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De-internationalization

International Retail Divestment

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Executive summary

This study explores the phenomenon of de-internationalization, emphasizing on divestment, from three perspectives: reasons, process and outcomes. As de-internationalization represents a very complex topic, the focus is explaining the concept of divestment within a specific industry, international retailing.

The international retail divestment is considered to be an un-explored field. The development of retailing has as main focus the companies that manage to sustain their international development and not as much on those that experienced market failure or strategic withdrawal.

The aim of this project is to provide a common understanding over the concepts of divestment within international retailing. This thesis has as objective to identify the reasons behind international retail divestment, discuss the characteristics of the divestment process and its outcomes within retailing, and identifying the most common type of divestment used. To achieve this objective, the thesis answers specific questions regarding the reasons, process, outcomes and type of divestment within international retailing.

This thesis presents a literature review of the existing research regarding de-internationalization, focusing on international retail divestment. First, an understanding over the topic of de-internationalization and divestment will be provided creating the foundation of the theoretical research part of this paper. Second, a common understanding over the researched topic, international retail divestment, is provided.

A literature review of international retail divestment is provided in order to extract relevant findings. The findings are discussed in order to answer the researched questions.

The study shows that the outcomes of divestment are influenced by the reasons behind it or the characteristics of the process, and that international retail divestment is achieved by selling-off.

This study contributes to a better understanding of de-internationalization, divestment and international retail divestment by identifying its reasons, process and outcomes. Recommendations for further research are provided in order to encourage the further development of the topic.

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Introduction

Firms internationalization process has been studied by scholars for a long time. From the 1960`s up until today, the existing literature regarding the topic is presented by both theoretical and empirical studies. Cavusgil et al. (2014) describes internationalization as “a systematic increase in international business activities”, therefore representing both the growth and development of firms.

But what happens after firms decide to internationalize? Are all firms successful? Literature tells us that, just because firms start their internationalization process, there are no guarantee whether or not this process will continue. In some cases, firms are choosing or are being forced to retreat from the internationalization process. The existing literature refers to this phenomenon as “de-internationalization”.

Even though de-internationalization represents a very common and complex phenomenon within the world of globalization, the topic has received less attention than the process of internationalization. Thus, the research regarding de-internationalization being very limited. Even more, there are no frameworks explaining the process of de-internationalization.

Giving the fact that the existing internationalization models did not consider the concept of de-internationalization, it is argued whether or not the new phenomenon should be explained with the help of the existing theoretical frameworks.

Scholars within the fields of economics and international business imply that the main reason behind the limited research on the topic of de-internationalization is due to the negative and undesirable features that the phenomenon is associated with.

On the topic of divestment, Clarke and Gall (1987) state that: “Acquisitions are seen as image building for the Chairman, as progressive, expansionary and exiting. Divestment is seen as an admission of failure, a retreat … Human nature being what it is there is a tendency to suppress admission of failure.”

Bonaccorsi (1992) commented on the lack of research regarding foreign market exits and stated that “foreign markets exit should be conceptualized in export research”.

During 1985-2000 a new wave of literature highlighted in order to explain the process of internationalization within international retailing, due the high growth level within this industry. At first, the main topics approached by scholars were regarding the internationalization process while the problems regarding market withdrawals have been mentioned in passing.

Recently, an increase interest has been shown by scholars in explaining the de-internationalization phenomenon within this international retail by successfully identifying retailers that exit international markets or reduced their international operations during different decades, sectors of retailing or global markets.

Internationalization

Johanson and Vahlne (1977) defined the internationalization phenomenon as “a process of increasing involvement in international operations”. Over the years, scholars have developed a variety of models and theories that help describing the internationalization involvement and management of firms`. Some of the most known theories are the ones referring to the process, network or new ventures.

Network theory is viewed as an extension of the process theory, the main difference being that within the process theory focuses on analyzing the individual firm while the network theory takes into consideration a group of actors (e.g. the company and its customers or competitors).

The new venture theory is more focused on born-global instead of born-local firms therefor, it does not follow the gradual process of internationalization. Reiljan (2004) classifies the gradual process of internationalization into internationalization, operational mode and market and product paths.

“The process theory of internationalization” by Johanson and Vahlne (1977), also known as Uppsala Model is the most representative stage-base model of the gradual process theory. Johanson and Vahlne (1977) present the process as a continuous learning and commitment or resources to international markets.

Beside the theories and models developed to explain the phenomenon of internationalization, scholars have also developed tools such as the international market/product portfolio rationale or the product, operational mode, market approach (POM) for a better clarification of the concept.

Managing export portfolio induces adding/dropping markets and/or products on reevaluating the degree of involvement and allocation of resources to foreign operations.

The POM approach developed by Luostarinen (1982) introduces four dimensions within the internationalization process: product, operational mode, market and organizational capacity. The porpoise of this approach is to help analyzing the process on different levels, such as firm, country or world level. According to Reiljan (2004), the POM approach describes additional dimensions along which the internationalization process develops.

The existing literature regarding internationalization of firms has as a main focus the growth of international business operation. In other words, the main focus is on the positive development. Scholars have studied this concept from different perspectives, such as:

- The paths that companies follow from not being involved in international operations at all to becoming fully-fledged multinationals (Welch & Luostarinen, 1988);
- The factors affecting companies' choice of operations methods in foreign markets (Hill, Hwang & Kim, 1990; Benito & Welch, 1994);
- The factors that might influence the performance or success of foreign operations (Madsen, 1987; Woodcock, Beamish & Makino, 1994).

De-internationalization

The concept of de-internationalization was introduced for the first time in 1988 by Welch and Luostarinen. The authors state that "once a company has embarked on the process, there is no inevitability about its continuance". Even though, the concept has not caught the attention of scholars and failed in agreeing on its conceptualization.

Starting with 1997, the first definitions start to surface. The first definition of the term explains de-internationalization as "any voluntary or forced action that reduce a company`s engagement in or exposure to current cross-border activities" (Benito and Welch, 1997, p.9). Same authors are the first to make the distinction between full or partial de-internationalization by explaining the importance of both. Mellahi (2003, p. 151) comes with a similar definition of the concepts, stating that de-internationalization is "a voluntary process of decreasing involvement in international operations in response to organizational decline at home or abroad”.

Buckley and Casson (1998) on a research regarding the impact of flexibility affects the growth of MNC`s, state that de-internationalization should be seen as strategy. On the same note, Turcan (2003) indicates that the process of cross-border activity of firms should be viewed as a cause-effect link between internationalization and de-internationalization.

Perspectives on De-internationalization

Over the years, the topic of de-internationalization has caught the attention of various field. Tough the attention received from the internationalization perspective has been limited, other fields have tried to provide with an understanding of the circumstances and driving forces that could lead to a further development of the topic. Those fields are:

- Economics

From a traditional economical point of view, de-internationalization is being presented as the rational response towards altered markets or competitive conditions having as main focus the operative motives, such as low profits, that might reduce the attractiveness of operations and leading to market withdrawing. The factors contributing to unsatisfactory profits are:

- Deterioration of relative cost conditions due inter alia to price inflation in the host country, altered exchange rates or the introduction of new, more efficient production technology elsewhere;
- Falling prices due inter alia to increase competition, the introduction of new product offers and weakened local currency which may affect the value of repatriated profits;
- Reduced demand.

Within transactional cost economics, Anderson and Gatignon (1986) state that the attention should be directed towards the factors that influence the choice of foreign operation methods, referring to the degree of control that firms should have over their foreign operations. Williamson (1985) states that this approach offers alternative modes of operations under different conditions of transaction.

The industrial organizational field helped developing the literature regarding the entry and exit dynamics in general (Siegfried and Evans, 1994) and foreign divestment (Shapiro 1983, Benito 1997).

- Strategic management

The strategic management perspective has contributed with provided an understanding over the de-internationalization action, such as those leading towards divestment of foreign units. Harrigan (1980) has used a product life-cycle approach in order to explain how divestment can be used as a strategy for "declining" industries. Other studies have focused on analyzing divestment from a corporate portfolio perspective (Clarke and Gall, 1987; Chow and Hamilton, 1993) while some support the idea of divestment being the only solution in case of poor performance (Duhaime and Grant, 1984; Hamilton and Chow, 1993). Even more, they all suggest that divestment is influenced by the corporate level financial performance.

The strategic management field also focuses on the fit between different operations within a company that may lead to divestment. Rumelt (1974) studied the relationship between strategy and performance concluding that corporate expansion into related industries leads to better performance and superior survival rates than expansion into unrelated industries. Similar studies (Duhaime and Grant, 1984; Hamilton and Chow, 1993) state that low interdependency between units and the need to focus on core activities strongly motivate the decision to divest. In other words, they all suggest that firms tend to stay close to their competencies.

- Internationalization-management perspective

Even though the phenomenon of de-internationalization has been recognized within internationalization research, the attention offered by scholars within this field is very limited. The field of internationalization has based its literature on a learn-by-doing approach, suggesting that companies should be able to continue their operations over time by learning from their mistakes, failures and others that may result in some reversal over time. Benito and Welch (1994) suggest that in cases like that, reversal does not necessarily lead to de-internationalization even though in some cases reversal has been seen as the need to pull back, reduce involvement or withdrawal from international operations. Some studies, state that the process of forward moving depends a lot on attitude of management, the stage of internationalization, the commitment to international operations and the preceding experience from international activity (Johanson and Vahlne, 1977, 1990; Welch and Luostarinen, 1988; Buckley and Ghauri, 1993).

International retail industry

The international retail activity has registered a huge growth in the last decades once with the consumer society that emerged in the 1980s. Strategies for internationalization are an important aspect for major retailers. Companies all over the world are developing strategies to expand their operations in international markets. According to Chan et al. (2011), international retailers had and significant increase on their cross-border activities in the last decades, but no company from retail industry was included in top 100 TNCs (transnational companies). By 2003, there were 14 retail companies in top 100 TNCs (Chan et al. 2011).

The amount of literature on this subject is also growing fast in the last decades. Researchers focus on studying the strategies for internationalization, the speed and the process of cross-border activities, motives for de-internationalization, geographical spread of international activity, selection of entry modes and the difficulties encountered by companies in specific markets (Burt et al. 2004).

According to Jackson and Sparks (2005), researchers have started explaining the „what„ and „where„ of retail internationalization, but with the time, studies switched its focus on explaining the „how„ and „why„ of the internationalization process and its impact and implications (Jackson and Sparks 2005). Dawson and Mukoyama (2003) states: „*retail internationalization is a process not a series of events*„ but observing this process, it can be noticed that it triggers series of impacts. Impacts which affect both the company which is internationalizing and the foreign market/environment (Jackson and Sparks 2005).

Chan et al. (2011) sees the internationalization process of retailers as learning process, from which the company may reflect and improve its growth prospects in future internationalization process.

Therefore, international retail is a new, growing topic which encountered significant attention from researchers. Different studies have focused on different areas or perspective, from internationalization strategy to motives, process, and types of entry modes on specific foreign market.

Problem formulation

De-internationalization represented a very controversial topic for a long time. The term represents a negative outcome that is often avoided within the world of economics. Even though the process of de-internationalization is often seen, it`s not what companies hope for when they decide to internationalize.

Over the last years, scholars have struggled into presenting a more positive aspect to the concept. Thus, de-internationalization is seen as the opposite of internationalization or an admission of failure, some scholars looked deeper into the topic and successfully provided a more positive description of the concept. Some have gone even further and presented the positive outcomes of de-internationalization in early stages.

Most of the existing literature within de-internationalization is based in relation to the phenomenon of divestment leading us to understand that the concept of divestment is more complex than it seems. Therefore, we have decided to focus in observing the phenomenon ofdivestment.

A simple definition of divestment would be that the phenomenon represents the sale of a company or a part of the company to another party. This definition may be understood as a complete and final severance of ownership. Literature suggest that this interpretation of the concept does not present an accurate description on the phenomenon of divestment. Therefore, we will present a literature review on divestment in order to provide the readers with a general understanding of the concept. As well, a presentation of different types of divestment is necessary.

The aim of this thesis is to provide a common understanding of the phenomenon of international retail divestment by presenting the existing research explaining the reasons behind it, identifying the main characteristics of the process of divestment and finally the potential outcomes. Therefore, the main questions within this thesis are:

What drives companies within international retailing to divest?

What are the main characteristics of the international retail divestment process?

What are the outcomes of international retail divestment?

Giving the differences regarding the divestment types, we will analyze the findings from our theoretical framework and from the existing literature regarding international retail divestment in order to identify the most common type of divestment used within the selected industry, leading to our last question asked:

What type of divestment is mostly applying to international retailing?

Objective of the study

According to Kuada (2012), there are two types of objectives within a study: descriptive and normative.

A descriptive research represents a description of a given phenomenon by providing strong arguments on the issue. According to Kuada (2012), this type of research represents what, how and what is happening.

On the other hand, a normative research the guidelines used within the decision-making process by pointing out how rational decision maker should approach a specific situation. (Kuada, 2012)

As the concept of de-internationalization represents a very complex topic, the authors of this thesis have decided to emphasize on divestment, more specifically international retail divestment.

The aim of this project is to provide the readers with a common understanding of the chosen topic, in this case de-internationalization with focus on divestment, more specifically international retail divestment. The aim is achieved by providing a description of the existing research within the topic regarding reasons, process and outcomes.

The objective of this study is to identify the reasons behind international retail divestment, discuss the characteristics of the divestment process and its outcomes within retailing, and identifying the most common type of divestment used.

This project is based on a descriptive research. Relevant literature regarding international retail divestment will be described and reviewed in order to provide the readers with a common understanding over the reasons, process and outcomes of the concept.

In order to achieve the goal of this project, the authors of this thesis need to be able to answer the main questions within the problem formulation. Therefore, the authors conducting this research have selected specific articles based on empirical data that will help us discuss the phenomenon of divestment within international retailing that will help in finalizing this thesis.

Research method

In order to start our research, we had to identify some relevant keywords. The most relevant keywords based on our problem formulation were: “retail”, “divestment”, “disinvestment” “failure”, “exit process”, and “retail divestment”.

We used the following databases: ABI/Inform Complete, Wiley Online Library, Taylor&Francis Current Content Access, Elsevier SD Freedom Collection, EBSCOhost Business Source Premier, Sage Complete, Springer Standard Collection and Google Scholar with the mention that, the last one it was not used for providing material but only for the search.

The following parameters were set for the search: Material Type: Articles, Language: English, Publication date: 2000-2018. The parameter “Only peer reviewed journals” was used in order to ensure the quality of our data for analysis.

