Re-internationalisation: Exploration and conceptualisation

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1. Introduction

Over the past four decades, internationalisation has grown as a distinct area in international business research—often associated with what has been described as the internationalisation process school and, more recently, the emerging field of international entrepreneurship (Bell, McNaughton, Young, & Crick, 2003; Johanson & Vahlne, 1990; Johanson & Vahlne, 2006; Jones & Coviello, 2005; Westhead, Wright, & Ucbasaran, 2001). The overwhelming focus of research—and likewise of policymakers and government trade facilitation agencies (e.g., Korhonen, Luostarinen, & Welch, 1996)—has been on internationalisation as an outward process from countries (Crick, 2002; Fletcher, 2001; Welch & Luostarinen, 1988). Key drivers and patterns of this outward movement—such as psychic distance (e.g., Brewer, 2007; Ellis, 2007) and experiential knowledge (Blomstermo & Sharma, 2003; Lindstrand, Eriksson, & Sharma, 2009)—continue to dominate the research agenda.

In contrast, there has been only limited research on inward processes and their connection to outward operations, and on de-internationalisation activity (Benito & Welch, 1997; Holmlund, Kock, & Vanyushyn, 2007; Korhonen et al., 1996; Pauwels & MatthysSENS, 1999). In the latter case, this is despite widespread research showing a high drop-out rate from international operations, particularly by those companies in the early stages of internationalisation and among small firms (Bonacorsi, 1992). Recent evidence indicates that international new ventures (or so-called born globals) may have a higher failure rate than companies pursuing more conservative international development paths (Mudambi & Zahra, 2007).

Even less is known about the process surrounding the re-engagement in international operations by firms which have previously exited—what has been termed re-internationalisation (Luostarinen, 1979; Luostarinen & Welch, 1990). A search
on the term ‘re-internationalisation’ in key international business journals uncovered no article devoted to the topic. Yet given the extent of de-internationalisation shown in various studies, and of some firms displaying serial international exit and re-entry behaviour, it cannot be discounted that there are many in the category of former international operators within general studies of “newly internationalising” companies (Bonaccorsi, 1992). Unless researchers have sought out this sub-category in their questionnaires, there is no way of knowing whether re-internationalisers were involved, and, if so, how many, and whether they behaved differently from other companies. In some studies, re-internationalisers have been recognised as part of the sample of exporting or non-exporting firms examined, but they were not treated as a specific category for research purposes (Burton & Schlegelmilch, 1987). This neglect stands in contrast to general entrepreneurship research, where there has been recognition of the need for the separate study of serial or habitual entrepreneurs who move in and out of business undertakings (Westhead, Ucbasaran, & Wright, 2005; Wright, Robbie, & Ennew, 1997). In Dutch research, so-called ‘renascent entrepreneurs’ – entrepreneurs that have restarted operations subsequent to termination – were found to be a ‘pervasive phenomenon’ (Stam et al., 2006).

Because of the paucity of research on re-internationalisation, despite indications that it may not be an uncommon occurrence, it would seem to be appropriate to consider the nature of the process and whether differences might be expected in the way companies deal with internationalisation as a result of their former experience. In this article, we therefore explore the nature of re-internationalisation, arguing that the term covers a range of different pathways for firms. We proceed by offering a definition of re-internationalisation. We then conceptualise re-internationalisation as a process comprising initial international experience, exit, time-out without any international involvement and eventual re-entry. We examine each stage in turn, considering the range of possible experiences at each stage which we argue influences whether, in what form and how successfully a firm then re-enters international markets. We conclude that re-internationalisation is a multi-faceted process, with a high degree of diversity in the way companies withdraw from international activity and approach re-entry. Key drivers of international re-entry are found to be the assets and liabilities that are generated by international activity prior to exit, the outcome of the processes of exit, time-out and attempted re-entry, and the array of new, internationally relevant influences that come to bear on a company’s situation during the period beyond exit. We argue that ‘history matters’ (Jones & Khanna, 2006, p. 453), and that re-internationalisers should be treated as a distinct group, whose experiences distinguish them from first time international entrants.

2. Defining re-internationalisation

Re-internationalisation – a term which, to our knowledge, was first used by Luostarinen (1979, pp. 118, 201) – can be defined as withdrawal from inward and outward international operations by a company before subsequent international re-entry. In essence, the ‘act’ of re-internationalisation is more appropriately conceptualised as a process involving a period of international business activity, then exit from international operations, followed by a time-out period of some duration, then a process of international re-entry, concluding with successfully renewed international operations.

