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DE-INTERNATIONALIZATION AS AN ALTERNATIVE FOR INTERNATIONAL BUSINESS DECISION-MAKERS

This research aims at outlining de-internationalization and identifying the external and internal drivers of de-internationalization. International businesses are at default assumed to go international and involve in the global market. However, nowadays internationalization is seen as a double-edged sword. On the one hand, integration into the global market helps business expand its market share and leverage foreign business resources. On the other hand, the recent global COVID-19 healthcare crisis, and the geopolitical conflicts like Russia's invasion of Ukraine have threatened the stability of global market and the safety of cross-border supply chain (see Figure 1). In particular, Lim & Mandrinos point out that today's global market is characterized by «increasingly disruptive, volatile, uncertain, complex and ambiguous (DVUCA)» [3, p. 9] which may deter the internationalization process of business who are seeking for sustainability and stable profitability.

As a result, there are an increasing number of businesses deciding to reduce or withdraw from the internationalization trajectory as an expediency to survive. In this context, this abstract outlines the concepts of de-internationalization and identifies the drivers for international business to slow down or stop its expansion beyond the borders.

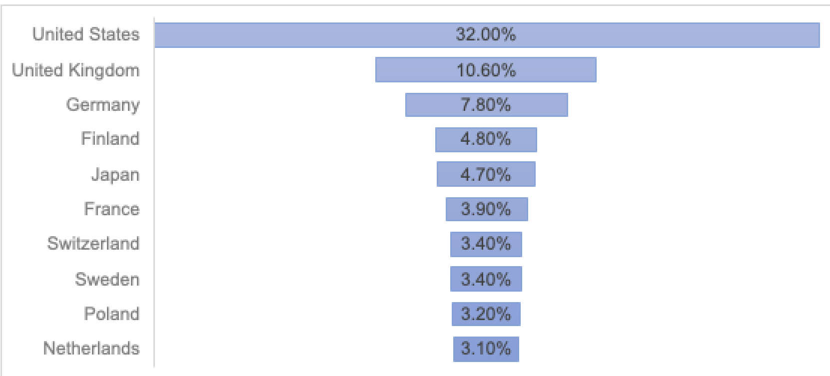

Figure 1 – Companies Fully Leaving Russia by Country Breakdown (Top 10)
Source: Chief Executive Leadership Institute (CELI) at Yale School of Business

Traditionally, de-internationalization is the opposite direction of business expansion, which has always been associated with business shrink or even failure. Jafari-Sadeghi et al. states that internationalization is not always a forward-moving trajectory but rather a coexistence of backwards and forwards [1, p. 2116]. Instead of an enforced business downside, de-internationalization could be a strategic decision based on the current global situation or the conflicted interests [3, p. 9]. In this regard, de-internationalization can be defined as "a firm's decision to adapt and stary or withdraw and exit from international market(s) [3, p. 9].

In addition, the extent of de-internationalization can be either partial-scale or full-scale [2, p. 1]. Full de-internationalization means the termination of transnational operation whereas partial de-internationalization refers to a partial reduction of international activities while keep the rest of international activities. Also, de-internationalization could be a short-term expediency or a long-term strategy. For companies who decided to temporarily reduce or discontinue international operations, they perhaps have a plan to re-enter the global market in the near future. By contrast, there might be a group of companies who have no intention to re-internationalize.

The reasons for business to consider de-internationalization are multifaceted. The drivers could be inferred through the opposite direction of internationalization. That is, any factors contradicted with the favourable elements of internationalization could encourage de-internationalization. This study groups the factors into internal and external. It is worth noticed external elements are far stronger than internal factors to drive business to de-internationalize [1, p. 2118].

The prior literature demonstrates that the internal drivers are mainly associated with negative impacts generated by poor business practices. For instance, the internal drivers of de-internationalization can be analysed from the perspective of micro-foundations such as managerial incapability [1, p.2116], insufficient development and/or a lack of dynamic reaction [1, p.2117]. Under the dynamic capability view (DCV), the rationale behind the poor management could be attributed to a lack of competencies to sense, seize, and reconfigure market opportunities and a lack of capabilities to respond to the risks brought by external instability [4, p. 1325].

Sensing dimension requires the management team to have the capability and the sensitivity to identify the dynamics and opportunities of the ever-changing market. In particular, sensing requires the accumulation of prior internationalization experience and the ability to build and join business network. Once identified the latest business trend and challenges, and opportunities, seizing dimension helps international business grasp the opportunities and address challenges. To detect and seize the opportunities in time, companies can be equipped with innovation and technological capabilities to improve the competitive advantages and diversify strengths.

Reconfiguring helps management teams make decisions based on the detection and evaluation from the last two steps. Dynamic strategy-making mechanism and flexible operation potentials are required to adjust internationalization strategy. The lack of the sensing-seizing-refiguring capability forces business to unwisely de-internationalize instead of adaptation.

Most external drivers are related to unfavourable environment of global market. Based on Institutional Theory, institutional voids and uncertainty are considered as the most potent reasons for business to discontinue their cross-border activities [1, p.2121].

Once identified the dynamic environmental impediments in the host market like sector downturn, business may decide to decrease its activities in the host countries. In addition, the foreign-based competition in the host market also hampers the motivation of multinational business to operate in such environment. Geopolitical shocks also play an important role in decision-making process of business [3, p. 10].

For instance, the UK's Brexit from the European Unio (EU) and Russia's invasion of Ukraine cause uncertainty in these countries even spread the risks over the world. Psychic distance is a type of impediment that prevent or disturb information symmetry between firm and foreign market [3, p.12]. Due to the information friction and asymmetry, business may make wrong or inefficient decision to withdraw from the international market. Apart from foreign factors, the home country institutions may also impose some coercive and normative pressure on its business.

To sum up, internationalization is not a linear and one-way development trajectory. Rather, it is characterized by volatile and forwards and backwards. International business can determine its strategies of whether stay, reduce, or withdraw from international market. De-internationalization should not be generalized as business failure, but a decision based on international and external drivers into account. Though internal factors are likely to associated to weakness. If companies can recognize its weakness with a clear head, de-internationalization could help them survive when facing with external threats.

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