The following combination of keywords were used:

Contains in the title/ subject/ description “retail” AND

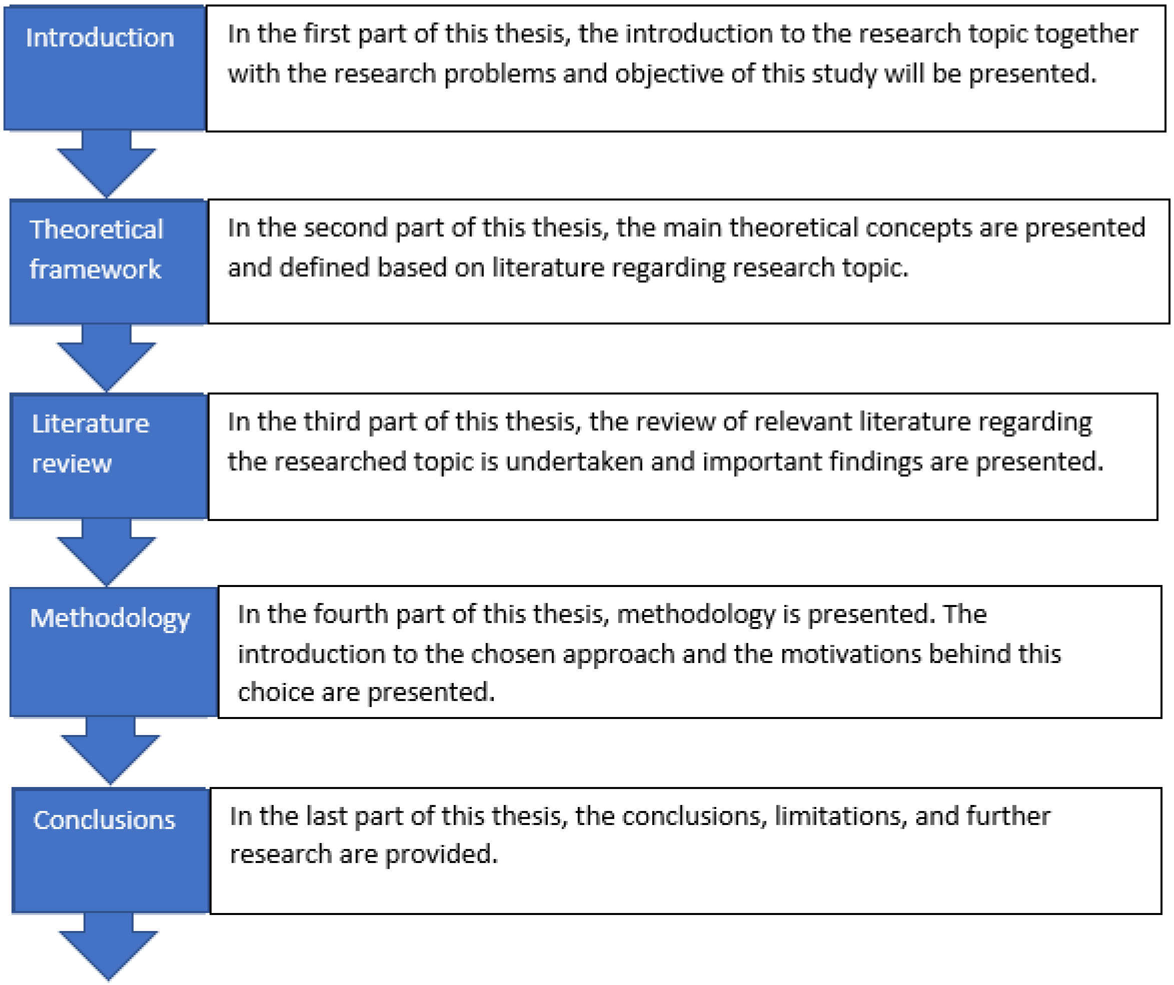
Contains in the title/ subject/ description “divestment” AND

Contains in the subject/ subject/ description “retail divestment”.

The multiple combinations of searches gave us 123 articles on retail divestment. From these articles, 63 have been excluded due to its irrelevance to our research question. From the remaining 60 articles, only 15 empirical papers have been chosen for the literature in the analysis part.

The remaining number of articles, 45 journal papers, both conceptual or combination of empirical and conceptual cases, were excluded from the literature part but used for references, research and building a stronger background knowledge on the subject.

Thesis outline



Theoretical framework

Within this chapter, the authors of this thesis will present the existing literature regarding de-internationalization and divestment in order to create a foundation to the theoretical aspect of the selected topic. The literature will be studied form three perspectives reasons, process and outcome, in order to provide the readers with a overall understanding of the phenomenon of de-internationalization and divestment.

De-internationalization

Reasons for de-internationalization

There are different reasons behind the process of de-internationalization. Turcan (2011) sees the de-internationalization process of a company as being the attempt to correct an error that the company previously made in the process of internationalization. When it comes to the decision of market exit, Ansic and Pugh (1999) cited by Turcan (2011) states that: *„…a firm will exit only when the current losses exceed the present value of expected profits*„. This error can occur when there is lack of international experience within a company.

According to Dauth et al. (2015), the reasons of de-internationalization are either firm-specific or market specific. In their research, the authors conclude that the most common firm-specific reasons are:

- Low profitability and losses of foreign operations
- Economic difficulties of the parent firm
- Attractive entry opportunities in other foreign markets
- Lack of managerial resources
- Poor pre-investment analysis
- Differences with local partners (Dauth et al. 2015)

And the most common market specific reasons for de-internationalization are:

- Adverse environmental condition
- Changing competitive conditions
- Risk/uncertainty in the host country
- Political and exchange rate
- Firms foreignness and national differences (Dauth et al. 2015)

Most of the studies regarding de-internationalization are based on theories such as resource-based view, organizational studies, or industrial organization. There are exceptions, for example, Belderbos and Zou (2009), Lee et al. (2010) and Chung et al. (2013) based their research on real options theory. The authors have observed that a firm which is operating in different countries can be flexible when economic and policy conditions changes, by changing, adjusting, or shifting value chain activities to the location where the highest benefits are. According to Belderbos and Zou (2009), foreign subsidiaries that have economic growth or switching option are less exposed to de-internationalization decisions.

The authors that based their research on real option theory, are also taking de-internationalization from a subsidiary perspective, in comparation with the rest of researchers which are studying de-internationalization from a headquarter-centric perspective. Griffin (2003) believes that the literature on de-internationalization from headquarter-centric perspective is not convincing. His study shows that factors like financial performance of the company, the disappearance of the original motives for internationalization or a new strategy for international operation are strong factors to determine de-internationalization of a subsidiary but are not enough to explain the rationale behind the decision of de-internationalization (Dauth et al. 2015).

Reiljan (2018) uses behavioral internationalization models to build a framework for analyzing de-internationalization motives. The behavioral internationalization model uses the gradual increase in knowledge as main factor influencing the commitment to a specific market. Reiljan (2018) classifies the different reasons for de-internationalization of firm in four groups. These groups are:

- **Lack of international experience**
  - Insufficient pre-internationalization analysis
  - Too rapid and/or early expansion to the foreign market
  - Lack of knowledge
  - Inadequate interpretation of market signals
  - Choice of inappropriate target market
  - Choice of inappropriate operational mode
  - Misfit of product and/or insufficient adaptation to the market
  - Decrease in the value of previous experiences and knowledge due to the rapid changes in target market
  - No previous inward internationalization
  - Insufficient attention to foreign market (focusing on sporadic export)
- **Change in strategy**
  - Focusing on core markets
  - Focusing on core activities
  - Change of (foreign) owner's strategy
  - New managers with different strategic perspectives
  - Increase in demand at home
  - Scarcity of resources and qualified personnel
  - Constraints of manufacturing capacity

- Inadequate growth in target market
- Maturing of the product in the target market
- Change of operational mode
- **Poor performance and increase in costs**
  - Increase in production costs
  - Increase in transport costs and tariffs
  - Increase in competition (from the home country, host country, or third country)
  - Poor performance
- **Other reasons**
  - (De)internationalization of related industries
  - External shocks (including government interventions)
  - Existence of foreign owner

First group of reasons, lack of international experience, have been found in studies on firms that do not have sufficient experience in international markets. Anderson et al. (1998) and Luostarinen (1989) emphasize on the need of proper planning, market research, and research about cultural and employment issues for the foreign country (Reiljan 2011). Welch and Wiedersheim-Paul (1980) finds in their study that firms first attempt to export are experimental and are more likely to be forced to de-internationalize because of insufficient preparation, bad evaluation of market opportunities or speeding the process of internationalization (Reiljan 2011).

While Bonaccorsi (1992) argues that small firms are trying to ensure a way out of international operation at low costs, Sachdev (1976) and Shaver (1998) findings show that there are firms that from lack of wisdom, invest to many resources in foreign operations and as a result, it is forced to exit from international operations to a better use of resources (Reiljan 2011).

Studies like Luostarinen (1989), Jaffe and Paternak (1994) and Ahokangas (1999), show different triggers which lead firms to withdraw from international market. In these studies, firms are accepting export orders without actively seeking for opportunities (Luostarinen 1989), or, are using exporting as an instrument for stabilizing production but the foreign operations are not an objective (Ahokangas 1999). Study conducted by Jaffe and Paternak (1994) reveals eight factors which influence the decision of withdrawal from international market. Some of these factors are:

- Insufficient financing and insufficient distribution, were the most important factors for export withdrawal
- Lack of information about foreign markets
- Price competition
- Insufficient probability
- Quality of goods
- Difficulty in meeting delivery schedules (Jaffe and Paternak 1994).

To sum up the discussion, most cases of withdrawals from international operations are caused by insufficient experience with international operations, lack of commitment to foreign market, lack of pre-internationalization analysis and this is more likely to occur in the first stages of internationalization. Other reasons for withdrawal from foreign operations could be external environmental changes and inability to adjust according to the foreign market needs, which influence the decision of withdrawal from international markets in later stages of internationalization.

The second group of motives is subject of discussion for many researchers. For example, Pauwels and Matthysens (1999) studies withdrawal from foreign operation from a failure perspective while Benito (1997) argues that withdrawal could be seen as a change in strategy. For example, a firm could decide to withdraw from a specific market to change the operational mode or for better reallocation of resources (Reiljan 2011). Benito (2003) propose that the decision of divestment of a company is part of its strategy while Boddewyn (1983b) finds that the decision of a firm to exit from foreign markets is sometimes followed by other firms in the industry as well. The author points out the importance of analyzing the motives behind the de-internationalization process of a firm, but also of analyzing information from external sources and activities of other related firms in that specific market (Reiljan 2011).

According to Benito (1997) and Richbell and Watts (2000), there are few cases with higher chances for a firm to divest. Cases such:

- Subsidiary is small compared to others
- Transferring production could lead to economies of scale
- Mature industry
- Poor performance of the firm
- Culturally distant countries
- Headquarter and subsidiary are in different countries
- The subsidiary is inferior from activities perspective

Studies like Vahlne and Nordstrom (1993) suggest that „de-internationalization is a normal process in the case of global firms as it enables a better use of scarce resources„ (Reiljan 2011), while other studies argues that divestment is a result of environmental changes (Boddewyn 1983a and Sachdev 1976).

The third group of motives for de-internationalization is poor performance/ increase costs. Poor performance of a firm is very often the most important reason for de-internationalization of the firm (Tornedon and Bodewyn 1974 and Pawels and Matthyssens 1999).

According to Reiljan (2011), there are different reasons behind the poor performance of a firm. Reasons such as:

- Insufficient knowledge, experience, and effort
- Pre-internationalization mistakes

- Wrong interpretations of market signals
- Inappropriate market mix

have high influence on the performance of the firm, respectively on the decision of de-internationalization (Reiljan 2011).

As rate of return is often used to measure the performance of a firm in a specific market, Riahi-Belkaoui (1998) believes that rate of return is in strong relation with the level of internationalization. The author findings show that firms have a better performance in the middle stage of internationalization than in first and latest stages of the process (Riahi-Belkaoui 1998).

Benito and Welch (1994) findings show that international experience and commitment is increasing during the stages of internationalization. But, the authors, believe that de-internationalization may occur when the firm is acquiring knowledge about the requirement of international operations and believe that it cannot meet those requirements (Benito and Welch 1994).

While Luostarinen and Welch (1988) and Pawels and Matthyssens (1999) believes that de-internationalization is most likely to occur in first stages of internationalization, Ness (1979) observed that firms take the decision to de-internationalize only after all the other decisions and tries have failed. Luostarinen (1989) believes that if in case of poor performance, the firm decide not to de-internationalize, the consequences may lead to bigger losses and forced de-internationalization (Reiljan 2011).

Pauwels and Matthyssens (1999) states „ a successful strategic withdrawal may lead to a better strategic foundation of the entire international market portfolio„ (Pauwels and Matthyssens (1999). The authors believe that it is important for firms that de-internationalize to learn from both own and other's experiences. Same idea is pointed out by Nees (1979) when finds out that after first decision of de-internationalize, firm's decision process is faster, and the further process of de-internationalization are faster than previous (Ness 1979).

Another reason for de-internationalization is change of management (Andersson 2000, Bjorkman 1990, Ghertman 1988). But change of management after de-internationalization may have negative implications for the company because new management is not able to understand and use the knowledge gained during the process of de-internationalization (Levitt and March, 1988).

Summing up the previous discussion, there are different motives for de-internationalization of a firm and these motives can be grouped in four distinctive groups. The four groups of motives for de-internationalization of a firm are showed in the table below:

LACK OF INTERNATIONAL EXPERIENCES	Insufficient pre-internationalization analysis
	Too rapid and/or early expansion to the foreign market
	Lack of knowledge
	Inadequate interpretation of market signals
	Choice of inappropriate target market
	Choice of inappropriate operational mode
	Misfit of product and/or insufficient adaptation to the market
	Decrease in the value of previous experiences and knowledge due to the rapid changes in target market
	No previous inward internationalization
	Insufficient attention to foreign market (focusing on sporadic export)
CHANGE IN STRATEGY	Focusing on core markets
	Focusing on core activities
	Change of (foreign) owner's strategy
	New managers with different strategic perspectives
	Increase in demand at home
	Scarcity of resources and qualified personnel
	Constraints of manufacturing capacity
	Inadequate growth in target market
	Maturing of the product in the target market
	Change of operational mode
POOR PERFORMANCE AND INCREASE IN COSTS	Increase in production costs
	Increase in transport costs and tariffs
	Increase in competition (from the home country, host country, or third country)
	Poor performance
OTHER REASONS	(De)internationalization of related industries
	External shocks (including government interventions)
	Existence of foreign owner

Figure 1: Four groups of motives influencing the decision to de-internationalize

Source: Reiljan (2018)

The lack of international experience may be one of the most important reasons why companies de-internationalize. According to Reiljan (2018), lack of information and previous knowledge about the foreign market may lead to insufficient pre-internationalization analysis and thus, superficial decisions of managers regarding internationalization.

The de-internationalization may occur in response to the changes in firm's strategy. The possible reasons are presented in the table above.

De-internationalization process may be trigged by poor performance and/or increase in costs. According to Reiljan (2018), increased production costs in home country can increase the commitment to the foreign market where a subsidiary is set up. The study shows that different motives are interrelated and have simultaneous effect. In the figure below, it can be observed the relation between different motives and how does influence the decision of de-internationalization. According to Benito and Welch (1997), „past international experiences as well as current developments should be taken into account in analyzing de-internationalization tendencies„ (Benito and Welch 1997, p19). In the figure below, Reiljan (2018) adds these aspects as knowledge from external sources, cost related to de-internationalization and reasons for internationalization and points out that these aspects can increase or decrease the probability of de-internationalization. For example, by gaining knowledge from external sources, a company may reduce the effect of lack of international experience and influence the changes in strategy, making more or less likely the de-internationalization process of the firm. The author observed that this aspect does not influence costs and other reasons (Reiljan 2018).

Firms decide to internationalize from different reasons. This aspect changes in different stages of internationalization. If the reasons for internationalization disappear while the process proceeds, could influence de decision of a firm to de-internationalize.

The third aspect in the figure below is the cost of de-internationalization. Once a firm has started the process of internationalization, it starts increasing commitment to the foreign market and the firm start gaining experience in international operations. At this level, costs of de-internationalization may have great influence over the decision of closing down international operations (Reiljan 2018).

