

Causes of de-internationalization of Portuguese firms

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Causes of de-internationalization of Portuguese firms

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Abstract

The de-internationalization phenomenon has only received the attention from investigators recently. In spite of this fact, the phenomenon has been occurred for the past years. However, the approaches that study the process of internationalization – the Uppsala Model, the Network Approach, the International Entrepreneurship View and the Born Global Perspective - present the process of internationalization as a self-feeding phenomenon. The reality has shown us several cases of de-internationalization for all over the world. Like reality doesn't coincide with the existing literature, we purpose to find the causes that lead to de-internationalization. With that we expect to give to firms a more complete list of de-internationalization causes, for a more successful internationalization.

To carry out this study, we did a qualitative research using the Grounded theory methodology. We have invited several firms for an interview, but only five firms have accepted our invitation. However that was not a problem because we reached the theoretical saturation and we have 5 firms that gave us more than five cases of de-internationalization. After interview these firms, we treat the information obtained in interviews and compare with literature.

The comparison with literature of Reiljan (2004) allow us verify that all group of causes are presented in our cases. However we find more five causes of de-internationalization. There are High Expectations with focus in Misfit Micro Location, Environment of decisions, and Lack of capital due of Economics Crisis, Currency Evaluation and Unfair Competition. We aggregated three of them in a new class the Misfit or Bad adjustment of entry mode.

These new causes made the de-internationalization study more complete. Before beginning the internationalization process, the firm should see which the causes of de-internationalization are. So the firm can reduce the risk to fail internationalization and avoid losing a lot of funds. We suggest a quantitative confirmatory study to confirm these causes of de-internationalization because our research is an exploratory study.

Resumo

O fenómeno de desinternacionalização apenas recentemente recebeu a atenção dos investigadores, tal se deve ao aumento da relevância deste fenómeno nos últimos anos. No entanto, as abordagens que estudam o processo de internacionalização – o Modelo de Uppsala, a abordagem das redes, a Perspetiva do Empreendedorismo Internacional e a Perspetiva do “Born Global” - apresentam o processo de internacionalização como um fenómeno que auto alimenta-se. A realidade mostrou-nos vários casos de desinternacionalização por todo o mundo. Como a realidade não coincide com a literatura existente, propomo-nos a encontrar as causas que levam à desinternacionalização. Com isso, esperamos dar às empresas uma lista mais completa das causas de desinternacionalização, para desta forma ajudarmos as firmas a um processo de internacionalização mais bem sucedido.

Para realizar este estudo, fizemos uma pesquisa qualitativa utilizando a metodologia Grounded Theory. Convidamos várias empresas para uma entrevista, para abordar o seu processo de internacionalização, no entanto apenas cinco empresas aceitaram o nosso convite. Contudo não foi um problema, porque chegamos à saturação teórica e temos 5 empresas que nos deram mais de cinco casos de desinternacionalização. Depois de entrevistar estas empresas, tratamos as informações obtidas nas entrevistas e comparamos com a literatura existente.

A comparação com a literatura de Reiljan (2004) permite-nos constatar que todos os grupos de causas de desinternacionalização presentes na literatura verificam-se nos casos estudados. No entanto, encontramos ainda mais cinco novas causas de desinternacionalização. Estas são Elevadas Expectativas com foco no desajuste da Micro Localização, A envolvente das decisões, falta de capital devido à Crise Económica, Flutuação cambial e concorrência desleal. Nós agregados as três primeiras novas causas numa nova classe o Reajustamento do modo de entrada.

Estas novas causas tornam o estudo da desinternacionalização mais completo. Antes de iniciar o processo de internacionalização, a empresa deve ver quais as causas da desinternacionalização. Assim, a empresa pode reduzir o risco de falhar o seu processo

de internacionalização e desta forma evitar a perda de uma grande quantidade de fundos. Sugerimos um estudo quantitativo para confirmação destas causas de desinternacionalização pois a nossa pesquisa é um estudo exploratório.