While the above definition of re-internationalisation is relatively straightforward, its application in practice poses a number of problems, most notably: what constitutes international operations, what constitutes withdrawal and how should inward international activity be treated? Withdrawal may be partial in that a company might cease international sales but its domestic business activity could well include imports, thereby maintaining international involvement. It has been shown that such inward-oriented international activity, with maintained foreign networks, visits and the like, could form a useful springboard to renewed international sales (Freeman, 2007). However, it might entail only contact with a local importer and effectively be devoid of international involvement beyond that.

Similarly, the time-out period from international operations is not clearcut. In practice, it is difficult to set a specific period of withdrawal from international activity after which re-entry can be deemed re-internationalisation. Some firms engage in sporadic exports for extended periods, filling international orders as they come in but there may be considerable periods of time between each order. Such cases would not be regarded as firms that have exited given that they are fully prepared to respond to the international orders as and when they arise. In this sense, a more appropriate yardstick of international exit might be that of psychological disengagement or a change in strategy that includes international withdrawal. Nevertheless, there are examples of firms that undertake wholesale strategic withdrawal from international operations to concentrate on the domestic market, but maintain very limited forms of international activity, representing such a miniscule share of company activity that they could be deemed to have effectively exited (Boreham, 2000; Merrett, 2002).

Thus, there are likely to be many cases in practice that fall just outside complete withdrawal, so our definition allows for partial as well as full withdrawal. Our focus will be on the latter, although we also refer to cases of partial withdrawal given that they too provide insights into the re-internationalisation process. While the main focus in this article is on re-internationalisation in the form of international sales, as in the bulk of the internationalisation and international entrepreneurship literature, we recognise the role of inward international activity as potentially a key part of companies’ international development—including international re-entry.

The definition of re-internationalisation that we propose in this article is confined to the organisational rather than individual level of analysis. In other words, it considers companies that have withdrawn from international operations but maintain domestic business activity before re-engaging in international market activity—shown as path C in Fig. 1.
Nevertheless, we recognise the important role of individual entrepreneurs as part of the general re-internationalisation scene. They may sell a company after ceasing international operations, or cease operations altogether, but subsequently re-start international business activity as part of new company formations (paths A and D in Fig. 1). As such, they provide further insights into the processes and drivers of re-internationalisation, and are an important group when considering international start-ups as they are responsible for both international exit and re-entry, albeit in an altered form, but carrying with them a range of international experiences. Path B is a further avenue to re-internationalisation in which presumably some of the effects of the former international involvement will have been retained within the company despite any loss of international experience associated with the change of ownership. Of course, the new owners may be responsible for a change in approach to international involvement, constituting the trigger for re-entry.

3. Re-internationalisers and the process of re-internationalisation

The limited empirical research on the topic indicates that companies which have withdrawn from international involvement constitute a large group, and within this group, a significant number have intentions of re-starting international sales, some even continuing various forms of foreign marketing—for example, promotion activities and foreign network maintenance (Freeman, 2007). In a study of discontinued exporters among small and medium-sized enterprises (SMEs) in the UK clothing and electronics sectors, Crick (2002, 2003, 2004) found a distinct, significant group that were planning to return to export operations (61.8%)—as compared to another group with no intention of restarting exporting. An earlier study of a small group of Australian non-exporters found those planning to re-internationalise made up 43% of the total (Welch & Wiedersheim-Paul, 1980). Whether, how, when and how many firms move from intention to implementation of a re-internationalisation interest are questions that cannot be answered from existing empirical research. However, what we can say is that re-internationalising firms are distinguished from new international entrants because of their previous experience of international operations—whether positive or negative. In their early but brief discussion about re-internationalisation, Luostarinen and Welch (1990) stressed the positive learning effects that can result from prior internationalisation, but in this paper we go beyond this assumption and consider the potential negativities resulting from a prior history.

The main elements comprising this process, as we conceptualise it, are presented in Fig. 2. In the absence of empirical research on the topic, we develop a process model of re-internationalisation based on what is known about the internationalisation process generally. In their seminal articles, Johanson and Vahlne (1977, 1990) argue internationalisation is driven by the interplay between market knowledge and commitment of resources to foreign markets. Accordingly, we seek to understand each stage in the re-internationalisation process by applying the same concepts that we know from existing research to be core drivers of internationalisation: knowledge and experience, networks, attitudes, resource commitment and market activities. Where relevant, we also draw on research into serial entrepreneurs and de-internationalisation. As Van de Ven (2007, p. 148) clarifies, the aim of a process model is to explain ‘how a sequence of events leads to some outcome’—in this case, the outcome being the re-internationalisation effort.