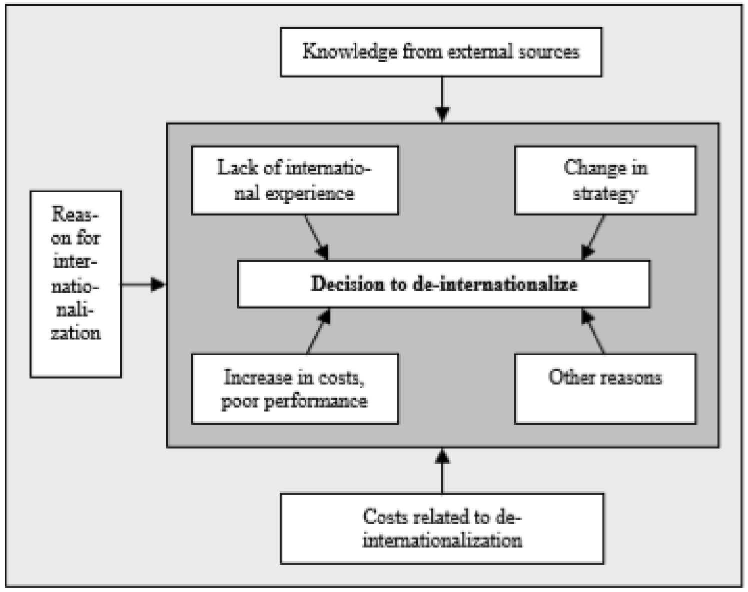


Figure 2: Framework for analyzing de-internationalization decisions

Source: Reiljan (2018)

Reiljan (2018) observed that different groups of motives are more likely to influence in different stages of internationalization. In the figure below, it can be observed that lack of experience has a greater influence in the first stage of internationalization. According to Benito and Welch (1997), internationalization can be seen as a barrier for de-internationalization.

When it comes to increased costs/poor performance, the author believes that this is less likely to occur in the first stage of internationalization, thus this group of motives has a great influence in the second stage of internationalization. Large, multinational companies with large-scale international activities are less affected by these group of motives due to their flexibility in transferring costs and other measures of decreasing higher costs (Reiljan 2018).

Change in strategy may occur, either in the latest stage of internationalization, when a company may want to re-evaluate its decisions and concentrate on core activities, either in the first stage of internationalization, when a company faces strong competition or not enough capacity or resources (Reiljan 2018).

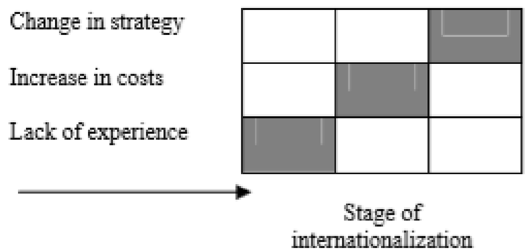


Figure 3: Relative importance of different groups of de-internationalization motives in the different stages of internationalization (darker areas means higher importance)

Source: Reiljan (2018)

In conclusion, different reasons of de-internationalization have been presented by analyzing both full and partial de-internationalization, at firm level, from head-quarter perspective or foreign subsidiary perspective, in the context of internationalization process model. Some of the reasons are more important in the first stages of internationalization process while others in the later stages of the process. These reasons and its impact can be influenced by three different aspects, knowledge gained from external sources, reasons for internationalization and costs for de-internationalization.

Process of de-internationalization

Most of the existing literature regarding the process of de-internationalization has a descriptive nature. Torneden (1975) is one of the first authors describing the concept of foreign divestment and its relevance. His research focused on U.S. MNC`s due to the increased activity within foreign divestment between 1967 and 1971 leading to the withdrawal of MNC`s from Western European countries. According to Torneden (1975), half of the companies listed within Fortune 500 dealt with the phenomenon of foreign divestment at that time. Regarding the de-internationalization process, Torneden (1975) concludes that top management should be aware of their involvement in initiating the process of foreign divestment giving the fact that they represent the initiator of foreign expansion.

Similar conclusion can be found in Boddewyn`s (1979) paper discussing the relevance of foreign divestment. In his opinion, U.S. companies are to be financially impatient, less knowledgeable and sympathetic regarding local aspirations. Due to this, he considers them to play the “politics of divestment”.

Torneden`s (1975) and Boddewyn`s (1979) papers have set the way for other researchers giving the opportunity to explore different scenarios. Fx. Lindgren and Spångberg (1981) focused on Swedish MNC`s while Davidson and MeFetridge (1984) looked at U.S. MNC`s in Canada. In other cases, the two papers have started a new stream of literature focusing on foreign divestment in the retail segment (Alexander and Quinn, 2002; Burt et al., 2002; Burt et al., 2004; Palmer and Quinn, 2007). One thing all research regarding the topic of foreign divestment have in common is the fact that the process in this case is a long one and according to Burt et al. (2004) happens within the first five years of entry.

Other scholars have focused their research on European export withdrawal presenting "how organizations behave internally, cope with opposing perspectives, evaluate and ultimately withdraw" (Matthyssens and Pauwels, 2000; Pauwels and Matthyssens, 1999, 2002, 2004). The perspectives presented by the two scholars in their papers focuses on tactical and strategic withdrawals. Tactical withdrawals represent a firm reaction to the ongoing underperformance of the foreign venture and is to be initiated by top management. In the case of tactical withdrawal, the underperformance is seen as the result of increased endogenous stress such as internal challenges while in the case of strategic withdrawals, underperformance is seen as the result of exogenous stress. In the case of strategic withdrawals, the process is to be initiated by middle level managers. The middle level managers have as porpoise to analyze the environment and come up with strategic alternatives for the international market portfolio.

The descriptive literature, presented above, has the porpoise to present the process of de-internationalization and its aspects thus, it does not provide much guidance for firms in their own de-internationalization process. In the attempt to try fill this gap, several scholars have focused in developing different frameworks in order to help with a more effective management of foreign withdrawal.

According to Clarke and Gall (1987), most companies fail in achieving their true potential due to "hasty and ill-conceived sale or closure under realizes the divestment`s positive potential". Same authors consider that this is due to how barriers are perceived and the inefficiency within the traditional de-internationalization process.

In order to overcome the inefficiency of traditional de-internationalization process, scholars have come with several frameworks:

- The FAST divestment program (Wallender, 1973)

Wallender (1973) states that divestment should be seen as a tool that help companies get their full value out of resources therefore, the need of a framework that can analyze and identify the possibility of divestment and its most effective outcome. The key into creating a good divestment program it to “concentrate resources at a decision point before attempting a turnaround or divestment” (Wallender, 1973). Besides correct planning principles, the corporate policies need to be adjusted in order to help with an early identification of the future divestment. Companies should also consider outside consultants and corporate planning staff in order to support the analysis. All these criteria’s will help achieving “The FAST (flagging, analysis, separation and termination) divestment program”.

- The Five steps approach (Clarke and Gall, 1987)

Clarke and Gall (1987) come with a systematic approach that has the porpoise to overcome the shortcomings of the traditional divestment. The main goal within this approach is to maximize the value of the divestment but also to ensure that the divestments that are made are the appropriate ones. The first step of this approach is understanding the companies needs for divestment. Within this step, a thorough analysis needs to be made in order to identify either how much the company needs to reduce its gear or how much cash is it needed for new investments. The second step would be identifying which businesses are the most appropriate for divestment taking into consideration the companies needs identified at step one. Within this step an internal review of the selected businesses needs to be conducted in order to establish to which degree the economics of the business needs to be divested. The third step implies conducting an external review in order to analyze market trends, offering a perspective over the future cash flows. An external review has the porpoise to highlight the competitive strengths of the selected businesses that can lead to improving the value of the business and eventually identifying important players on the market that could represent potential serious buyers. The fourth step of this systematic framework is evaluating the options regarding divestment. Some of these options would be selling the business, closing it or spinning it off. The last step implies identifying serious bidders in order to prevent damaging the deal and finally closing the deal.

- The framework for proactive divestiture (Dranikoff et al., 2002)

Dranikoff et al. (2002) proposes moving to a proactive divesture instead of a reactive one. The proposed framework for a proactive divesture includes five steps. The first step is to prepare the organization. Dranikoff et al. (2002) considers that it is important for top managers to explain divestment as a strategy move to their employees. This way they don`t risk panic or having people leaving in the middle of the process. A second step implies identifying candidates to whom the company can sell its goods. According to Dranikoff et al. (2002), it is essential for the companies that wish to divest to set concrete criteria for this analysis and apply them objectively to every unit. The authors also suggest four factors that should be taken into consideration when conducting the analysis in identifying buyers: the business unit`s impact on the rest of the corporation, the corporation`s impact on the business unit, the unit`s ability to beat market expectations, the corporation`s overall portfolio (Dranikoff et al., 2002). The third step is to structure the deal. Once identifying the potential buyers, the company needs to think about the best deal they can get and figure a way to structure it. Some of the potential deals a company could make are: sell for cash, spinning off, two-step transaction or contingent compensations. As mentioned before, communication plays an essential role in the process to divest. Therefore, the fourth step is communicating the decision to the businesses. But in the case of a sale, the company should wait until the moment the sale is very likely to happen otherwise might rick jeopardizing the deal. The final step of a proactive divestment would be to create new business. As mentioned on several occasions, divestment should not be perceived as a failure meaning that companies should not stop their expansion due to it.

The three frameworks coincide with the underlying idea of how firms should proceed with their de-internationalization process. Even more, Wallender`s (1973) framework helps companies to assess their foreign operations and provides the necessary steps for de-internationalization.

Moreover, while conducting the research regarding the process of de-internationalization, two more papers are mentioned due to their contribution to theory building. Pauwels and Matthyssens (2001) introduces the “resource-based evolutionary theory of the firm” and Freeman et al. (2013) presents a framework of strategic restructuring for born global firms. Both papers are using the existing internationalization theories in order to explain the concept of de-internationalization and therefore leading to theory building regarding the field of de-internationalization.

Pauwels and Matthyssens (2001) paper is based on analyzing frameworks within internationalization, such as the integrated global strategy framework, the “stage model and transaction cost-based theory in order to explain market withdrawal. Their conclusion is that the three frameworks lack the dynamic orientation due to their static and/or pre-determined nature therefore it would be a mistake to include de-internationalization. On this note, Pauwels and Matthyssens developed “the resource-based evolutionary theory of the firm” and stating that it represents a “promising path toward future theorizing on non-unilinear internationalization processes” (Pauwels and Matthyssens, 2001, p. 269). “The resource-based evolutionary theory of the firm” is based on the perspectives of “Resource-based theories” but also on the explanatory power of evolutionary economics. In this context, the firm is seen as a bundle of capabilities and routines therefore, the market diversification is influenced by the companies’ resources, such as ownership effects, and the requirements of the operational context, such as locational effects. In other words, companies can internationalize at any time as long as the companies’ resources can be used in an international market. According to Pauwels and Matthyssens (2001), this approach helps with gaining the needed international experience and knowledge that firms need in their future expansion abroad. The two scholars consider de-internationalization as a result of increased knowledge that may lead to a higher degree of internationalization of the firm.

On a similar idea, Freeman et al. (2013) developed a framework that includes the phenomenon of de-internationalization by analyzing nine Australian Born-Global companies. In the case of Born-Global companies, the managers relational and network activities play a major role if is expected for the company to adjust to the changes regarding the internal dynamics or environmental conditions. For example, in case managers need to restructure the international operations of the company due to declining economic environments or the need to free up resources in order to support the companies’ survival. According to Freeman et al. (2013), in this case, the company is relying on “de- and re-internationalization processes … using outward and inward-oriented activity during entry, exit and re-entry”.

In conclusion, it can be observed that the proposes frameworks to study the process of de-internationalization are build in a way to anticipate the problem and to offer the best outcome possible. As the literature mentions, the process has to be quick and caught in early stage in order to prevent severe economic damages to the company.

Outcomes of de-internationalization

The literature within this section is very limited. In our research, we were able to find only eight papers that present the possible outcomes of de-internationalization and Dauth et al. (2015) classified them as follows:

- Effects of full or partial withdrawal from international operations (Tsetsekos and Gombola, 1992; Wright and Ferris, 1997; Borde et al., 1998; Brauer and Schimmer, 2010);
- Effects of broader measures of performance within a firm (Girma et al., 2003; Engel and Procher, 2013);
- Effects of withdrawal on the future international strategy (Palmer, 2004; Crick and Chaudhry, 2006).

Tsetsekos and Gombola (1992) focused their research on analyzing the impact on the stock price after companies announce their plant closing on domestic or foreign markets. According to Tsetsekos and Gombola (1992), closing a plant means "that the plant is worthless and that any operating option for future investments have become worthless as well". Even though, closing a plant may represent a positive increase in the company value, the two scholars have noticed differences on how the announcement is perceived by shareholders between domestic and foreign markets. The closing of domestic plant indicates severe problems regarding meeting demands or keeping low production costs. Meanwhile, closing a foreign plant is perceived less severe due to deterioration within foreign arbitrage.

Wright and Ferris (1997) focused their research in analyzing the impact on the stock market of American companies that decided to divest from South Africa before 1991, when U.S. officially ended all economic sanctions against South Africa. Before 1991, literature shows that many U.S. companies were private or public pressured to divest from South Africa. The reason behind this pressure was political such as the moral outrage of Americans towards how black South Africans were treaded by the white South African government. The authors go from the presumption that in some cases, top managers are allowing noneconomical reasons to influence the companies' strategies meaning that they put their own interests before companies. Their findings show a negative return on the day of the announcement proving that their presumption was right.

On a similar idea, Borde et al.`s (1998) paper comes with different findings and suggests that foreign plant closing should not influence the reaction of stock market towards foreign divestment. Their research focused on analyzing companies that decided to divest from foreign markets and monitoring the stock market the day before the announcement and two days after the announcement. Borde et al.`s (1998) results indicate a positive effect on the stock market regardless if the divestment is domestic or foreign.

Brauer and Schimmer (2010) focused their research in analyzing the stock market performance between the announcement of program divestitures and the announcement of stand-alone divestitures. The scholars define program divestitures as “groups of (unit) divestitures that adjust the corporate focus of a firm according to an explicitly announced strategic logic” (Brauer and Schimmer, 2010). Their results suggest that program divestitures generate higher abnormal returns and higher stock market returns is companies allow sufficient time between the divestitures announcements (Brauer and Schimmer, 2010). Brauer and Schimmer (2010) paper implies that program divestitures represent a strategy therefore, indicating the involvement of top managers.

On a different thought, Girma et al. (2003) decided to focus their research on the firm performance based on productivity and employment. The research analyzed UK manufacturing firms that decided to ceased export before 2000. The results indicate a negative effect on productivity even more on employment and output indicating insufficient demand on domestic market. However, in 2013, Engel and Procher disagree with Girma et al.`s (2003) findings after conducting a study on the export withdrawal of French companies. According to Engel and Procher (2013), the firms` decision to de-internationalize their activities has not affected the companies export turnover, operating revenue, employment and productivity.

Palmer (2004) paper studies Tesco’s restructuring and divestment activity within 80`s and 90`s in Ireland and France offering insights regarding the relationship between investment and divestment in the context of international corporate restructuring (Palmer, 2004). The authors findings suggest that divestment, in the case of Tesco, was not part of the company international strategy. Even more, there were no indications that they took into consideration the possibility of exit in the early stage of market entry. The divestment, however had a positive impact helping the management to refocus and rejuvenate the company`s internationalization process (Palmer, 2004).