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Introduction

The research on the internationalization of companies intensified with the rapid growth of international trade and foreign direct investments in the 1960s. Since this time, a large number of researchers have analyzed factors which have impact on the internationalization process, the influence of internationalization on company and home economy, threats and opportunities of internationalization, and several other problems related to international activities of the company. Until few years ago, all approaches used to view the internationalization as a self feeding process. The Stage Model was the dominating approach towards explaining internationalization. This model is based on organizing learning processes (Johanson and Vahlne, 1977). Firms tend to begin international investment in countries with a short psychic distance to the home country. This similarity with the home country reduces the risk of the internationalization, because the company has the experience of work in a similar reality. With the accumulation of experience in these markets, the firms tend to invest in farthest countries, so they usually make small steps for a safe internationalization process.

The evolution of international trade brings other theories as the Network Approach, the International Entrepreneurship Perspective and the Born Global Firms. The Network Approach defends that business networks play a fundamental role in the internationalization process. Business networks are defined as an interconnected set of trade relationships with other actors in business, suppliers and customers, affecting new internationalization processes (Johanson and Mattson, 1988; Johanson and Vahlne, 2003). These business networks influence the selection of initial market entry, its mode and all the internationalization development.

The International Entrepreneurship Approach gives more importance to the role of entrepreneurs than to other variables as the firm's size and age, because the opportunity recognition results from the discovery of the entrepreneurial alertness and from a promptness to be surprised. Also Schweizer *et al.* (2010) reinforce the role of entrepreneurs adding a more holistic view to the model of Johanson and Vahlne (2009),

the studies on entrepreneurship and opportunity identification and development (Ardichvili *et al.*, 2003), studies on effectuation by Sarasvathy (2001) and the literature on dynamic capabilities (Sapienza *et al.*, 2006).

Another theory explaining the internationalization process is the Born Global Firms, also designed as International New Ventures. This perspective was supported by Rennie (1993) and developed by Oviatt and McDougall (1994), Chetty and Campbell-Hunt (2004). The Born Global Firms are companies that have internationalized within two years of inception and whose home market represents less than 25%. In this case, the growth of internationalization is rapid in spite of gradual in the Uppsala Model.

All these theories consider a dynamic process resulting from decisions based on accumulated knowledge over time. These theories state that firms are always increasing their internationalization, and do not consider the process of de-internationalization and international divestment.

However the reality shows us that enterprises have international divestment in some operations, due to this happening, we decided to study the phenomenon of de-internationalization. The little existing literature focused on defining the de-internationalization phenomenon by Mellahi (2003) and Benito (1997) distinguished between deliberate or forced divestment. More recently, Reiljan (2004) elaborated a study where demonstrated the causes that can lead to de-internationalization.

The de-internationalization phenomenon was not very studied, to date the research on de-internationalization remains somehow scarce and needs additional research. While the extant literature has emphasized the role of domestic and foreign country factors on the initial choice of foreign market entry mode, less is documented on the effect of changes in the external environment, or indeed internal changes within the firms on the continuance of internationalization beyond selection decisions.

Our motivation to undertake this work is to understand the causes of the process of de-internationalization. To accomplish our study, we decided to use the grounded theory methodology. We began to define our sample and it fell on Portuguese firms that already have a process of de-internationalization in any market. After choosing our

sample, we invited the firms to cooperate with us, making an interview explaining its process of internationalization. Subsequently, we treated the interviews and compared the results with literature. In case our results add some causes to the theoretical model, we will suggest new causes for de-internationalization.

One of the purposes of this work is discover new motives for de-internationalization once the literature existent is recent and meager. We found five new causes for de-internationalization. We aggregated three of them in a new class, the Misfit or Bad Adjustment of Entry Mode. It includes the cause of High Expectations with focus in Misfit Micro Location, Environment of decisions and Lack of Capital due of Economic Crisis. We also distinguished causes that occur before/after internationalization process begin and causes related to firm or external to firm.

In the first chapter we have a literature review that includes the literature of Internationalization process (1.1) and literature of de-internationalization process (1.2). The second chapter covers the methodology and research questions. In point 2.1 we have the grounded theory methodology and in point 2.2 we have the implementation of methodology. The third Chapter includes the Findings, in point 3.1 we have categories from literature, in point 3.2 we have emerged categories and the last point, in third chapter (3.3), we have conclusion of Findings. After that, we have the conclusion of our study, limitations and recommendations of this study.

1 - Literature Review

Our literature review begins to describe what are the internationalization process and the recent models of internationalization. We will analyze four models: The Uppsala Model, The network approach, the International entrepreneurship approach and the Born Global Firms.