3.1. Initial international experience

The prior international experience of a re-internationaliser leaves it with an international heritage (Fig. 2): the intangible dimensions that remain despite tangible resources and physical presence having been withdrawn. The firm’s experiential knowledge, international networks, managerial skills and attitudes to internationalisation can be considered to make up its
international heritage. This heritage is shaped by the nature of its initial international experience (Fig. 2). While re-internationalisers have in common their previous international experience, this is bound to vary widely, and it might have included multiple exits and re-entries. For example, Bonaccorsi (1992) reported multiple, serial export entry and exit behaviour among Italian small firms. Previous involvement may have ranged from long and extensive international activity, as measured by duration, geographic spread (the number of foreign markets entered) and resource commitment to foreign markets (the type of operation modes employed), to short and limited foreign intrusion—such as when early exporters quickly drop out after minimal foreign sales (Welch & Wiedersheim-Paul, 1980). For those firms with limited international involvement before exit, experience may be very limited, with little accumulation of the experiential assets that might serve ultimate re-entry. Depth of experience has been shown to be important in developing an international orientation in managers—requiring more involvement, such as actual direct participation in foreign market activities, particularly through means such as expatriate assignments (Roth, 1995).

The international heritage of the firm will be affected not just by the nature of its experience abroad, but also by the way its key decision-makers process and interpret their experience. Even failed outcomes in foreign markets can potentially produce positive learning benefits: learning-by-doing can also include learning-by-making mistakes, such as learning about inappropriate foreign market approaches and, in the process, how things might be done differently. As a result of this learning process, it may be that when the firm re-internationalises, it succeeds in ‘avoiding the crucial mistakes of earlier efforts’ (Luostarinen & Welch, 1990, p. 250). For example, the Norwegian company SEEM Audio tried unsuccessfully to enter the Italian market for two years and then withdrew from the attempt. However, the company retained a positive perspective about the market, and planned to re-enter: ‘it is a good market, now we know, at least, what not to do, so hopefully next time around we will do better’ (Maehlum, 1996, p. 59). A similar comment emerged in a study of discontinued UK exporters: ‘I learnt the hard way and you can be sure I won’t be making the same mistake again . . . I’ll be more careful to check out who I’m dealing with next time’ (Crick, 2004, p. 573). This is in line with emerging research pointing to the way that many entrepreneurs are able to learn from ostensible failure in a positive way, supporting a return to entrepreneurial activity in the future (Schutjens & Stam, 2006).

McGrath (1999, p. 28) has argued that ‘one reason why failure offers benefits is because it is often easier to pinpoint why a failure has occurred than to explain a success’. For example, the Hong Kong retailer, Lane Crawford, withdrew from its operations in China at the beginning of 2007 after seven years of involvement. It had originally entered via the establishment of franchised luxury department stores in three Chinese cities: Shanghai, Hangzhou and Harbin. This exit was to be quickly followed by re-entry in October, 2007 in Beijing. In contrast to its first venture, Lane Crawford planned to own and operate the new luxury department store—‘giving the company greater control over staffing, brand management and expansions than previously’ (Kwong, 2007, p. 35). Lane Crawford’s owner emphasised the importance of being able to directly manage sales staff and training, a lesson learned from its preceding experience of operations in China, resulting in a determination to change the mode of operation and ensure greater control.

However, the connection between former international experience, its outcomes, and types of learning, and the link between organizational memory and individual perceptions, are not straightforward, so that it is difficult to anticipate a priori what specific lessons will be taken out of former international activity. Organizational learning theorists warn about the seemingly aberrant learning outcomes from experience that can develop within companies. For example, Levinthal and March (1993, p. 110) point to the possibility of failure myopia, whereby ‘organizational learning oversamples successes and undersamples failures. Any learning process tends to eliminate failures, and this tendency is accentuated by the way learning produces confidence and confidence produces favourable anticipations and interpretations of outcomes’. Cognitive biases that generate overconfidence have been noted in the entrepreneurship literature, affecting how managers behave and
respond to events and new information, leading to selective, limited focus in the learning process. This tendency appears to be stronger for owner-managers (Forbes, 2005). Thus, the realities of the foreign problems encountered by a company may be overlooked and an undue confidence in the ability to use the lessons learned in renewed international involvement. This may in part explain the seemingly high proportion of discontinued exporters that are interested in re-starting international activity (Crick, 2004).