On the same idea, Crick and Chaudhry`s (2006) paper analyzes the evolution of companies 18 months after they divest. The authors findings suggest flexibility regarding adjusting companies' international strategy and that 10 out of 18 companies found creative ways to commence their business abroad.

In conclusion, we can say that the phenomenon of de-internationalization is starting to receive a positive outcome. This means that the phenomenon of de-internationalization is starting to be recognized by business industry as a strategy and not only as an admission of failure.

Modes of de-internationalization

R. Turcan (2011) defines a mode as "an institutional arrangement that makes possible the entry into or exit from a foreign country of a company`s products, technology, human skills, management or other resources". His definition is based on Root`s (1977) definition but taking into consideration the process of de-internationalization.

Before starting explaining the different modes of de-internationalization, Turcan`s (2011) paper provides a typology of de-internationalization. The construction of it has been achieved by "cross-tabulating the polar dimensions of de-internationalization" (Turcan, 2011). The degree of de-internationalization has been discussed by Benito and Welch (1997), being the first recognizing the importance of differentiating partial from full de-internationalization. As in terms of outcomes, Turcan (2011) classified de-internationalization as in business or out of business.

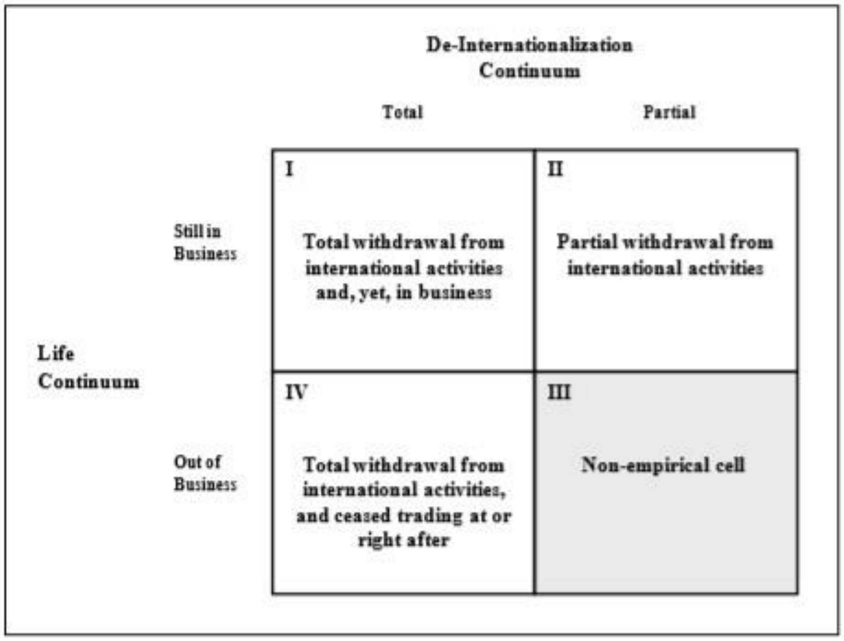


Figure 4: Typology of de-internationalization

Source: Turcan (2011)

The first column represents companies that went through total de-internationalization from international operations. The difference between Quadrant I and IV is whether or not the companies are still in business. In the case of companies that are still in business, they managed to do so by focusing on domestic markets. Meanwhile, in the case of companies that are out of business, literature says this happen shortly after de-internationalization.

The second column represents companies that went through partial de-internationalization. The companies in Quadrant II have managed to still be internationally active after partially de-internationalizing. While companies in Quadrant III do not exist. According to Turcan (2011) it is assumed that companies that partially de-internationalize are still in business.

Combining the definition of modes with the typology of de-internationalization, Turcan (2011) summaries that de-internationalization can take the form of partial or total. In case of a partial de-internationalization, companies "can either reduce foreign operations in that market, or switch to entry modes that entail a lesser commitment of resources" (Turcan, 2011).

In case of companies that decide to reduce their foreign operations, things look simply. They can achieve this by "focusing on an earlier version of the product, providing services, divesting a brand, re-organizing, or cocooning while keeping the structures it built in a foreign market intact" (Turcan 2011). As regarding companies that to de-internationalize through exit modes, the process seems more complicating offering more options such as: de-investment, de-franchise or de-export.

Coyne and Wright (1989) define divestment as "the sale by an organization of one part of itself to another party". This definition gives the impression that the severance of ownership is complete and final each time but, in real life this type of approach may not provide with an accurate description of the process. Therefore, the authors suggest that divestment to be classified by "the nature of the ownership severance involved" (Coyne and Wright, 1989):

- Franchising – represents a way of trading that involves exclusive rights to produce someone else's product or service in a given area;
- Contracting-out – though has similarities with franchising, it involves the provision of a specific good or service to the parent company offering the opportunity for the contractor to gain a monopoly position during the period of the contract;
- Sell-off – represents a permanent arrangement with focus on the business unit instead of provision of goods or services;
- LBO – part of the company is sold to its management or a consortium of institutions, becoming an independent entity;
- Spinning-off – part of the home company is separated by becoming an entity owned by the same shareholders as the home company;
- Asset-swapping – transfer of ownership is achieved by exchanging asets from one company to the other.

Frazer (2001) paper focused on what determines disruption within the operations of a franchisor. According to the author, the failure of franchise is final. In other words, the divestment of a franchise business is achieved through exporting.

Jones (1999) focused on studying the internationalization process of small high-technology firms by examining their cross-borders links. His study shows that from exporting, companies may switch to in-ward activities such as importing, licensing-in, R&D contracting, etc.

A representation of the different modes of de-internationalization is presented in the figure below.

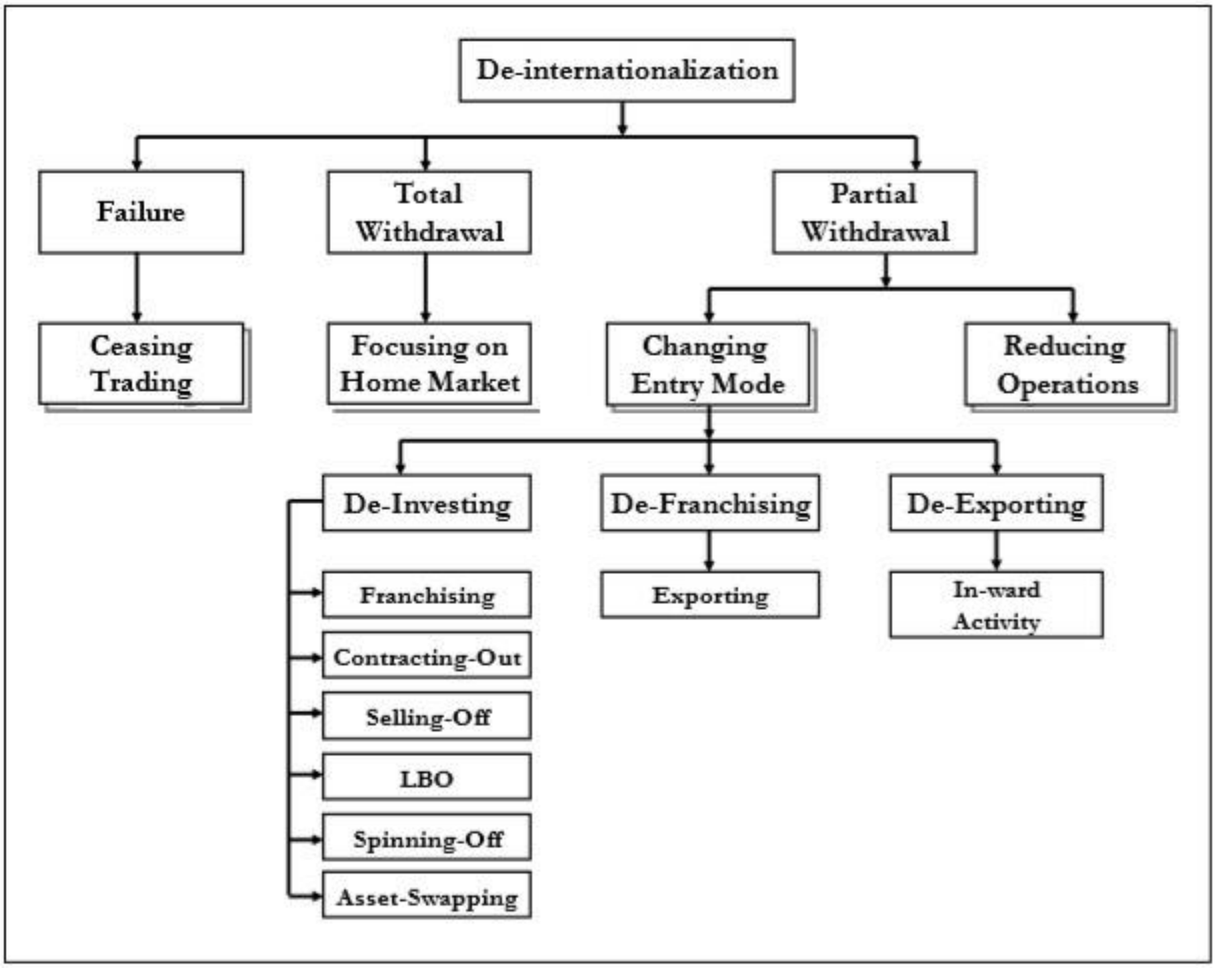


Figure 5: Modes of de-internationalization

Source: Turcan (2011)

For the porpoise of this research, the authors of this thesis have decided to continue by investigating deeper into the concept of de-investing due to its complexity. The concept of de-investing is found in the literature also under the name of divestment or de-investment.

Divestment

Benito and Welch (1997) define divestment as „*any reduction of a firm s engagement in or exposure to cross-border activities*„ (Benito and Welch 1997). Berry (2010) sees divestment as „*a result of poor parent-level and/or foreign operations-level performance that disrupts growth and expansion of international operations*„ (Wan et al. 2015). Markides (1992) believes that is „*an independent, purposeful, and complex corporate strategy that has proven to be relevant for all firms' regardless scope, size, age, or industry background*„ (Wan et al. 2015).

Divestment is also defined as a process through which the firm optimizes its level of diversification. According to Turcan (2006), this can be made by selling part of assets, product lines, subsidiaries, divisions or closing its facilities.

In the search of literature that explains the concept of divestment, other terms like offshoring, backshoring or reshoring were found. Therefore, the authors of this thesis consider that a description of the terms need to be provided in order to establish whether or not there is a connection with the concept of divestment.

Offshoring is the decision to transfer parts of the whole company abroad but maintaining the ownership or relocate value-adding activities across the national borders of the company (Roza et al. 2011). Companies used to offshore its activities in the past 20 years, looking for low costs material and labor or labor rules and laws more flexible than in its home country (Heikkila et al. 2018). But according to Johanson and Olhager (2017), many companies could not effectively calculate the costs and benefits of this process and faced problems like low quality of products thus loss of customers trust, weak communication and coordination or increased inventories. Because offshoring may have hidden costs that are hard to estimate and sometimes can be substantial, companies start reconsidering the decision for offshoring and decide to bring its activities back, in home country (Strom and Levy, 2013) or to another location close to country of origin.

According to Fratocchi et al. (2014) backshoring is „*the decision to relocate in the firm s home country production or supply previously off-shored*„. Samara et al. (2017) discusses the backshoring process in the light of offshoring. The authors find key advantages and disadvantages of offshoring to understand the backshoring process of a company. These key advantages and disadvantages are presented in the figure below:

Advantages	Disadvantages
Low cost materials	Supply chain complexity & loss of control
Low cost labor	Visibility of processes & practices
Access to qualified labor	Quality of materials & production
Access to resources, knowledge & expertise	Loss of skills/manufacturing in home country
Focus on core competences	Loss of core competences
Access to new/broader markets	Geographic distance, longer lead times and delays
Beneficial trading conditions	Quality of communication/cultural differences
Organizational flexibility	Increased inventory
Access to technology	Environmental & social standards

Figure 6: Key advantages and disadvantages of offshoring

Source: Samara et al. (2017)

The key advantages are the reasons behind the decision of a company to offshore its business processes, production and services across the national border of a company, while the disadvantages can be seen as reasons behind the decision to relocate its activities back to its home country or to another location that can be near the country of origin.

Mlody (2016) argues that due to the increasing number of companies that have decided to backshore its activities and the lack of fully reliable data, the scale of this phenomenon is hard to estimate, thus the concept does not have clear definition. According to Mlody (2016) „*in the literature there are also other terms defining backshoring like backsourcing, insourcing, inshoring, onshoring, home-shoring or repatriating manufacturing*„. The same author argues that „ *backshoring is a form of reshoring, which itself is a reversal of offshoring and can refer simply to change of the location*„ (Gray et al. 2013).

In addition, Wiesmann et al. (2017) findings show that the most common term used for bringing back to the home country the manufacturing activities that have been offshored is reshoring. Albertoni et al. (2017) argues that reshoring is just a change of manufacturing locations, that can be further offshored to another location, not necessarily the country of origin.

Johanson and Olhager (2017) finds differences between backshoring and reshoring, arguing that the difference between these two concepts is the location to which company decide to transfer its production, business processes and services. Thus, backshoring is the process of transferring manufacturing activities back to the country of origin of the company while reshoring is the process of relocating its manufacturing activities to another location that can be or not close to the country of origin (Johanson and Olhager 2017).

Literature in the field of de-internationalization, divestment and backshoring is not conclusive. Some researchers are arguing that backshoring and the concepts of de-internationalization and divestment shares some common characteristics while others founds some significative differences. Mlody (2016) found that „ *is characterized by a larger range of other reasons, motives and distinct decision-making processes, and thus, it may constitute an individual concept*". For example, de-internationalization and divestment are more related to wholly-owned subsidiaries and backshoring refers to process of outsourcing activities of the company to both foreign suppliers and its subsidiaries (Mlody 2016).

Turcan (2006) find that scholars have argued the possibility of seeing divestment of international operations as the reverse of the investment process. Same idea is shared by Alexander and Quinn (2002), saying that divestment is the reverse process of investment and takes place within the same framework as domestic divestment decisions and the divestment process is triggered by the disappearance of those factors that trigged investment in the first case. On the other hand, Wan et al (2015) finds that divestment process is included in the internationalization approach.

Perspectives on divestment

The divestment process has been studied from different perspectives over time. For example, Cairns et al. (2008) studies divestment at different stages of advancement, domestic divestment, international divestment, and international retail divestment. According to Benito (2005) and Cairns et al. (2008), the process of divestment can be studied from different perspectives:

- **The industrial organization approach**

The industrial organization literature has studied divestment and the motivation or impediment to divest. The most common motivations to divest are:

- Low profits due to high costs (Siegfried and Evans 1994)
- Permanent decrease in demand (Siegfried and Evans 1994)
- The entry of an aggressive and efficient competitor or competitors (Siegfried and Evans 1994)

The most common impediments found by industrial organization literature are the existence of assets that have no valuable alternative uses and inter-relatedness between units (Benito 2005).

