm diversiﬁcation, size and poor subsidiary performance. |
| Konara & Ganotakis (2020) | Journal of Business Research | Divestment Theory and RBV | Organizational / Environmental | Foreign subsidiaries that have developed product or organizational innovations or are characterised by a highly skilled workforce are less likely to be divested. Subsidiaries with exporting activities are more likely to be divested to foreign MNEs, whereas those that concentrate on the local market to local firms. Divestments increase during a financial crisis.  |
| Lee et al. (2019) | Journal of World Business | Resource Dependence Theory | Organizational | Having a wider mandate portfolio compared to other subsidiaries within an MNE improves the likelihood of not being divested. This effect weakens when there is an overlap between the portfolio of a subsidiary with other units within the MNE network. A subsidiary that has a mandate portfolio which is part of an MNE's global value chain activities is less likely to be divested. |
| Love & Manez (2019) | International Business Review | Organizational Learning Theory | Organizational / Environmental | The length of exporting experience from the current export episode reduces the chances of exit as does the cumulative amount of experience derived from the current but also prior export episodes. However, and especially for SMEs, as the number of prior exporting episodes increases, and hence the more often the accumulation of knowledge is disrupted, the likelihood of exit increases.  |
| Mata & Portugal (2000)  | Strategic Management Journal | Theory of the Multinational Corporation / Transaction Costs Economics | Organizational | A highly educated workforce reduces the chances that a subsidiary will be divested (sold) or closed. Subsidiaries that result from greenfield investments are more likely to be closed in relation to acquisitions but less likely to be sold. Majority JVs and WOSs are less likely to be closed in relation to minority holdings. Regarding the chances of sale, this is greater for WOSs in relation to majority JVs. |
| Nummela et al. (2016) | International Small Business Journal | It has not adopted a specific theory | Organizational / Environmental | For the case of International New Ventures, rapid internationalization can in some instances lead to (rapid) de-internationalization. Unwarranted managerial confidence and inexperience can lead to foreign market exit.  |
| Schmid & Morschett (2020) | International Business Review | RBV / KBV / Organizational Learning Theory / Transaction Cost Economics | Organizational / Environmental | Foreign market exit via divestment is mainly affected by an MNEs innovative and marketing capabilities, level of international experience, performance and mode of entry. |
| Sousa & Tan (2015) | Journal of International Marketing  | Fit Theory | Organizational / Environmental | A subsidiary’s international performance and the strategic fit between a subsidiary and the headquarters improve the likelihood of the subsidiary not been divested. However, if MNEs have subsidiaries in culturally distanced countries the effect of the strategic fit on the chances of survival weakens.  |
| Tan & Sousa (2019) | Management International Review | RBV / Organizational Learning Theory | Organizational | High subsidiary performance reduces foreign market exit. The relationship holds especially when firms have introduced low levels of incremental innovation or high levels of radical and when low levels of incremental innovation are accompanied by considerable international experience.  |
| Vissak & Francioni (2013) | International Business Review | It has not adopted a specific theory but the Uppsala model and the 'born-global' are mentioned. | Organizational / Environmental | Foreign market exit occurs due to low levels of readiness, that translates into inability to understand foreign market conditions and customers' preferences. It can also take place due to unfavourable changes in the external environment. |
| Vissak et al. (2020) | International Business Review | Network approach / Organizational Learning Theory | Managerial / Organizational | Foreign market exits are caused by the firm's inability to understand foreign market conditions and customer needs but also because of issues that arise with foreign partners.  |
| Yayla et al. (2018) | International Business Review | RBV | Organizational / Environmental | Market-oriented firms are characterised with a greater degree of flexibility in their market exit decisions compared to less market-oriented organizations. Host market relational capital reduces the likelihood of foreign market exit under conditions of political conflict. |