Similarly, Levitt and March (1988) use the concept of ‘superstitious learning’ to refer to the misunderstandings that arise as outcomes from organizational action unfold, and as the link between actions and outcomes become distorted for decision-makers. They point out that learning can be a difficult process in the face of confusing experience. Individuals or specific, unusual events may be readily blamed for the original withdrawal outcome. In a general sense, therefore, it is difficult to predict the exact nature of the learning content derived from international experience, even though it would appear logical to presume that a range of useful benefits, in spite of withdrawal, should have been established. Entrepreneurship researchers have similarly stressed the potential learning liabilities that may be derived from preceding entrepreneurial endeavours when undertaking new ventures (Westhead et al., 2005). Besides, the learning effects of prior international activity primarily reside with the individuals involved in the earlier venture, so they could be quite dispersed. A key consideration is whether these people have been retained by the company in the interim. In a general sense, whatever the learning outcomes from the original international activity, organizational amnesia may mean that much is lost or relatively inaccessible when required for international re-entry (Pollitt, 2000).

Thus, the conclusions drawn and attitudes developed from international experience may not be positive or useful, and in fact there may be considerable variation among exiting firms. Empirical research indicates that, for many entrepreneurs, the international experience is viewed in such a negative light that the prospect of re-entry is firmly dismissive (Cannon, 1979; Crick, 2002, 2004). They can point to a range of problems – physical delivery, disagreements with intermediaries, foreign competition, and the like – that led to poor export sales and made the venture a costly, unprofitable exercise, deemed to be not worth the trouble (Cannon, 1979). In such circumstances, it is likely that risk consciousness will have been raised, and a more risk averse approach to future international ventures engendered (Benito & Welch, 1994).

Overall, preceding international activity can be useful to a firm’s resumed international operations, even with an intervening period of non-involvement. However, the type of international experience, its attitudinal legacy, and expectations developed, matter (Hadjikhani & Johanson, 2002). As well, an important consideration is the relevance of the retained knowledge to any new international re-entry situation. The greater the difference that the re-entry situation represents – in aspects such as country, culture, line of business, and networks – the less useful the preceding experience will be. For example, the Norwegian company Moelven Industrier, despite considerable experience in other international markets, saw Russia as being so different that entry into this market was almost like starting international operations afresh (Karlsen, Silseth, Benito, & Welch, 2003; see also Meyer & Gelbuda, 2006). Nevertheless, Swedish research has shown that international experience generates useful knowledge of a more general nature—‘both business knowledge and institutional knowledge [that] is not related to specific country markets. It is firm-specific experience relevant to all markets’ (Eriksson, Johanson, Majkgård, & Sharma, 1997, p. 352).

### 3.2. Exit process

It is not just the international heritage gained and lessons learned while the prior international activity is underway that may be important for ultimate re-entry: the type of experience involved in the withdrawal process itself can also influence how internationalisation is judged, how much of the firm’s international heritage is retained and the likelihood of re-entry (Fig. 2). A company’s decision to withdraw from international operations may occur after a slow decline in international sales, but could as well be forced by a virtual overnight loss of foreign markets – for example, due to a sudden loss of price competitiveness, or market disruption perhaps as a result of foreign government action – that is externally imposed. Exchange rates, specifically the relatively high value of the British pound, was stressed in a study of SMEs in the UK clothing sector as an important precipitating factor in international exit by those firms which maintained an interest in returning to international operations (Crick, 2004). Among exited firms in this study that were disinterested in a return to exporting, there was an acknowledgement that inadequate preparation for exporting in the first place (e.g., in regard to effective foreign representation) had influenced the decision to discontinue.

In a study of partial export withdrawal, Pauwels and Matthysssens (1999) found a multi-staged exit process, with various and changing influences and responses, and different perceptions within the case companies post-withdrawal about what had been learned and the implications for international strategy. In this study, though, export withdrawal was not total, and it is clear that in many cases of forced, complete exit, driven by critical incidents, the experiences are sufficiently negative to cause an initial reaction of something like “never again”, dissipating the firm’s international heritage and its likelihood of re-entry even in the medium term (Crick, 2002, 2004). Decision-making regarding withdrawal, at various stages, may include reaffirmation of international commitment by some in the company, leading to withdrawal resistance, and personal disagreement over the appropriateness and form of the exit path (Benito & Welch, 1997; Pauwels & Matthysssens, 1999). Attitudes toward international operations may emerge significantly altered by the various personal interactions and information flows within a company during the process leading to a final exit decision. Where there is an export department, international division or other formal organizational commitment to international operations, the exit decision becomes more difficult to handle.
Of course, for small firms, often driven by a key decision-maker and without a formal export organization in the early stages of internationalisation, the exit process may be relatively simple, with the decision made and implemented quickly (Rao & Naidu, 1992). In some cases final exit may be particularly traumatic, perhaps because of financial problems associated with the failure of international involvement and leading to the demise of the companies concerned. Re-internationalisation for the individuals concerned is feasible, and may be seriously contemplated at the point of exit, but requires the creation of a new business vehicle to put this into effect. It is not unusual for entrepreneurs to move from company closure or sale to the establishment of a new company, and then, based on the experiences and capabilities associated with previous international involvement, to move quickly to re-start international operations. In a study of Dutch entrepreneurs directly after exit from their business it was found that 64% had the intention of restarting operations in some form—almost double the entrepreneurial intentions of the general population (Stam et al., 2006).