The industrial organization literature findings show that:

- large companies are most likely to divest because of the geographical and economical distance between the subsidiary and the managers making the decision to divest (Wright and Thompson 1987)
- large companies are most likely to divest non-core activities for improved performance (Markides 1995)
- managers are not willing to take the responsibility of a divestment decision that may have a negative impact on their career (Porter and Caves, 1976)
- that small independent plants have lower opportunity cost and are willing to have a lower rate of return in comparation with a multinational company (Benito 2005)
- **Financial studies perspective**

Financial studies perspective has focused on the impact of divestment on company performance. According to Benito (2005), there are few studies that looked into profitability measures (e.g. Haynes, Thompson and Wright 2002) while the main focus has been on the effect of divestment decisions on share price. Financial studies show that divestment increase market share of a company (Markides 1995). According to Montgomery, Thomas and Kamath (1984), divestment receives positive market reaction when it is linked to corporate strategy (Cairns et al. 2008). Factors for divestment here are unwise acquisition policies, poor performance, and corporate diversification strategies (Benito 2005).

Wan et al. (2015) sees divestment as a response to poor performance of the company (Dranikoff et al. 2002, Markides 1992, Duhaime and Grant 1984) and weak performance at unit level (Chang 1996). Findings from Boddewyn and Tornedon (1973) show the process of divestment as a voluntary process that occurs when executives decide to end operations due to subsidiary performance and prospects (Wan et al. 2015). Furthermore, Berry (2010) show that poor performance is not the only reason why managers decide to divest, and the decision can be taken in case of better market opportunities which leads to trade-off between home country and host country subsidiary (Wan et al. 2015).

- **Corporate strategy perspectives**

Strategic management literature studies divestment from a product life-cycle approach and sees divestment as a strategy for declining industries (Cairns et al. 2008). According to literature, divestment process is seen as a pertinent solution for companies in the declining phase with uncertain future returns (Benito 2005).

From a corporate portfolio perspective, Chow and Hamilton (1993) believes that „*a company can be regarded as a portfolio of assets, products, and activities, which should be continuously under review from both financial and strategic point of view*„ (Benito 2005), therefore, corporate financial performance can influence divestment.

According to Benito (2005), there are several studies that show different motivations for divestment:

- Corporate expansion to unrelated industries (Pennings, Barkema and Douma 1994)
- Low interdependency between units (Duhaime and Grant 1984)
- The need to focus on core activities (Chow and Hamilton 1993)

- **Studies of foreign divestment**

In the period 1970-1990, few cases of divestment have been studied and most of them were forced divestment. Over time, divestment has been studied using different approaches or viewpoints:

- As relocation of manufacturing capacity as a response to increased cost disadvantages (Pennings and Sleuwaegen 2000)
- As effect of political and institutional transformation in transition economies (Roberts and Thompson 2003)
- At firm-level perspective with focus on the relationship between cultural and experiential aspects of foreign expansion (Li 1995, Hennart, Kim and Zeng 1998)

Acquisitions and joint ventures are difficult processes which can result in poor performance of company and thus, higher chances of divestment (Barkema, Bell and Pennings 1996, Li 1995). Benito

(1997) findings show that acquisitions as mode of internationalization can increase chances of exit markets, but this is not available for joint ventures. According to Benito (1997) and Li (1995), the international diversification takes to higher risk of exit (Benito 2005).

International divestment studies focus on the divestment activities of manufacturing industries. Conclusions drawn by Barkema et al (1996), Hennart, Kim, and Zeng (1998) and Li (1995) show that divestment is more likely to occur when companies enter foreign markets that are culturally distant through acquisition or joint ventures. Benito (1997) finds divestment less likely to occur if subsidiaries from foreign country has a strong relation with headquarters and registers economic growth in home country. Benito and Welch (1997) findings suggest that possible reasons for divestment form international operations may be import restrictions, competitive action, or problems with suppliers (Cairns et al. 2008).

In conclusion, most of the studies regarding divestment have focused on how different types of modes entry used during internationalization process influenced the future of a foreign subsidiary and how the decision taken during the process of internationalization may influence the future of the company.

Reasons for divesting

Over time, studies conducted on divestment revealed different reasons behind this process. Different reasons for de-internationalization have been discussed before in this paper, but as the focus of this thesis is the process of divestment, an overview of different reasons found in relevant literature regarding the process of divestment will be provided:

- Low interdependency between units (Duhaime and Grant 1984)
- The need to focus on core activities (Chow and Hamilton 1993)
- Low profits due to high costs (Siegfried and Evans 1994)
- Permanent decrease in demand (Siegfried and Evans 1994)
- The entry of an aggressive and efficient competitor or competitors (Siegfried and Evans 1994)

- Corporate expansion to unrelated industries (Pennings, Barkema and Douma 1994)
- Poor financial performance (Jagersma and Van Gorp 2003)
- Alternative local or global growth opportunities (Jagersma and Van Gorp 2003)
- 'Follow the market leader' behavior (Jagersma and Van Gorp 2003)
- Unfavorable political climate (Jagersma and Van Gorp 2003)
- Absence of strategic policy collaboration (Jagersma and Van Gorp 2003)
- Lack of competitive edge (Jagersma and Van Gorp 2003)
- Conflicting policy views (Jagersma and Van Gorp 2003)
- Acquisition policies (Benito 2005)
- Corporate diversification strategies (Benito 2005)
- Import restrictions (Cairns et al. 2008)
- Problems with suppliers (Cairns et al. 2008)

The reasons presented above are the most common incentives for divestment of a company from foreign market.

Process of divesting

Boddewyn (1986) describe the divestment process as a decision process. According to the author, divestment process has different stages like:

- Discrepancy
- Exit barriers
- Personal commitment
- Persuasion

* Organizational commitment
* Justification
* Organizational learning

The divestment process model and its stages are illustrated in the figure below.

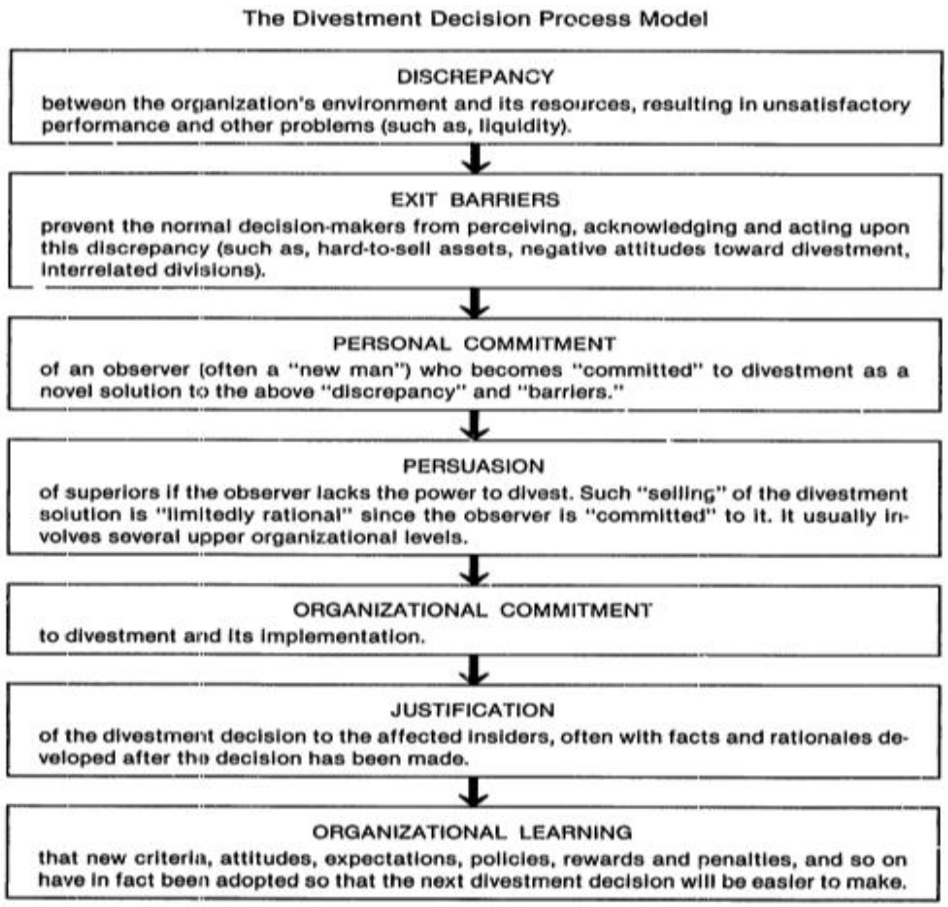


Figure 7: The divestment decision process model

Source: Boddewyn (1986)

Same idea is sustained by Turcan (2006), which view the divestment process as the end result of strategic decisions regarding allocation of resources at certain level, change of foreign market or complete exit from a certain market.

From previous research and its findings, Alexander and Quinn (2002) finds that the divestment process, domestic or international is caused by a decision-making process and there are three phases of the divestment process. First stage is decision where the decision to act is taken, second is the process and third stage is the effect that the process has on the company that has been through process of divestment. Decision has different set of variables:

- conditions
- motives
- precipitating circumstances.

Process is analyzed through:

- the steps taken
- the timeframe
- the types of divestment

Effect is focusing on the financial indicators (Alexander and Quinn 2002).

Outcomes of divesting

Tsetsekos and Gombola (1992) analyzed the impact of divestment on stock price. According to their study, the effect of divestment on stock prices depends on the perception of the shareholders between domestic and foreign markets. Furthermore, Wright and Ferris (1997) finds a negative return of the stock market when the decision of divestment has been taken. These findings are contradicted by Borde et al. (1998) which found that regardless of the nature of divestment, the phenomenon had a positive effect on stock market.

Markides (1995) findings show that companies can recuperate performance by divesting non-core units. The same author finds a strong relation between divestment process and the market value of a company, suggesting that divestment can increase the market value of the company.

Haynes, Thompson, and Wright (2002) found a relation between divestment decisions and share prices. The authors believe that the divestment process has significant effect on share prices of companies.

Palmer (2004) analyzed Tesco s divestment process and his findings show that divestment had a positive impact over company, helping management to overcome the mistakes made through the process of internationalization, focus, and reinvent company s internationalization process for the future. On the same idea, Crick and Chaudhry (2006) findings show that divestment helped companies to adjust their international strategies.

Benito (2005) suggest that divestment can be used as strategy for companies situated in its declining phases. By following a divestment process and exit the market can focus on core activities from home country and overcome the declining phase.

In conclusion, divestment may have different outcomes depending on the industry, size of company, or the reasons behind the process of decision. Over time, literature has started to study this phenomenon as a voluntary process or strategy, leaving the aspect of failure behind.

Conclusions

It is noticeable the fact that most of the literature used by scholars to explain the phenomenon of de-internationalization drives from the researches made on divestment. Therefore, the two concepts have similar findings.

From the perspective of reasons, the concept of de-internationalization, more specific divestment, is often due to market failure. Most of the reasons behind the decision to de-internationalize or divest has to do with the companies' bad performance on the international market. This could be either due to lack of international experience, country`s policies, strong competition etc. In the case of companies that decide to use de-internationalization or divesting as a strategy, the reasons are simple. It can be to focus on keeping their position or even strengthen it in other countries where it has a high performance.

When discussing the process of de-internationalization, more specific divestment, it gets complicated. First, as literature presented, it is needed an objective perspective on how the process should go. Therefore, the change in management is often associated with it. Even though the literature says that companies' decisions to de-internationalize or divest is receiving positive responses, the way the process is handled represents everything. Therefore, it is needed a strong managerial team that looks for the best interest of the company.

The way the process of de-internationalization or divesting is handled influences the outcomes. As long as the process is properly handles, the outcomes can only be positive and the losses suffered by companies is at minimum.

Disregard if de-internationalization is voluntary or forced, there are still lessons to be learned and could help companies in their future expansion such as reinvet their internationalization process.

International retail divestment

„*Divestments are an integral part of business. They can be seen as the results of ever-evolving processes of change that keep companies and whole economies rejuvenated and in shape*„ (Benito, 2005, p.247).

International retail divestment is a relatively new and growing area of research. Some of the first studies on this subject are studies by Alexander and Quinn (2000, 2001, 2002). The authors noticed few key issues about international retail divestment:

- divestment process needs to be conceptualized
- the nature and the form of divestment needs to be studied
- relation between international activities and domestic activities need to be studied
- the strategic value of divestment and the reaction of retailers to divestment need a better understanding (Cairns et al. 2008).

Perspectives

Alexander and Quinn (2002) studies the divestment process of two retailers, Mark and Spencer and Arcadia. The authors conclude that the divestment process may be trigged by negative aspects in the domestic market and not necessarily by problems in the international operations (Cairns et al. 2008).

Palmer (2004) studied the divestment activities of Tesco in France and Republic of Ireland and found that there are five divestment dimensions:

- strategic competitive behavior
- relationship between market entry and exit
- exit strategy
- managerial commitment
- marketing communication and reputation

The author analyzes these dimensions from two perspectives: strategic response to divestment and errors which lead to market withdrawal and exit. In case of Tesco, Palmer (2004) finds that divestment has a positive impact on the company, motivating management to rethink their internationalization strategy (Cairns et al 2008).

Wrigley and Currah (2003) studied the divestment activity of Ahold in South America and concluded that periods of retrenchment and strategic adjustments are inevitably found in retail internationalization process. Continuing their research on Ahold s divestment activities, Palmer and Quinn (2007) finds international divestment as a strategic response which influence progressive international investment (Cairns et al 2008).

Alexander et al (2005) analyzed literature from 1987 until 2003 and identify the volume and characteristics of international retail divestment. In their findings, it is noted that the term divestment may represents different forms of activity from closing stores to markets withdrawal. Alexander et al (2005) argues that divestment can take the form of „ *closure of stores, sale of store chain, termination of a business contact/agreement (joint venture, franchising and so on) or organizational restructuring*„ and „*divestment may or may not involve market exit*„ (Alexander et al 2005, p.19).

Skordili (2013) investigates the factors behind divestment activities of Aldi in Greece. The author findings show „*mistaken appraisals and unfortunate choices which took place during the phases of preparation and implementation of the investment*„ as well wrong estimation of the size and potential of the domestic competitors, were factors which lead Aldi to withdraw form Greek market. The author argues that „large international retailers seek to simplify their networks and expose themselves to fewer different environments so as to reduce risk„ (Coe and Wrigley, 2007).

Burt et al (2004) studied the general characteristics and patterns of European retail divestment. The authors concluded that most of the divestment activity that involved market exit where for the businesses that were established as joint ventures or acquisitions.

According to Burt et al. (2004), divestment can be seen as a reallocation of resources: "*Changing corporate strategies, alternative opportunities and changes to resource availability determine the shape and geographical location of activities and affect the nature of the international investment and divestment process*" (Burt et al 2004)

Based on previous literature, Cairns et al. (2008) concluded that there are five fundamental issues that have influence on the process of divestment:

- inward looking corporate culture
- the need for stability in the domestic market
- negative consequences of persevering with a failure strategy internationally
- new management
- entry mode strategy

According to the researchers, these five fundamental issues need to be researched and discussed in any divestment process in order to understand the process itself, the reasons behind it and its effects on the company.

Reasons

International retail divestment is a type of divestment applied to a certain industry, in this case, retail industry. Therefore, the motivations behind international retail divestment process are mostly the same with the divestment process. Below are presented different reasons for international retail divestment found in the literature regarding this topic:

- mistaken appraisals and unfortunate choices during internationalization (Skordili 2013)
- wrong estimation of the size and potential of the domestic competitors (Skordili 2013)
- a lack of innovation (Burt et al. 2008)
- existing competition (Burt et al. 2008)
- lack of power (Burt et al. 2008)
- customer preferences not compatible with the strategy used to internationalization (Burt et al. 2008)

- management culture does not match the specific country s culture (Burt et al. 2008)
- management perceptions about the stability and predictability of the host environment (Benito 1997, 2005)
- the economic and strategic performance of the operation over a pre-determined timeframe (Benito 1997, 2005)
- the strategic fit with the domestic operation (Benito 1997, 2005)
- management capabilities and governance issues (Benito 1997, 2005)

Process

Alexander and Quinn (2002) analyzed the international retail divestment process based on the process framework by Godar (1997). As it was presented within the theoretical framework under the process of divestment, the process framework consists in three phases.