**Table 3.** What we know about the determinants of re-internationalization

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Study** | **Journal**  | **Main Theoretical Perspective** | **Level of Analysis**  | **Key findings and insights** |
| Aguzzoli et al. (2021) | British Journal of Management | Organizational Learning Theory | Organizational / Environmental | Firms learn from failure and this can be beneficial for re-entry, but learning from failure can also generate unwarranted overconfidence. Managers might believe that the firm possesses the resources and knowledge required for a successful re-entry. Apart from local partners, firms also partner with established foreign firms to overcome institutional voids. |
| Bernini et al. (2016) | Journal of International Business Studies | Decision Theory and Performance Feedback) / RBV / Gradual Internationalization | Organizational / Environmental | For the case of sporadic exporters, the probability of exit also influences that of re-entry (firms with a lower likelihood to exit have higher to re-enter). Productivity aids re-entry. Domestic and foreign market conditions at exit matter more than those close to re-entry. Exiting when the domestic market is growing increases the likelihood of re-entry while exiting when foreign markets are growing reduces the likelihood of re-entry.  |
| Chen et al. (2019) | Journal of World Business | Decision Theory | Organizational | Firms with a lower likelihood of exit have higher chances of re-entry. Firms with higher levels of export performance at exit are less likely to re-enter (but if they re-enter, they enjoy higher levels of post re-entry export performance). A previous exporting presence allows firms to have a higher trade-off value between price and quality. A lengthier time out period however moderates all those relationships in a negative way.  |
| Figueira-de-Lemos & Hadjikhani (2014) | Journal of World Business | Uppsala model | Organizational / Environmental | If a firm exited due to an unstable market environment, improvements in environmental conditions can lead to foreign market re-entry. Keeping in contact with foreign partners, even from a distance, can lead to quicker re-entry, whereas a mismatch of knowledge and commitment delays re-entry. |
| Freeman et al. (2013) | International Marketing Review | Born-global approach | Managerial / Organizational | There is a strong association between the de- and re-internationalization activities with experience gained in one activity affecting the other. When market pressures improve, born-global firms re-enter foreign markets to strategically re-structure their international assets. External networks play an important role in the ability of born-global firms to achieve re-entry. |
| Dominguez & Mayrhofer (2017) | International Business Review | Uppsala model and the born-global approach | Organizational  | The study identified five stages of internationalization; initial entry, increasing internationalization, de-internationalization, re-internationalization and internationalization yet again. Prominent internal factors (new management, international experience, understanding of foreign market conditions and demand) and external factors (networks, competition, loss of competitiveness, growing market demand) for each stage were identified.  |
| Javalgi et al. (2011) | International Business Review | Various theoretical perspectives (e.g., rational action theory, and real options theory) | Organizational | The timing of market re-entry depends on government policies and the adoption of corrective strategies. The scope of market re-entry depends on the timing of re-entry, as well as country and firm-specific factors. The mode of re-entry depends on the country being re-entered and the scope of re-entry. |
| Surdu & Narula (2020) | Journal of International Management  | Organizational Learning Theory | Organizational | Learning from negative experiences, including the exit, reduces the time it takes to re-enter foreign markets. Certain behaviours developed because of market specific experience are not always beneficial for re-entry. Firms can still enhance the speed of re-entry by unlearning those behaviours. EMNEs are better equipped to deal with institutionally unstable host environments. |
| Surdu et al. (2018) | Journal of World Business | Organizational Learning Theory / Institutional Perspectives | Organizational / Environmental | The extent of market specific experience delays re-entry but is more useful when MNEs exit markets characterised by low levels of institutional ambiguity. Experience accumulated with modes of internationalization at the opposite sides of the resource intensity spectrum delays re-entry. Poor performance may act as an incentive for re-entry. |
| Surdu et al. (2019) | Journal of International Business Studies | Organizational Learning Theory / Institutional Perspectives | Organizational / Environmental | The length of host market experience does not lead to a change in the mode of internationalization used at exit and then at re-entry. Exit due to unsatisfactory performance in the host market increases the chances that firms will use the same mode of internationalization upon re-entry as they did prior to exit. Exit due to strategic reasons reduces the chances that firms will move to a more resource intensive mode of internationalization. Favourable changes in foreign countries’ institutional environment increase the likelihood that firms will use a more resource intensive mode of internationalization.  |
| Vissak & Francioni (2013) | International Business Review | None applied (Uppsala model and the 'born-global' approach mentioned) | Organizational / Environmental | A firm’s re-entry decision is influenced by the perceptions that managers have about the importance of a target market and by the changes in the foreign business environment. The decision is also affected by the level of customer interest and by whether firms receive unsolicited export orders. |
| Vissak et al. (2020) | International Business Review | Network Approach / Organizational Learning Theory | Managerial / Organizational | Managers use their prior internal and external internationalization experience to re-enter. However, learning from failure is more beneficial for a successful re-entry compared to learning from success. Certain factors (e.g. unsolicited export orders) play a more important role in the decision to re-enter, rather than analyzing a situation and taking deliberate actions.  |
| Welch & Welch (2009) | International Business Review | None applied (Uppsala model mentioned) | Organizational | Re-entry is influenced by a firm's existing heritage (i.e., prior internationalization experience and networks), by how this heritage changes over time and by managerial attitudes towards re-entry. |
| Yayla et al. (2018) | International Business Review | RBV | Organizational / Environmental | Under post-turbulent market conditions, a firm’s relational capital plays an important role in enhancing the chances of re-entry. |