International exit inevitably involves the disruption of various relationships that were formerly an important foundation of a company’s international activity, and which are a key dimension of its international heritage. Industrial marketing researchers have been researching the end of buyer–seller relationships, including situations where one side ceases to trade. The concept of “beautiful exit” has been developed to refer to the cessation of a business relationship that “avoids, as much as possible, hurting the disengager, the other party and the connected network” (Alajoutsijärvi, Möller, & Tähtinen, 2000, p. 1282). Of course, what might be called ‘ugly exit’ is also feasible, wherein relationships are so ruptured that there is limited residue to be re-ignited when international re-entry is sought.

Despite the potential for an ugly exit, there is evidence that inter-organisational networks can survive the cessation of market exchange, with this residue having been termed relationship ‘sediments’ by industrial marketers (Havila & Wilkinson, 2002). Agndal and Axelsson (2002) argue that these sediments are differentiated by origin, availability, structure (broad, shallow, deep) and reach or context (geographic, professional, industrial). Much depends on who within the company is central to the retained networks, as relationship sediments are inter-personal linkages rather than formal organisational bonds. As a result, there is likely to be considerable variation in the value of the relationship sediments laid down for future re-internationalisation actions. For some firms, strong, relevant and surviving networks, along with the retention of key staff who are nodes in these networks, may ensure that eventual re-entry is a relatively uncomplicated process. The embryonic research on inward–outward connections and internationalisation provides an indication of the types of benefit which can flow from one form of preceding international activity to another, some of which might be relevant for re-internationalisation situations (Holmlund et al., 2007). In a study of the development of Moelven Industrier's operations in Russia, from inward to outward involvement, it was concluded that ‘the networks that grew out of the initial importing activities allowed the company to learn about the market and new prospects, who was important and how to operate, in the face of high perceived risk and uncertainty’ (Karlsen et al., 2003, p. 394). The inter-personal linkages were found to play a critical role in delivering on-the-ground market knowledge.

If relationship sediments endure, they may well generate a different international expansion trajectory from that of novice internationalisers. Such a conclusion is supported by research regarding re-starting entrepreneurs. For example, Dutch renascent entrepreneurs were found to have higher levels of human and social capital than those entrepreneurs who exited but did not restart operations, with positive effects on restart probability. Also, research indicates that previous entrepreneurial experience tends to have a positive effect on the likelihood of a new start by an entrepreneur (Stam et al., 2006). Entrepreneurship scholars have shown a variety of assets and liabilities that prior business ownership experience delivers with consequent effects on subsequent entrepreneurial endeavours. Some of the assets noted are similar to those referred to in internationalisation process research, such as the positive effect of acquired skills and networks. However, the potential liability of repeating failed actions and staying in networks that were previously ineffective is also stressed (Westhead et al., 2005).

3.3. International time-out and new international influences

Companies which eventually re-internationalise following exit, by definition spend a period of time without international operations. There is some evidence of considerable variation among companies in what this stage involves with regard to the extent of withdrawal from international commitment (Crick, 2004; Freeman, 2007; Welch & Wiedersheim-Paul, 1980). As shown in Fig. 2, many companies will be at one end of an international orientation spectrum characterised by: no interest, no commitment, and no internationally relevant action—for example, foreign market information is no longer collected, and no information is transmitted to foreign market prospects. At the other extreme are those companies that remain highly committed to international involvement, and maintain a range of activities that may represent some form of international connection, information flow and visibility. An example of the type of international activity that might be maintained is the way relationships often continue to be nurtured by project companies well after the completion of individual projects in some foreign markets, and the cessation of operations—so-called sleeping relationships (Hadikhani, 1996; Skaates, Tikkanen, & Lindblom, 2002). Some companies even maintain international promotion activities in anticipation of ultimate re-entry (Freeman, 2007).