Cairns et al. (2008) follows the work of Alexander and Quinn (2002) and describe the process of international retail divestment as being a process with four stages:

- **Divestment** decision-where conditions, motives and precipitating circumstances are described and discussed
- **Process**-where announcements, timeframe, types of divestment and the management of the process need to be decided
- **Strategic reorientation**-where the implications of the divestment process and how these influences the strategic direction of the company are discussed
- **Strategic and operational response**-where the company response to divestment is discussed, in both home and international market

The process and its stages are illustrated in the figure below:

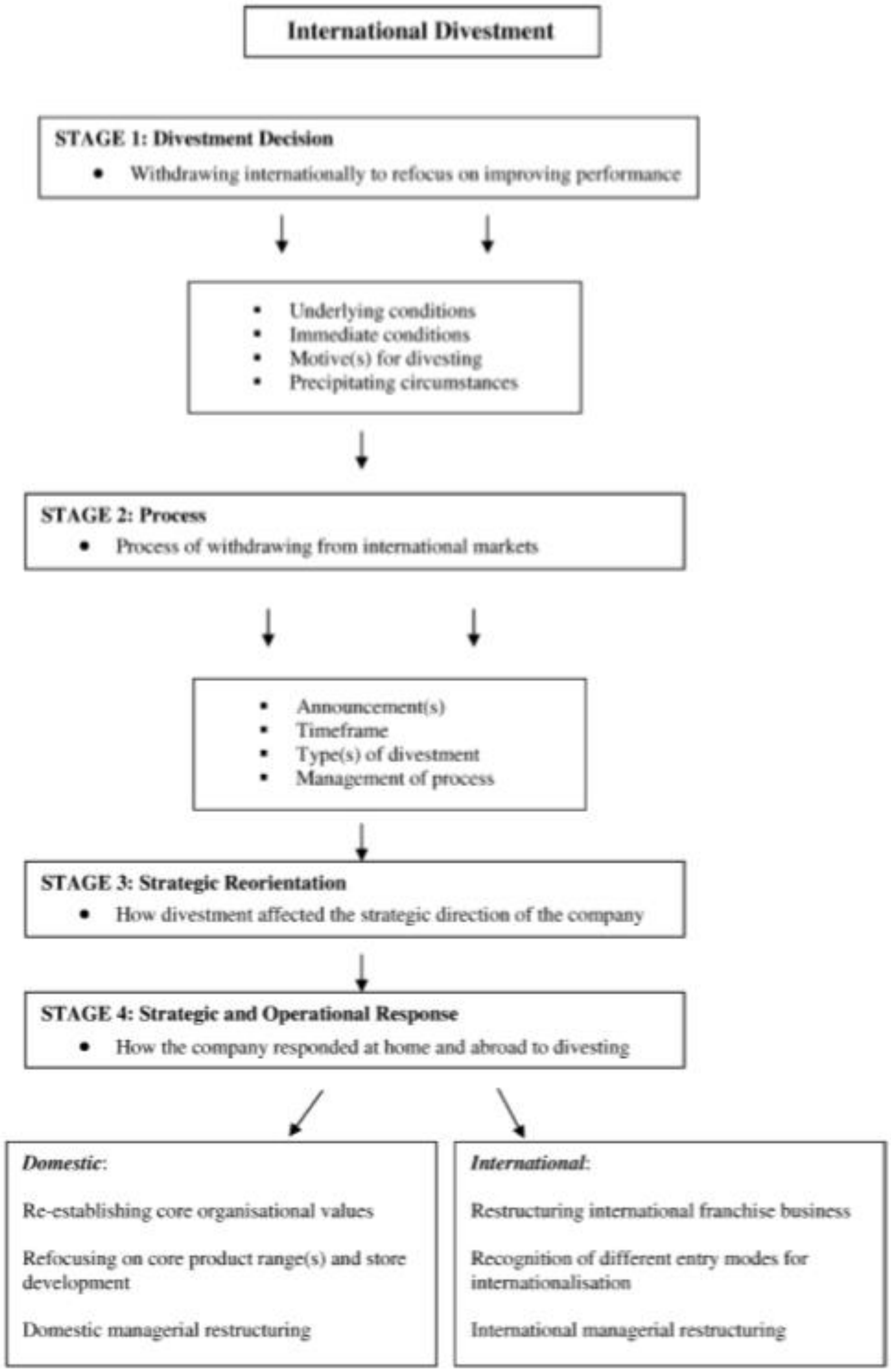


Figure 8: The international retail divestment process

Source: Cairns et al. (2008)

Conclusions

The main reason of divesting within international retail industry is due to low performance within the home market. In this case, the process of divestment is used as strategy and companies focus on increasing their future growth.

As the retail industry counts on creating a strong a customer base, frequent reasons behind divesting are due to the companies' inability to adapt to foreign markets suggesting a problem within the internationalization strategy. In case of retailers, mistakes made within their internationalization process can have severe consequences on the long run of the company.

Scholars that focused their research on the process of international retail divestment have helped developing frameworks that analyzes the stages of the process. The porpoise of these frameworks is to provide a common understanding over the phenomenon of divestment.

Regarding the outcomes of international retail divestment, the authors of this thesis have not been successful in identifying any research from this perspective.

Literature review

The next section has as porpoise in presenting a literature review of the existing empirical research regarding international retail divestment. This analysis we`ll help the authors writing this thesis into comparing the new findings from this section with those from the theoretical framework in order to achieve the aim of this thesis and answer the research questions. In order to do this analysis, the authors writing this thesis will review 15 articles from the three perspectives studied until now: reasons, process and outcome of international retail divestment.

The impressive amount of studies regarding the reasons influencing the decision to divest implies the fact that scholars try in providing an understanding over the phenomenon of divestment.

In their research, Alexander and Quinn (2002) are trying to explain divestment activity within retail sector by initiating the process of conceptual integration required by companies operating in this sector. The authors are using in their research the case studies of two British companies, Arcadia (formerly the Burton Group) and Marks & Spencer. In their findings, the authors state that the international retail divestment it is not caused by any weaknesses of the internationalized company but, in most of the cases, by a strategic decision caused by different circumstances in home market.

Burt et al. (2004) analyzed the divestment activities of over 270 cases from geographical, temporal, entry mode and format perspective in order to identify the general characteristics and features of the divestment process. The authors state that due to the growth of divestment activity, the topic plays an important role in the process of internationalization. The companies studied showed that most of divestment activities entail country exit. Though divestment activity has been registered since the 1970`s, the authors observe an increase regarding exit activities causing companies to exit multiple markets. The companies divesting lose their operations in favor of other international retailers representing the process of market consolidation. Though the time retailers were present in a foreign market differs from company to company, the authors estimated that the majority of exits happen within the first five years. As regarding the way companies establish their operations on foreign markets, those that chose franchising or forms of affiliations or alliances have higher chances of divesting than those established through acquisitions or joint ventures. Regarding the company's choice of entry mode on a foreign market, the paper shows that those who decide to open stores have higher chances to survive than those entering through joint ventures.

Alexander et al. (2005) attempts to start the process of analyzing divestment by identifying the volume and characteristics of international retail divestment from 1987-2003. Their study s focus is the market of divestment, origins of divestment, and the retail sectors and players involved. According to the research, Divestment is the result of different factors and external stimuli of the firm. Deteriorating trading conditions in a market, environmental conditions, economic crises on either domestic or abroad market, poor economic and trading conditions in domestic market are some of the factors that the Alexander et al. (2005) found in their research. These factors may influence the decision of divestment. Alexander et al. (2005) finds that large international companies are immune to some extent to the process of divestment.

Palmer (2007) research analyses the international divestment activities of Tesco and Royal Ahold. the aim of the paper is to provide an understanding of international retail divestment activities and the approaches used. The finding of this paper indicates that, in some cases, the divestment process suffered by companies represented a lesson learned and helped companies in opting for alternative entry modes when re-entered the divested markets. As in case of others, the problems occurred when first internationalized in the chosen markets. In the authors opinion, mistakes within the internationalization process, regardless of how small they might be, can affect the future trajectory of the company.

Palmer and Quinn (2007) have used the case of Royal Ahold in order to present the nature of divestment within international retail having as focus the different forms of divestment and the character of divestment option. The authors classify the form of retail divestment into operational and non-operational dimensions, suggesting this a more efficient way of capturing the multidimensional nature that leads to the construction of international retail divestment and captures the existence of typologies within the forms of international retail divestment. In this case, retail brand divestment would not be a midpoint between withdrawal from all markets and store swapping (Palmer and Quinn, 2007). Their findings show that divestment occurs due to changing market conditions or failure and support the statement made by Alexander and Quinn (2002) that divestment does not always represent a reactive measure or market failure and in most cases represent a strategic action.

Cairns et al. (2008) analyzes the process of international retail divestment. The research is based on a case study of a retail company based in UK and aims to observe how retailers manage and respond to the whole process of divestment. According to Cairns et al. (2008), the poor performance of domestic operation can have a devasting effect on the international operations of a company. A strong corporate culture can be considered a strength but, if is too strong can make the company to not consider strategic responses, modify operational procedures and strengthen customer relationships. The research show that if a company focuses on internationalization process can fail to monitor competition and market change and needs, which can lead the company to crisis.

Cairns et al. (2010) explores the role leadership plays in divestment decision. The aim of their research is to provide an understanding over the main factors leading to "retail divestment and the nature of corporate response to divestment" by analyzing multiple case studies. The findings of this research present the key factors in relation to the decision to divest and the strategic response regarding the divestment process. The authors identify two factors for divestment: corporate crises or positive restructuring. The corporate crises identified by the authors are due to declining in performance and stature at home or instability in leadership. In the case of companies that use positive restructuring, the divestment process is seen as an opportunity for revitalization and renewal. Positive restructuring offers the possibility to redevelop strategies and redirect capital expenditure abroad. There has been also evidence where companies use their initial mistakes in order to build upon previous experiences or in some cases helped managers to identify better opportunities for a long-term growth.

Skordili (2013) focuses her paper on analyzing Aldi`s withdrawal from the Greek market in 2010. The aim of the paper is to identify the main factors influencing discount chains decision to divest. In conclusion, the author states that the main reason behind Aldi`s decision to divest in Greece were the unfavorable external conditions such as "inflexible and bureaucratically organized public sector, the unstable economic environment and emergency policies of imposing high taxes on business enterprises". Another reason could be the change within top management Aldi suffered at the beginning of 2010, before the decision to exit Greece was final. This type of change is identified within the literature as frequently used within divestment decisions. Aldi`s decision to launch their business at the end of 2008 after repeated delays may not have helped either. According to Skordili (2013), the management team should have handled differently the launching of Aldi`s operations in Greece and take more into consideration the competitive and stable environment within discount chains. The authors mention a list of other managerial mistakes that did not help the growth of Aldi in Greece. Tus, in the authors opinion, the biggest mistake was “Aldi attempted to establish itself in Greece by transferring the meticulousness and the inflexibility of the German administrative model which, as it turned out, is not the most suitable in the case of Greece” (Skordili, 2013).

Yoder et al. (2016) researched on what makes companies succeed or fail within international markets by analyzing multiple case studies. As the authors state, an international failure can lead to downsizing their business operations. As regarding why companies fail, the study shows that companies have struggled with multiple, different factors that eventually led to poor performance. As main reasons, the authors list failing in understanding the market or competitive markets.

Coe et al. (2017) analyzes the divestment of UK retailer Tesco from South Korea and attempts to conceptualize the relational process of divestment decision-making in relation to home and abroad market pressures. Tesco s decision to sell the subsidiary from South Korea is discussed, as the subsidiary was profitable in its 15 years of existence. According to Coe et al. (2017), home country factors can influence to certain extent the international market exit decision of a company. The competition from domestic retailers, local suppliers pressure, resistance from consumers and workers are significant factors in the process of retail divestment. The authors find five domains of resistance: government regulation, domestic competition, supplier pressure, consumer movements and worker collective actions. Tesco decision to divest from South Korea market was influenced by both home and abroad market conditions and the dynamic inter-play between these.

Mohr et al. (2018) studies the effect of rapid internationalization on the further divestment of international operations and how this effect is influenced by regional patterns of firms’ international expansion and international experience. In conclusion, the authors point the mistakes made by managers.

The research regarding the process of retail divestment is considerable low compared to the previous one. According to scholars, the reason behind is due to the confidentiality of companies, most of the data regarding the divestment process not being made publicly. In the research of articles, the authors conducting this study have found four articles.

Burt et al. (2002) analyzed Marks and Spencer divestment process. Marks and Spencer had to sell several of their businesses in the early 2000`s in US, Japan and Europe. The appear analyzes the companies over 30 years before the big fall suffered in order to offer an understanding over the divestment process and explain why the company's retail internationalization process failed. The authors observe that the main reasons causing Mark and Spencer`s fall down was due to management fail and lack of an overall internationalization strategy. As well, the successful strategy used in UK did not apply within the global arena.

Palmer (2004) used Tesco`s experience in order to present the main lessons companies should learn from the retail divestment process. The study confirms the contribution of financial advisors, analysts or management consultants that helped with the divestment process.

Alexander et al. (2005) `s findings show that divestment can be seen as store closure until market withdrawal. The authors argue that divestment could mean „*closure of stores, sale of store chain, termination of a business contact/agreement (joint venture, franchising) or organizational restructuring*„ and divestment can be, but it is not necessary, a market exit.

Jackson et al. (2007) studied the process of retail divestment using Marks and Spencer divestment case in France providing an understanding over the decision to exit or divest. One of the first observations regarding Marks and Spencer`s divestment process was the fact that the company had two years of bad performance and pore financial? before they decided to switch to a more radical strategy. Also, a change in management was present. Once Marks and Spencer announced their divestment from France, got a positive reaction rising the share price of the company but it did not help company` reputation due to the bad handling of the divestment process leading to closing stores and eventually selling.

Due to the nature of divestment, being perceived as failure, few scholars tried studying the phenomenon from the outcome perspective. Therefore, only three studies have been found.

Alexander and Quinn (2002) state that companies that have been through the process of international divestment may have a different strategy for further internationalization. The divestment process has a great influence on the nature and type of subsequent expansion route followed by retailers.

Haynes et al. (2002) studied the impact divestment has over the company's performance collecting data from several UK companies. The paper shows divestment has a positive and significand impact over the profitability of the company and also in raising the profitability of the vendor company.

Palmer (2004) observes that Tesco did not include the possibility if divestment in the internationalization strategy in the country of divestment. The announcement of divestment though, benefited of a positive response which allowed managers to refocus and rejuvenate Tesco`s internationalization process.

The amount of papers based on empirical data collection is very limited. Scholars state that the reasons behind are due to companies' discretion and confidentiality that makes them unwilling to discuss or admit the companies process of de-internationalization.

Most of the existing research presents the reasons behind international retail divestment. The most frequent reason is the companies` difficulties into the home market. Scholars state that in cases like that, the withdrawal from international market is a strategic move made by companies and allows them to reestablish their position on the market. Other scholars argue that the process of de-internationalization happens due to mistakes within the companies` initial internationalization process. In cases like this, the reasons could be the choice in entry mode, the strategy used or underestimating the competition. In some cases, managerial decisions are to be blamed. External factors should not be overlooked either. Companies divest due to their inability to adapt their international strategy when external changes are occurring (market conditions, economic crisis of the country etc.)