**Table 4.**  Suggestions for Future Research

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Issue** | **Level** | **Cycle** | **Recommendations and potential research questions (examples)** | **Relevant theories** |
| Knowledge accumulation  | Organizational  | De-internationalization  | - How does de-internationalization affect different types of knowledge within the MNE? | Organizational Learning Theory; Knowledge Based View |
| - How do different forms of de-internationalization (in terms of location choices, entry modes and temporal effects) affect the MNE's internal knowledge?  |
| - How does loss of knowledge from de-internationalization affect the performance of the MNE?  |
| Re-internationalization  | - What types of knowledge help the MNE re-internationalize (and perform well in foreign markets)?  |
| Skills and experience  | Managerial  | De-internationalization  | - How does de-internationalization affect the skills and experience of managers? | Human Capital Theory; Organizational Learning Theory; Knowledge Based View |
|  | - What types of managerial skills and experience help managers handle and learn from the failure associated with de-internationalization? |
| Re-internationalization  | - How do changes in the top management team (or in their skills) influence the decision to re-enter foreign markets?  |
| Inter-organizational linkages | Organizational  | De-internationalization  | - Why do certain types of collaborations and linkages increase the likelihood of de-internationalization, while other types decrease it?  | Resource Based View; Dynamic Capabilities; Organizational Learning Theory |
| Re-internationalization  | - How do certain types of collaborations and inter-organizational linkages (as well as learning and resources obtained from these) help the firm to re-internationalize?  |
| - How does different types of learning, external search and resources associated with inter-organizational linkages affect the performance of the firm after re-internationalizing?  |
| Organizational practices and decision processes | Managerial  | Both de- and re-internationalization | - How do managers arrive at decisions that lead them to disengage or re-engage in international activities? How systematic are such decision-making processes?  | Behavioural theory of the firm; Human Capital Theory; Organizational Learning Theory |
|  | - How such decisions and managerial intentions are affected by lower levels of firm performance?  |
| Organizational | - What kind of practices and processes are adopted at the organisational level? How do these lead to de- and re-internationalization and how can they be managed more effectively? |
| Post exit and re-entry performance | Organizational | De-internationalization  | - How does de-internationalization (and its different dimensions) affect firm performance? | Resource Based View; Dynamic Capabilities |
|   |   | Re-internationalization  | - How does re-internationalization (and its different dimensions) affect firm performance? |
| Resources and capabilities | Organizational | Both de- and re-internationalization | - How is the role of resources and capabilities (and their interactions) affected by external conditions and during the different cycles of de- and re-internationalization? | Resource Based View; Dynamic Capabilities |
|  | - How does the decision of the firm to de-internationalize affect the development of its resources and capabilities? |
|   | What kind of resources and capabilities are acquired or developed during the time-out period?  |
| Portfolio-specific issues | Organizational and environmental | Both de- and re-internationalization | - How does the entire internationalization portfolio of the firm influence different forms of de- and re-internationalization?  | Real options theory; Dynamic capabilities; Behavioural theory of the firm |
| - How do firms manage the uncertainty and risks associated with certain location choices and entry modes, and how these in turn affect de- and re-internationalization?  |
| - Why and how firms reshuffle their portfolio of foreign activities? How do they balance the trade-offs involved in such decisions?  |
| Institutional variations | Organizational and environmental | Both de- and re-internationalization | - How are de-internationalization and re-internationalization decisions influenced by institutional variations (and distance) in host markets? | Institutional economics and institutional theories  |
| - What is the role of the firm’s ability to overcome such challenges or exploit potential opportunities? |
| - Do firms from different institutional or industry environments differ in how they manage de- and re-internationalizations? |
| Industry specificity and technological evolution  | Organizational and environmental | Both de- and re-internationalization | - How do technological evolution and opportunities in different industries affect the firm's decision to de- or re-internationalize? | Evolutional theory; Industrial organization economics; OLI |
| - How does the decision of the firm to de- / re-internationalize affect its performance depending on the industries in which the firm operates and the characteristics and evolution of such industries? |
| Ownership and governance  | Organizational and environmental | Both de- and re-internationalization | - How do the answers to some of the above questions differ across family and non-family firms?  | Institutional economics and institutional theories; agency theories |
| - How do the answers to some of the above questions differ across state-owned and private firms? |