Within this internationally interested group would be some that have been identified in the exporting research as sporadic exporters—although not all, given that many sporadic exporters have a low commitment to export activity, and there is a question about whether this group of firms could be considered to have exited from exporting, even though there
are periods when exports are quiescent (Katsikeas, 1996; Rao & Naidu, 1992; Samiee & Walters, 1991). For example, in a follow-up study involving SMEs that had been previously classified as having exited international operations, 18 months after the original research, out of 21 cases, seven indicated that they were responding ‘to the receipt of occasional (export) orders primarily gained through previous agency agreements that had been renegotiated, however, the amount of business was relatively small in monetary terms’ (Crick, 2003, p. 409).

Between these extremes is a wide range in the extent of international commitment and internationally relevant action, and there is likely to be some movement over time by companies along the spectrum. It could be expected that the longer the period out of international operations, the greater the likelihood that there will be dissipation of various aspects of the international heritage which had accumulated previously—such as internationally specific knowledge and systems, and foreign market networks. There is also a question of staff retention in the aftermath of the international exit process: some of the capabilities inevitably will be tied to particular staff, and will be lost if they leave the company.

Thus, while empirical research is silent on the issue, it could be anticipated that re-internationalisation becomes less likely the longer that firms stay out of the international arena—even if their starting position was a strong commitment to re-entry. Overall, re-internationalisation would appear to be more likely by those firms that have a strong commitment to re-enter the international domain, are actively pursuing it, have not been unduly traumatised by the exit process, and have retained and even added to their international heritage: the key networks, staff and other assets developed during international operations. De-internationalisation exercises often are a trigger for the shedding of staff, so that much of the international heritage may be lost and inaccessible when re-entry is contemplated (Benito & Welch, 1997).

On the other hand, for some companies, a longer time-out period might have a positive impact on the likelihood of its re-entry. For those companies that have had what they regard as a failed international experience, including unhelpful foreign network contacts, and have no intention of re-starting, nor undertake any internationally oriented action, it is likely to require major changes within the company or in the external environment, or probably both, to induce a new move to re-start international activity—including aspects such as fortuitous foreign orders, a downturn in the domestic market, and/or a change in management that leads to a new international strategic orientation for the company. In some cases a dramatic change in the interest in and action towards international involvement derives from a change in owner and/or manager. Research confirms just how important the international background of top management can be in driving the approach to international operations—in large firms as well as SMEs (Athanassiou & Nigh, 2002; Bloodgood, Sapienza, & Almeida, 1996). The effect of previous international activity and experience on the approach to re-internationalisation might become almost irrelevant because of management change during the ‘time-out’ stage.

In this respect, time may be a positive, allowing staff turnover, internal restructuring, the recovery or replacement of damaged networks, and the emergence of new external re-entry influences. Forgetting may be helpful to change. The firm’s international heritage may be refreshed, revived and even strengthened. Confirming the role of management change, in a study of small business internationalisers, Bell et al. (2003) found a group of long established firms that suddenly began international operations, the main driving force for which was a change in management and/or ownership. Staff turnover may have a positive benefit for future re-entry, despite the loss of knowledge and skills, in that those with strong negative attitudes toward international involvement or a cause of foreign relationship problems may disappear, ultimately paving the way for new, more appropriately internationally oriented staff to be appointed.

3.4. Re-entry process and beyond

The final stage depicted in Fig. 2 is that of the re-entry process. This may be triggered by internal or external developments, and the renewal of interest in international opportunities may be fortuitous or the result of intended strategic change. Whatever the precise form, source and strength of the stimuli that encourage an interest in re-starting international operations, how the re-entry process unfolds, the experiences encountered, as well as the strength of managerial commitment to achieve re-entry success, will determine whether the process is successful or not—in a similar manner to the initial international entry process (Madsen & Servais, 1997; Wiedersheim-Paul, Olson, & Welch, 1978).

