International Business Review 18 (2009) 567–577

Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

Re-internationalisation: Exploration and conceptualisation

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ARTICLE INFO

Article history:
Received 7 January 2008
Received in revised form 24 June 2009
Accepted 8 July 2009

Keywords:
International entrepreneurship
International heritage
Learning
Networks
Re-internationalisation
Relationships
Sporadic exporters

ABSTRACT

Re-internationalisation represents a research challenge for the internationalisation process and international entrepreneurship fields. Many companies withdraw from international operations, go through an international time-out period and later re-enter the international arena. Little is known about this process, and whether re-internationalisers behave differently from those starting out for the first time. The limited, sketchy evidence is considered and it is argued that some re-internationalisers will go into the re-entry process with a significant international heritage from previous activities, including relevant knowledge and networks, enabling faster re-entry and take-off. However, other firms will have exited in such negative circumstances that international re-entry initially is rejected as an option, and may be slow to respond to new international opportunities. Much depends on what happens during the international time-out period, particularly in terms of changes in management and/or ownership; the nature and strength of new re-entry influences; and how the re-entry process unfolds.

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1. Introduction

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

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

Even less is known about the process surrounding the re-engagement in international operations by firms which have previously exited—what has been termed re-internationalisation (Luostarinen, 1979; Luostarinen & Welch, 1990). A search

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doi:10.1016/j.ibusrev.2009.07.003

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

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

2. Defining re-internationalisation

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

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

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

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

The definition of re-internationalisation that we propose in this article is confined to the organisational rather than individual level of analysis. In other words, it considers companies that have withdrawn from international operations but maintain domestic business activity before re-engaging in international market activity—shown as path C in Fig. 1.

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