None of the presented literatures offers a detailed description over the process of international retail divestment though, some characteristics of it are identified by scholars. In order for the companies to benefit from the divestment process, managers need to act quick and efficient together with financial advisors and analysts. In most cases, companies opt for external consultants that can help with the process.

The limited literature regarding the outcomes of international retail divestment indicates that there are always to be learned. In some cases, the process of divestment allowed companies` to readjust their internationalization strategies and even re-internationalize again. The outcome of divesting might differ from company to company due to the different culture within companies or the situations they might deal with.

Research design

As coherency is an important aspect of any study, in this part we will provide the reader an insight on the thought process underwent in the writing of this thesis. This part aims to offer the reader a clear understanding of the structure and the relations between our assumptions, questions, and conclusions.

First, we have identified de-internationalization as being the research topic for this thesis and start discussing and debating on what should we focus on to have a good learning process, how to approach the research topic and find relevant literature and potential gaps that could lead us to identify the overall objective of this research. After previous discussion and research, we found out that de-internationalization is a broad topic, thus, we decided to focus on divestment, which is a type of de-internationalization. While repeating the steps described above, discussion and research, we have found that divestment within retail industry is a relatively new and growing topic, which we found very interesting.

After deciding to further research on international retail divestment, we formulated our research questions and our overall objective of providing a better understanding of international retail divestment process and finding which type of divestment is mostly applied within retail industry. The search for relevant literature on the subject started by using specific keywords combinations to narrow down the amount of journal papers found for the literature review of this thesis. While the search gave us a big number of academic papers on the research topic, we faced limitations such as most of the research papers analyzed the topic from reasons to divest perspective and just a limited number of papers addressed the topic from divestment process or outcome perspective.

Reviewing the research papers, our objective was to explore retail divestment as a process, study the reasons/motivations behind this process and the outcomes of it, in order to find which type of divestment is mostly applied by companies within retail industry. Having limited access to a sufficient number of retail companies which have been through the process of divestment, a proper and sustainable analysis of the reasons, process and outcome of divestment was not possible. Therefore, we decided to approach the research topic from a theoretical point of view, building a solid foundation by presenting the reasons, process and outcomes of de-internationalization and divestment in general. We reviewed relevant empirical papers and discussed the findings of other researchers on the process of retail divestment; this gave us useful information that combined with the knowledge gained from previous theoretical foundation helped us proceed to the conceptualization part of this thesis. By doing so, we achieved the overall objective of this thesis, which is finding what type of divestment is mostly applied by companies within retail industry.

The theoretical framework and findings from analysis part were structured in three parts, reasons, process, and outcomes, in order provide an overview of the whole process of de-internationalization, divestment and respectively, international retail divestment. Furthermore, the findings from reviewing empirical papers are structured in the same way, giving us the possibility of better comparison and analysis of findings from both theoretical framework and literature review. The findings from literature review are synthetized in three tables as shown below:

No.	Article	Company	Country of divestment	Reason for divesting
1.	Alexander and Quinn (2002)	Arcadia	France and US	- incompatibility with market needs; - focus on small number of core brands.
		Marks and Spencer	Canada, Far East, France, Germany, US	- lack of profits, insufficient understanding of the market; -harsh trading conditions-subdued demand in Asia; -poor UK clothing sales, increased competition in the food market; -management of the company; -incapability of meeting market demands; -change of business strategy; -fundamental change at the top of management structure
2.	Burt et al. (2002)	Marks and Spencer		-cultural differences; -poor internationalization strategy; -difficulties within the home country
3.	Haynes et al. (2002)	Multiple case studies		-refocus on core businesses; -acquisitions lowers profitability

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No.	Article	Company	Country of divestment	Reason for divesting
4.	Alexander et al. (2005)	Multiple case studies		-deteriorating trading conditions in a market; - environmental conditions; - economic crises on either domestic or abroad market; - poor economic and trading conditions in domestic market
5.	Palmer (2007)			-failure within internationalization process
6.	Palmer and Quinn (2007)	Royal Ahold	North America	retail regulations;
			Asia	Market complexity
7.	Jackson et al. (2007)	Marks and Spencer	France	-differences between internal and external managers; -leadership instability;
8.	Cairns et al. (2008)	UK retailer	Spain, Germany, Holland, Portugal, China	-inward -looking culture that negatively affected the company; - company lost sight of strategic and operational considerations; - domestic operations poor performance.
9.	Cairns et al. (2010)	Multiple case studies		-focus on home market; -change in strategy; -leadership stability; -cultural differences
10.	Skordili (2013)	Aldi	Greece	-competitive environment; -mistakes within the internationalization process; - Overestimation of the size and potential of discounters' market; - Incoherent elaboration of the store's network

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No.	Article	Company	Country of divestment	Reason for divesting
11.	Yoder et al. (2016)	Target	Canada	-location - acquisition of too many vendors; -more costs that anticipated; - problems within the supply chain; - inefficient system; - fail in entering strategy; -unable to attract customers
		Tim Hortons	US	-failed in attracting customers; - stagnant growth; - fail in strategy due to cultural differences; - strong competition
		Best Buy	China	-fail within entry strategy; -stiff competition; - High differences is price; - not shared competitive advantages; - cultural differences
		Tesco	US	-errors within the internationalization process; - bad timing; - Cultural differences;
12.	Coe et al. (2017)	Tesco	South Korea	-worsening market conditions and financial pressure in UK market; -growing resistance within South Korea market from competitors; -regulators, labor, and consumers leads to sales to decline
13.	Mohr et al. (2018)	Multiple case studies		Rapid internationalization process

Table 1: Reasons behind international retail divestment

Source: own creation based on literature

No.	Article	Company	Country of divestment	Process of divestment
1.	Palmer (2004)	Tesco	Ireland and France	- presence of financial advisors, analysts and management consultants;
2.	Palmer and Quinn (2007)	Royal Ahold	North America	-avoid external competition
3.	Jackson et al. (2007)	Marks and Spencer	France	-change in management;
4.	Cairns et al. (2008)	UK retailer	Spain, Germany, Holland, Portugal, China	well managed but with difficulties in involving local management
5.	Cairns et al. (2010)	Multiple case studies		-new CEO appointment;

Table 2: Characteristics of the divestment process within international retailing

Source: own creation based on literature

No.	Article	Company	Country of divestment	Outcome of divesting
1.	Alexander and Quinn (2002)	Arcadia	France and US	changes within top management structure and reduction of manufacturing operations
		Marks and Spencer	Canada, Far East, France, Germany, US	- acquisitions of stores in different location (Germany); - further rationalization and expansion of other facilities.
2.	Haynes et al. (2002)	Multiple case studies		-positive effect on raising the profitability of vendor company -Better outcomes for larger and diversified companies
3.	Palmer (2004)	Tesco	Ireland and France	- rejuvenate future internationalization strategies.

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No.	Article	Company	Country of divestment	Outcome of divesting
4.	Jackson et al. (2007)	Marks and Spencer	France	-positive reaction on Stock Exchange
5.	Cairns et al. (2008)	UK retailer	Spain, Germany, Holland, Portugal, China	focus on core market
6.	Cairns et al. (2010)	Multiple case studies		-redefined international strategy; -identifying emerging markets opportunities;
7.	Yoder et al. (2016)	Target	Canada	-negative impact on company; -negative impact on the Canadian economy
8.	Coe et al. (2017)	Tesco	South Korea	refocus on home operations

Table 3: Outcomes of international retail divestment

Source: own creation based on literature

For the porpoise on this thesis, a fourth table regarding types of divestment is included.

No.	Article	Company	Country of divestment	Type of divestment
1.	Alexander and Quinn (2002)	Arcadia	France and US	-selling off -close out
		Marks and Spencer	Canada, Far East, France, Germany, US	-selling off; -closure
2.	Burt et al. (2002)	Marks and Spencer		Selling off

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No.	Article	Company	Country of divestment	Type of divestment
3.	Burt et al. (2004)	Multiple case studies		-country exit -selling off -closure; -organizational restructuring.
4.	Palmer (2004)	Tesco	Ireland and France	Selling out
5.	Jackson et al. (2007)	Marks and Spencer	France	Selling out
6.	Cairns et al. (2008)	UK retailer	Spain, Germany, Holland, Portugal, China	**sell off, closure, franchising, withdrawal**
7.	Cairns et al. (2010)	Multiple case studies		**Sell out**
8.	Yoder et al. (2016)	Target	Canada	**Partial exit** **Closure**
		Best Buy	China	**Sell out**
		Tesco	US	**Sell out**
9.	Coe et al. (2017)	Tesco	South Korea	**Sell out**
10.	Mohr et al. (2018)	Multiple case studies		**Withdrawal**

Table 4: Types of divestment used within international retailing

Source: own creation based on literature

The tables above represent the base of our discussion and helps us achieve the objective of this thesis.

A solid methodological approach was needed for the purpose of this thesis to explain the reader how our choice of methodological approach influenced the overall of this thesis. Thus, our philosophical approach and our methodology are presented and discussed in order to provide the reader a better understanding of our own interpretation of the research topic of this thesis.

Lastly, discussion, conclusions, and reflections of this thesis are provided, along with the limitations we faced during the writing process of the thesis and suggestions for further research.

Methodology

The aim of this thesis is to provide a common understanding on the research topic by reviewing and presenting the existing literature regarding de-internationalization with a focus on divestment, emphasizing on international retail divestment. Therefore, it is important to take into consideration the methodological approach in order to understand how different methods can affect the result of the thesis.

Methodology represents the way of thinking, but also the way of acting. The concepts within methodology represent a way of describing the steps and relations needed in order to create and search for new knowledge.

There are different views on how the problem formulation can be approached, meaning that the outcome of this thesis is influenced by the different studies or types of analysis. Due to this, it is essential to have an understanding of reality. Reality is generated through the consensus between the choice of methodological approach, problem formulation and the ultimate presumption.

The choice of methodological view brings reality within the ultimate presumption. In order to be able to investigate, explain and understand reality, certain assumptions need to be made. The assumptions made are used as guidelines in the research for reality.

According to Abnor and Bjerke (2009), the way the authors of this thesis perceive the topic needs to be related with the views used for reflection.

Methodological process

The methods are guiding principles in order to create knowledge. The methods need to fit both the problem and the ultimate presumption. In other words, they need to be consistent and constructive.

In order to discuss methodological views or methods, it is needed to first explain how they relate to the ultimate presumption. The ultimate presumption has a philosophical character. The relation between the ultimate presumption and methodological views is studied with the help of theories of science.

The theories of science explain this relation through the concept of paradigm. Paradigms are described by Arbnor and Bjerke (2009) “as a bridge between the two starting points” (ultimate presumption and methodological view).

Under the same idea, the relation between methodological view and study area needs to be studied. To do so, the concept of operative paradigm is used. The operative paradigm plays the role of a bridge between methodological view and study area.

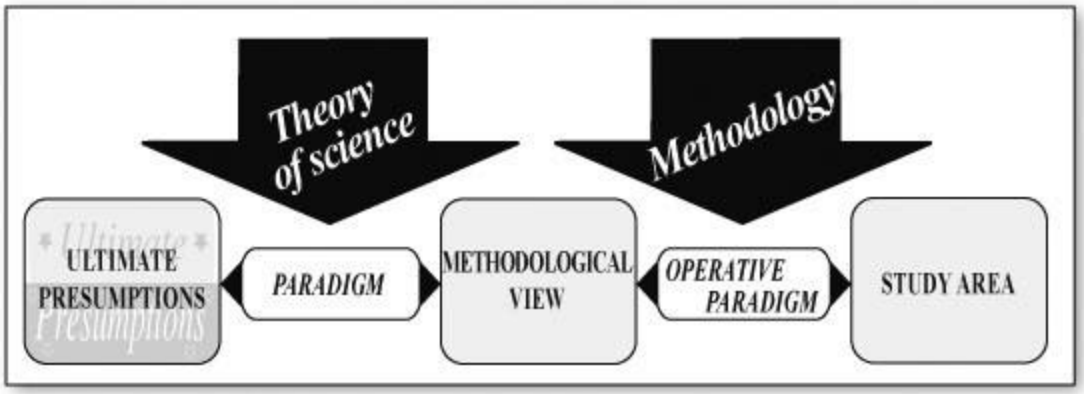

Figure 9: Theory of science and methodology

Source: Arbnor and Bjerke (2009)

Ultimate presumption

In the case of this thesis, the system is the chosen topic, de-internationalization and divestment with focus on international retailing. In order to achieve the objective of this study, the topic was studied from different perspectives, such as reasons, process or outcome of de-internationalization and divestment, that are seen by the authors of this thesis as independent systems that present a common understanding of the topic.

According to Arbnor and Bjerke (2009) the concept of science has a big impact over the study. It represents how knowledge is perceived and what is true or not. It discusses the process of gaining knowledge and how knowledge can be understood, therefore how research is perceived.

In the case of this thesis, the research relies on other scholars theoretical and empirical researches regarding the chosen topic. Therefore, it can be stated that reality is perceived from an objective perspective. Even though the authors writing this thesis treat the topic with objectivity, we cannot say the same about the collected data. In the case of empirical studies used for this thesis, the conclusions are based on interviews with companies within the chosen field that may be considered to be too close to the subject, therefore their objectivity is questionable.

Understanding the paradigms

The concept "paradigm" results from the ultimate presumption and its porpoise is to determine how problems are interpreted and solved. Arbnor and Bjerke (2009) identify four elements that consist within the term: (1) conception of reality, (2) conception of science, (3) scientific ideal and (4) ethics/aesthetics.

- The first element deals with how **reality** is constructed and represents the way the research topic is perceived.

In this thesis, the conception of reality is to take into consideration the knowledge of different scholars and to connect them from the theoretical foundation to the literature review. Therefore, it can be considered an interrelated system where the interaction between elements is important.

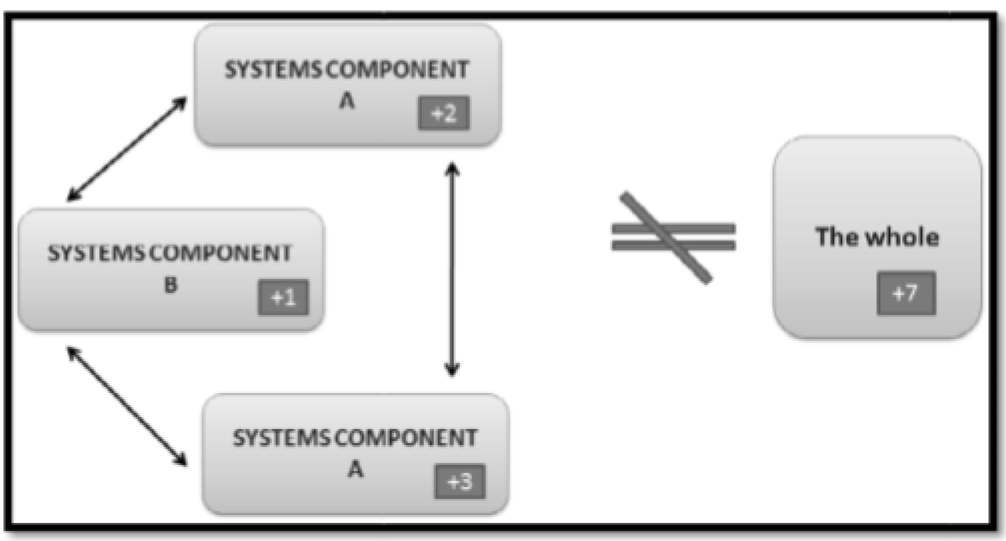

Figure 10: Components of the system

Source: Arbnor and Bjerke (2009)

As mentioned before, reality depends on different approaches on the chosen topic, therefore it can be concluded that the conception of reality is the one represented within the systems approach.