Nevertheless, as noted already, there should be differences from the initial entry process to the extent that, for some of the companies, re-internationalisation should be accomplished more readily and rapidly. This is supported by long-standing findings on export initiation that prior international experience by managers is a contributory factor in the decision to start, and the form of, international operations (Bell et al., 2003). Depending on the nature of previous international activity and assets retained, there should be knowledge about some markets that can be immediately applied, and there may be people, both domestically and in foreign markets, who can be approached to assist in the renewed venture. Time, cost and effort do not have to be expended in finding them. Recognition of the potential usefulness of such retained assets may even generate a higher level of confidence about re-entry compared to how initial international entry was approached. In a study of discontinued UK exporters, in contrast to disinterested firms, those retaining an interest in returning to export operations indicated that ‘they were knowledgeable about the mechanics of exporting and wanted specific help on specific market-related assistance’ (Crick, 2004, p. 562). There seemed to be a clear difference in the foundation for re-starting exporting between the two groups, in knowledge, skills and attitude.
Likewise, once re-entry has been achieved, and re-internationalisation is underway, the international growth trajectory of such re-internationalisers could result in a more rapidly expansive path than initial international entry for some firms because it is taking off from a more substantial, supportive platform. For example, cultural knowledge and the knowledge of how business operates in countries where activities were undertaken previously, along with relevant networks from previous involvement that can be re-activated, should allow a broader and more intensive approach to early re-internationalisation in these same areas—as compared to first time international entry situations where firms lack the type of experiential knowledge stressed in internationalisation process research. Just how long this effect remains operative and influential is an open question, but could be expected to diminish over time as new foreign situations and issues are encountered, requiring renewed learning and adaptive skills within re-internationalising companies.

However, much depends on the nature of the previous international experience and its outcomes, and how these are perceived. The case of the Australian bank, ANZ, illustrates how problems encountered in the first major international foray can so colour re-entry moves that greater caution is emphasised, in spite of a substantial international platform having been established over an extended period. One of Australia’s “big four” banks, the ANZ in 2000 sold the bulk of its widespread businesses in the Middle East and Asia to the UK-based Standard and Chartered Bank. These foreign assets had been acquired as part of its acquisition in 1984 of the British bank Grindlays (Boreham, 2000). At the time of the Grindlays acquisition, the ANZ had a limited range of international operations, with the overwhelming bulk of its activities located in Australia and New Zealand, and overnight acquired an extensive, widespread set of international operations. These proved difficult to absorb and manage effectively. In a review of the international activities of the large Australian banks, Merrett (2002, p. 393) observed that the ANZ had experienced ‘a long struggle to digest its acquisition of Grindlays, a bank whose businesses ranged across 40 countries, few of which were English speaking’. The withdrawal, although not full de-internationalisation, did involve the predominant part of its international operations (the investment in Indonesia was retained), and was part of a re-orientation of strategy toward growth in the Australian and New Zealand markets.

Already in 2003, though, the ANZ had turned back to international growth possibilities, articulating an Asian growth strategy and pursuing entry in a number of Asian countries, including Thailand, the Philippines and China. Investments were undertaken in the Philippines and China in 2003, although they were markedly different in character from previous operations, apart from a minority joint venture established in Indonesia in the 1990s. In all cases, the ANZ entered into joint ventures, and has continued with that policy in subsequent moves into Cambodia and Vietnam. For example, the investments in China, albeit restricted by government policy, involved minority stakes of 10% in the Shanghai Country Commercial Bank, and 19.9% in the Tianjin City Commercial Bank (Jiminez, 2006). The CEO of the ANZ explained the bank’s approach to its investments in China and Asia in the following terms: ‘the key is not to bet the whole of the bank on this, I mean...we’re talking about two-and-a-half per cent of our equity based in Asia today. At max over the next few years we’re talking about ten per cent...that is not taking a big risk’ (McCombie, 2003, p. 2).

Clearly, re-entry has been characterised by a more cautious, incremental approach, later referred to as ‘exploratory investments’, than applied to its original takeover of Grindlays (Jiminez, 2006). Indeed, it walked away from negotiations regarding a substantial investment in the Thai Military Bank in 2003, because of what was considered unacceptable risk (Boreham, 2003). The same CEO presided over the ANZ bank’s de-internationalisation and re-internationalisation moves. It was inevitable perhaps that, having argued for and participated in a major exit strategy, it would be difficult for him to re-start international expansion in a major way.

Fig. 3 presents the key elements of what might be referred to as the re-internationalisation platform, upon which the approach to international re-entry is developed. As depicted, the platform consists of the firm’s heritage from its prior
international activities, consisting of its retained knowledge, networks (including relationship sediments), key management and staff, and attitudes. This international heritage has been dissipated, retained or even added to during the time-out period. The re-internationalisation platform can be expected to have a major influence (positive or negative) on how the re-entry proceeds, and whether it is ultimately successful—although this assumes that the platform is relevant to the re-entry context. It is their platform that distinguishes re-internationalising firms from their newly internationalising counterparts, and provides an understanding of how their history can impact the re-entry effort.