**De-internationalization**

b) Partial or full withdrawal from certain entry modes

a) Partial or full withdrawal from prior locations

**Consequences / Determinants**

**A) Managerial**

* Managerial perceptions, motives and strategic goals
* Entrepreneurial behaviour and orientation
* Personal connections and skills
* Managerial responses to positive/negative performance feedback

**B) Organizational**

* Advantages (assets and capabilities)
* Performance (profitability and growth)
* Learning, experience and knowledge
* Innovation (new products and services)
* Inter-firm linkages and collaborations
* Entire portfolio of activities
* Governance and ownership

**C) Environmental (industry and institutions)**

* Industry dynamism, demand, needs and other characteristics
* Location specific knowledge and resources
* Technological evolution and opportunities
* Regulations and policies, IP protection, political stability
* Different types of uncertainty and risks
* Culture, cultural distance and frictions

b) Foreign entry modes

**(Initial) Internationalization**

a) Location choices

c) Temporal

aspects

c) Temporal aspects

**Consequences / Determinants**

**A) Managerial**

* Managerial perceptions, motives and strategic goals
* Entrepreneurial behaviour and orientation
* Personal connections and skills
* Managerial responses to positive/negative performance feedback

**B) Organizational**

* Advantages (assets and capabilities)
* Performance (profitability and growth)
* Learning, experience and knowledge
* Innovation (new products and services)
* Inter-firm linkages and collaborations
* Entire portfolio of activities
* Governance and ownership

**C) Environmental (industry and institutions)**

* Industry dynamism, demand, needs and other characteristics
* Location specific knowledge and resources
* Technological evolution and opportunities
* Regulations and policies, IP protection, political stability
* Different types of uncertainty and risks
* Culture, cultural distance and frictions

b) New foreign entry modes or re-initiation of prior ones

a) New location choices or re-entry in prior locations

c) Temporal aspects

**Re-internationalization**

**Figure 1** – A conceptualization of de- and re-internationalization cycles of the firm

1. For a review of the factors that lead specifically to divestment of foreign subsidiaries, please see Schmid and Morschett (2020) as well as Ozkan (2020). [↑](#footnote-ref-1)
2. Scepticism towards globalization usually arises when a segment of a country’s population experiences adverse consequences linked to free trade and/or the actions of MNEs (e.g., lower local production and wages, and job losses due to increased foreign competition and the offshoring of various functions; Cuervo-Cazurra et al., 2020; Witt, 2019). [↑](#footnote-ref-2)
3. On the other hand, an exit that is part of a wider strategic restructuring process does not leave such a stigma (Nummela et al., 2016; Surdu et al., 2019). [↑](#footnote-ref-3)