- **Conception of science** refers to the knowledge gained through education, leading to influence the perception of the studied object or subject. The knowledge can be in the process of development which only gives partial understanding of study area or it can represent the final truth. An objective view over the researched topic can be perceived as independent from humans while a subjective view is dependent on the perception or interactions between humans.

The conception of science within this thesis was to review and describe the existing literature within the topic of international retail divestment that could lead to answering the problem formulation. As we can`t rely our conclusions on one opinion, we needed to consider analyzing the existing literature in order to identify certain patterns. The patterns identified will lead to discussions that will ultimately lead to achieve the objective of this project.

- **Scientific ideal** relates to the researcher in order to express a certain goal/desire.

As previously mentioned, the aim of this thesis is to offer a deeper understanding over the researched topic and not to come with new definitions or interpretations of the topic or its elements. Therefore, it`s important to have an objective view over the subject.

- **Ethical and aesthetical element** represents the researcher opinion on what is morally suitable or unsuitable through the process.

This paradigm aim is to identify what is relevant and adequate to research. Even though no empirical data is collected, we used secondary data in order to present how divestment is achieved within international retail industry. Therefore, we need to make sure that the information used in this project are used in good conscious.

In order to achieve the aim of this thesis, the authors conducting this research consider that the focus should be on conception of reality and scientific ideal. It is important that the reader has a clear understanding over the reality presented in this project.

Giving the fact that the choice of methodological approach is affected by the understanding of the paradigm, it`s important to provide a common understanding regarding it, therefore understanding the theory of science.

Due to the existing problem definition and research design and the methodology section above, the authors of this thesis have created a base in choosing the approach for this thesis, that being the systems approach.

Methodology is to provide the readers with an understanding over how methods are constructed, this includes the development of operative paradigms. Operative paradigms have the tendency to change according to the study area or changes that may occur in the research process. Arbnor and Bjerke (2009) identify two types of operative paradigms: methodical procedures and methodics. In order to present an accurate methodology, the two components (the operative paradigms) need to be studied in relation to each other and present them as a whole.

The methodical procedure is related to the way knowledge is incorporated, developed and techniques are changed within the methodological approach. Applying or modifying results or theories within the study area is also called methodical procedure.

Methodics refers to the way the researcher that creates the knowledge relates or incorporates the techniques into the study area but, also the way of planning and conducting the study.

In other words, a methodical procedure is the way techniques are adapted to the methodological approach while methodics represent applying them.

In the case of this study, the methodical procedures represent the literature review on the topic. By presenting a review on the existing literature, the authors of this thesis were able to set guidelines in searching the answers to the existing questions. Once the guidelines were in place, the authors applied the knowledge gathered into analyzing a chosen industry, a process that represents the methodics of this project.

Methodological approach

Over the previous parts, it`s been mentioned the existence of different methodological views. It`s also been explain how the choice of different paradigms act according to different views. In this part, the authors of this thesis will present the chosen approach that will lead to achieve the objective of this thesis.

Arbnor and Bjerke (2009) present three types of methodological approaches: (1) analytical approach, (2) systems approach and (3) actors approach.

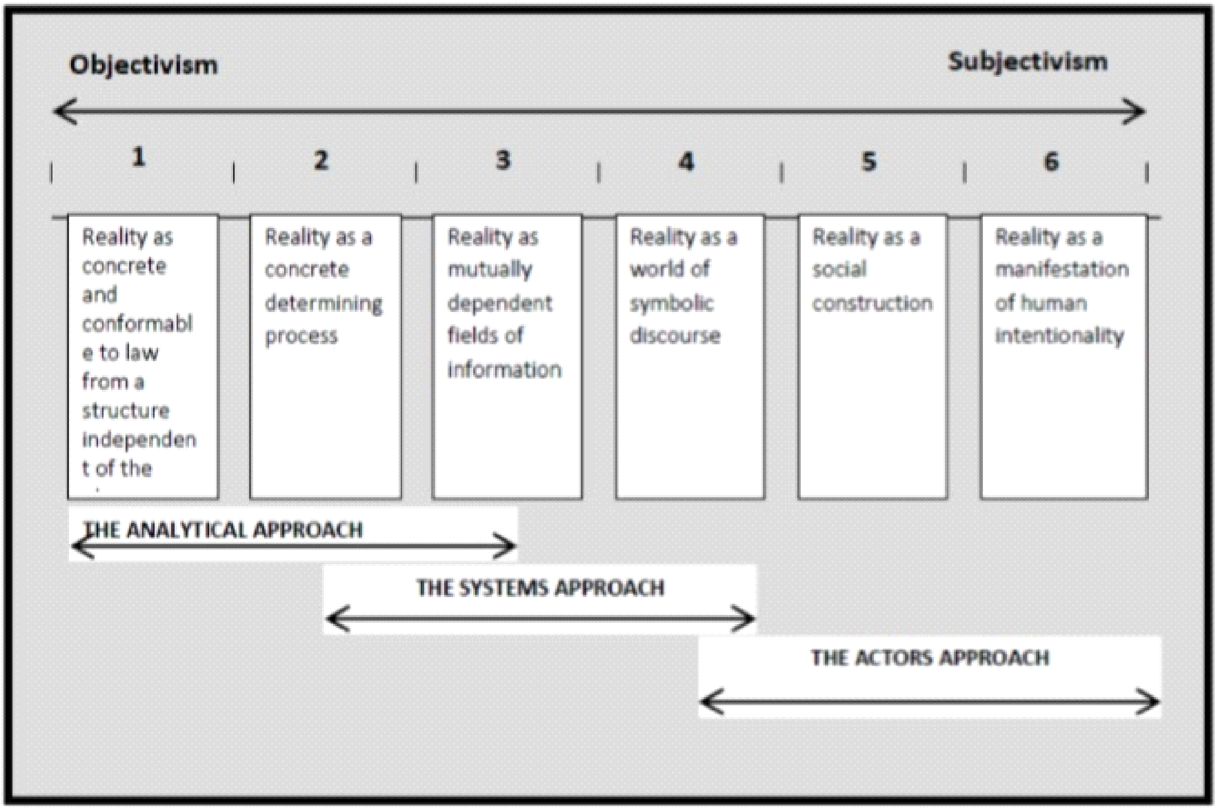

Figure 11: Paradigmatic approaches and methodological approaches

Source: Arbnor and Bjerke (2009)

For the porpoise of this thesis, the authors writing it have decided to use the systems approach due to its systematic thinking. In this case, the individual parts are seen as being part of a system therefore they cannot be perceived as being independent. In the case of this study, the data collection is perceived as an integrated whole, created with the help of several systems represented through the different findings within the research.

Due to the choice of approach and the individual parts being connected to each other, it is consider that a throughout description of the analysis of the report needed to be in order to provide a more sufficient in-depth solution to the researched questions. It is essential to study the systems as a large entirety in order to be able to explain the relationship between systems and provide an overall impression.

According to Heldbjerg (2006), the systems approach has our different levels of ambitions:

- First level presented is the **descriptive ambition** also known as problem identification phase. The goal of this level is to identify the existing problem. For the porpoise of this thesis, the problem is perceived from a theoretical point followed by literature review, having as an objective to create a relationship between the two perspectives of how divestment is used within international retail industry.
- The second ambition is the **context level** or the problem diagnostic phase. The porpoise of this level is to uncover relations that create the foundation of the existing connections and findings that will lead making the diagnostic process of the problem. In order to achieve the aim of this level, the authors writing this thesis combine the theoretical framework regarding de-internationalization and divestment with international retail divestment having as objective to create a theoretical understanding of the field coupled later with the literature review on the topic.
- The third level is called the **predictive ambition** and it represents the first step into the problem eliminating phase. It is assumed that up to this point all the appropriate work has been done in order to find an adequate solution for the researched problem. The knowledge created within the previous levels is used to help with the idea generation for reflection. Within this thesis, the findings and discussions, and conclusions are based on selected literature that will help explaining how divestment applies within international retail industry.
- The last level is the **guiding ambition** representing the implementation phase and the final link into eliminating the researched problem. The goal of this level is to test whether or not the system design works and at the same time making sure that the existing problem will be answered in case of adding new events. This offers the opportunity in finding whether or not the insights provide in the thesis are adequate. However, the authors writing this thesis consider that

this level of ambition exceed the porpoise of this thesis and therefore this level will not be tested.

Findings and Discussions

In the following part, the knowledge gain within theoretical framework will be used in order to discuss the findings within the literature review. The authors writing this thesis will maintain the same structure used until now. In other words, the findings will be presented from the perspectives of reasons, process and outcomes. In order to answer the existing problem formulation, an additional section will be discussed this being different types of divestment used within international retail industry.

Through the research regarding the reasons to de-internationalize, the results have been overwhelming. As research continued, there has been an impressive number of scholars focusing on this perspective. As a main classification of reasons, the literatures structure the reasons as lack of international experience, change in strategy, poor performance and increasing costs, and others.

As the focus of this thesis is international retail divestment, there are some mismatches regarding the findings from the theoretical framework. The research regarding the reasons to divest within international retailing shows that even MNC`s with an impressive background in conducting international activities can face difficulties and face the decision to divest. Therefore, in our opinion, the lack of international experience does not represent a significant factor.

Otherwise, the theoretical framework and the literature review have similar conclusions. Though, giving this thesis has as focus a specific industry, international retailing, new reasons emerge. Some of them can be considered specific on international retailing such as retail regulations, market complexity or inability to adapt to new cultures.

A presentation of our findings is listed in the table below.

No.	**Reasons for international retail divestment**
1.	Focus on home market
2.	Insufficient understanding of the market
3.	Deteriorating trading conditions
4.	Management of the company
5.	Change in strategy

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No.	Reasons for international retail divestment
6.	Poor internationalization process
7.	Economic crises
8.	Retail regulations
9.	Market complexity
10.	Cultural differences
11.	Poor performance
12.	Competitive environment

Table 5: Reasons behind international retail divestment

Source: own creation

The research regarding the process of divestment is very limited due to companies' discretions. Even though, some scholars have attempted in creating frameworks that can guide companies through the process of divestment. All frameworks presented lead to the same conclusions such as:

- The process of divestments starts once the decision is made public;
- Once the announcement is made, managers need to act as quick as possible in order avoid economic damages;
- It is recommended the presence of external financial advisors, analysts and management consultants that can provide a realistic and objective view over the situation;
- Host countries regulations regarding market exit needs to be highly considered.

The way the process of divesting is handled can have different effects on the company. Overall, the theoretical framework suggests positive reaction on stock markets leading us to believe that the handling of the process represents an important factor that influences the outcomes.

A poor handling of the divestment process can have negative effects over the outcomes, such as causing severe economical damages or creating a negative image of the company that eventually leads to a change within top management.

In cases where the divestment process has been well managed, positive outcomes can be observed. The process of divestment is considered by scholars to be a good opportunity for companies to learn. Managers are obtaining important lessons such as admitting the mistakes made and offering them the opportunity to renew the companies' internationalization strategy. Most companies decide to focus on their core markets in order to strengthen their market position.

The decision to divest affects the host country creating negative outcome within its economy.

During out theoretical framework a representation of different modes of de-internationalization has been provided. As the focus of this thesis is international retail divestment, a description of different types of divestment was also provided. Findings within literature review show that the process of divestment may or not entail country exit. In most of the cases, companies which undertook the process of divestment, used to exit the market by selling-off its subsidiaries. Other cases choose to divest by closing, franchising or organizational restructuring. At this point within the research, we can not discuss the reasons behind the choice of a certain type of divesting.

Conclusions

The aim of this thesis was to provide our readers with a common understanding over the topic of international retail divestment. In order to achieve this, we created a theoretical framework that represents the foundation of our research topic. The theoretical framework provided the reader with a better understanding over the concepts of de-internationalization and divestment. The two concepts were presented from the perspectives of reasons, process and outcome. This ended by representing a framework for our research. Once we created a solid foundation, a general description of the researched topic was provided.

The objective of this thesis was to identify the reasons behind international retail divestment and discuss the characteristics of the divestment process and its outcomes within retailing and finally identifying the most common type of divestment used within the selected industry. In order to achieve our objective, a review of the relevant literature was provided.

The findings from the theoretical framework and literature review have been discussed.

In our opinion, we have been successful in answering our research questions. Regarding the main reasons behind international retail divestment we found out that the most common are the decision to focus on the home market, poor internationalization process, change in strategy and poor performance on the market. From the perspective of process, the main characteristics are the fact that the process must be quick and entitles the presence of external help. This leads to the following negative outcomes consequences over the company`s economic situation and image, and positive such as the lessons learned by managers. In matter of type of divestment within international retail, we found that selling-off is the most used by companies.

This being said, we believe that both aim and objective have been successfully achieved and the research questions have been answered.

Limitations

In the process of writing this thesis, we have faced few limitations. The first limitation was related to the broadness of the concept of de-internationalization. De-internationalization is a phenomenon that explains the exit process of a company from an international market and not only. This concept is studied from several perspectives, in different industries and some of the cases, researchers used different terms to define de-internationalization. Due to the vast amount of literature available on this subject, it was difficult to find and decide and focus on only one research topic which was relevant and interesting, as the whole concept of de-internationalization deserves our attention.

Second limitation refers to the research type of this thesis. We were not able to contact a sufficient number of companies to conduct an empirical research. We realize that gathering new, empirical data for this research would have improve the outcome of this thesis by creating new knowledge and providing different perspective of the researched topic.

The third limitation was related to the insufficient amount of literature available on international retail divestment from the perspective of outcomes/effects. Most of the research papers available on this topic, approached the concept and analyzed the reasons/motivations behind the decision to divest and the process of divestment in general. The analysis part of this thesis does not cover enough the outcomes/motivations perspective of international retail divestment due to this limitation.

Further research

The overall objective of this study was to provide a better understanding of the concepts of de-internationalization, divestment, and international retail divestment and find out what type of divestment is mostly applied by companies within retail industry. As we stated before, divestment is defined as being „*any reduction of a firm s engagement in or exposure to cross border activities*„ (Benito and Welch 1997).

As we explained before, divestment is seen as a process of exit from international activities, a failure of international operations or a strategy for further internationalization or future growth. Thus, further research is needed in order to find out if companies undertake divestment as a strategy for developing further international growth or is just a way of managing its failure on international markets.

Furthermore, in our research we did not found many studies that analyze the retail divestment process from the perspective of outcomes/effects. As this thesis findings highlights aspects in relation to the reasons, process, and outcomes of international retail divestment, we believe that further research is needed into the various dimensions of divestment activity, in relation to the internal company processes during divestment, the importance of the domestic market in the decision of divestment, the short-term and long-term effects of divestment on company, especially on the outcomes/effects of this process.

Findings of this thesis show that some of researchers believe that the choice of entry mode for internationalization may have influence on the divestment process of a company. Thus, further research will provide new and relevant insights regarding this matter.

In conclusion, we can say that findings of the studies suggested would provide useful insights, of major interest to further researchers.

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