4. Conclusion

Re-internationalisation has been shown to be a variegated process with multiple stages from former involvement to ultimate re-entry, which may extend over a considerable period of time, and is subject to a range of influences that bring together the potentially powerful, even dominant, effects of previous international activity with current influences, both internal and external to the firm. The legacy from previous international experience— including knowledge, human resources, relationship sediments and attitudes—creates a foundation that could allow a company to move more rapidly in its renewed international endeavours, and may explain part of the accelerated internationalisation revealed in various empirical studies (Austrade, 2002). In contrast, though, many companies exit the international stage in such a negative way that there is strong disinterest in any resumption of international involvement, and they represent a difficult group to motivate through government internationalisation assistance schemes (Crick, 2004). In summary, we conceptualised re-internationalisation as driven by three main sets of forces: the assets and liabilities flowing from previous international operations; new international influences that come to bear on the firm after exit; and the experience of the main process stages as a firm moves from exit to ultimate international re-entry. While we have shown how paths to re-internationalisation can vary, further research will need to be conducted to understand whether variations in re-internationalisation patterns occur in predictable ways due to firm characteristics such as size and industry.

While we argue that re-internationalisation is an issue deserving of stronger research attention, we acknowledge that re-internationalisers represent a difficult group to identify in empirical studies, and to classify distinctly. For example, it is not always clear when a company has fully withdrawn from international involvement, as compared to sporadic exporters. It could be argued that use of the Internet in international sales may make it easier and cheaper for firms to engage in serial international exit and re-entry behaviour. Also, there are many companies that experience wholesale, even strategic withdrawal from international operations— for example in exiting from the bulk of their foreign markets, as in the case of ANZ— but do not completely cease international involvement, and subsequently re-enter some of these markets. Should they be treated as re-internationalisers (as we have done in this paper) and included in empirical investigations of re-internationalisation? It therefore remains a limitation of the current paper, and a task for future research, to specify more clearly how our re-internationalisation construct could best be operationalised.

Although we have not focused on re-internationalisers in the form of previous owners/managers of companies who have exited, or sold out, but re-start operations in new company situations, they also represent an important but difficult group to research. Such individuals could be important agents of international re-birth, and explain part of the increased speed to internationalisation shown in empirical studies. Individual entrepreneurs might start under a new company name, and even with a new product in some cases, but still benefit from their personal international heritage in any renewed international explorations. An illustration of the difference prior international activity might make is the early internationalisation behaviour of the Norwegian clothing retailer, Voice of Europe, which began operations in 1988. The founders of the company had previously developed another international clothing chain called Bik Bok and sold out at the height of the 1980s economic boom. They started the new company in 1988 with sales in Norway, but already in 1989 they had begun operations in Sweden and Finland, and in 1990 moved as far afield as Canada and Australia. Such rapid and widespread early internationalisation appeared to be explained by the experience with Bik Bok. The founders stressed that they had retained a ‘well established, world-wide network of contacts in the industry’, such as with subcontractors in East Asia (Framnes & Welch, 1992, p. 601). Important too was the high level of confidence they brought from the previous venture to the new operation, as reflected ‘in the fact that no formal market investigations were undertaken prior to foreign market entry’ (p. 601).

The dearth of research on re-internationalisation applies particularly to the time-out period when firms which have withdrawn from international operations continue with domestic operations. Our analysis indicates that this is a critical stage in determining whether and how re-entry takes place for such companies. However, the paucity of empirical research means we know little about this stage. For example, how long do firms stay out of the international arena before achieving re-entry? Clearly, from a research perspective, there is a need to explore the full range of the re-internationalisation process, to attempt to establish what type of international heritage remains from previous involvement and how much difference this makes for re-internationalisation, compared to new internationalisers without any preceding international experience. At the least, it is necessary to identify re-internationalisers, whether individual or company, and trace their behaviour as they represent a distinct group with the potential to distort general studies of the nature, speed and determinants of internationalisation.

At this early stage of exploration, it would seem that empirical research on re-internationalisation via broad survey studies is less appropriate given its complexity, process aspects and opaque quality. Rather, exploratory, detailed case analyses, with a longitudinal perspective, appear to be necessary in order to develop a better understanding of the re-internationalisation process through time and of re-internationalisers as a distinct but variegated group. As well as the
process approach to theorising used in this paper, future research could also extend to ‘variance’ approaches (Van de Ven, 2007) that seek to understand and predict the relationship between variables.

References