After investigated the Internationalization process we will investigate the opposite process, the de-internationalization process. We will describe what it consists, the models of de-internationalization and the causes that lead to de-internationalize.

1.1 - The Internationalization Process

The rapid growth of international trade and foreign direct investment in the 1960s raised the interest of researchers in studying factors which have impact on the internationalization process. This interest has resulted in several models wish are trying to explain how the internationalization process occurs. Here, we will analyze the Stage model, the Network approach, the International entrepreneurship approach and finally the Born-Global approach. All these models are self-feeding models.

The Uppsala Model

One of the most important models that tried to explain this process was developed by Johanson and Vahlne (1977) originating the Uppsala model. They [Johanson and Vahlne] explained the growth of internationalization as a stepping model. This model defines internationalization as a cycle or loop: it begins, for example, with occasional exportations, and, normally, after this first international sale, the enterprise begins to export to a country via an agent, later establishing a sales subsidiary, and eventually, in some cases, beginning production in the foreign country. The internationalization occurs gradually because the enterprise doesn't know the market and it is difficult to obtain market knowledge in international operations. These obstacles increase the risk of internationalization, leading the enterprises to internationalize to a country with similar operations from the host country. The company internationalizes to a country

with low psychic distance, which means small cultural differences (Benito and Gripsrud, 1992; Kogut and Singh, 1988), small differences in standards, language, education level and other variables (Johanson and Vahlne, 1977) decreasing the risk of internationalization. This model is composed essentially by a cycle of events in which the outcome of one cycle constitutes an input to the next. It considers that this cycle has some stages and change aspects each connected to the next - market knowledge, commitment decisions, current activities and market commitment - the last contributing back to the first to facilitate the next cycle. The jump to the next stage requires an evolution on the aspects, major commitment and major market knowledge. The authors define market commitment as a component of the amount of resources committed and degree of commitment. They consider two types of knowledge: objective knowledge and experiential knowledge. The first can be taught, the second can only be learned through organizational experience. This second type of knowledge is considered the critical element in the internationalization process. When experiential knowledge is acquired, it provides the opportunity of perceiving and formulating opportunities. The current activities and new commitment decisions are the aspects of change in this model. A temporal lag exists between current activities and their consequences, usually the current activities increasing the commitment to the market.

The best way to acquire experience is with current activities. New commitments bring new problems to the company, mainly by those which are working with the new country. The firm will increase the number of operations in this foreign country until its tolerable risk frontier is met. In short, this model has some stages; the jump to the next stage brings new challenges and increases the risk of the operation, but, it potentially brings more profits. As the enterprise isn't familiar with the international market, it prefers a gradual internationalization starting by countries with small psychic distance, usually neighboring countries. With the accumulating of international experience and the availability for new commitments, the company goes to the next stage, until it begins production in the foreign country. They tried to explain the gradual internationalization process observed by relying on two interdependent sub-processes – experiential learning and commitment building. This model provides constant positive developments in internationalization and never a step backwards.

Unfortunately, this model cannot explain all the cases of internationalization and some empirical studies didn't find basis in this theory (Benito and Gripsrud, 1992; Engwall and Wallenstål, 1988). Johanson and Vahlne (2003, 2009) accepted this defiance and deepened the studies of others authors to integrate the business network and Stages models and this aggregation approached them to the Network Approach.

The Network Approach

Johanson and Vahlne, (2003) changed their theory, arguing that the term "business networks" should be added to the term "psychic distance", but giving more relevance to the "business networks". It is defined as an interconnected set of trade relationships with other actors in business, suppliers and customers, affecting new internationalization processes. The relationships with public officials or semi-public are also of an extreme importance in this approach. The prospect of network makes the borders of the countries less relevant. However, the logic of learning over time is still relevant.

According to Network approach, knowledge is acquired through networks and will be crucial in decisions of internationalization. Johanson and Mattsson (1988) developed the network model of internationalization (Figure 1), that is directly associated to the level of experiential knowledge residing in the firm and the degree of internationalization of the network. The model has its focus on the experience of the firm in the international market rather than the experience of the individual or external actors and shows that the current activities of the firm are its main source of experience. So the authors believe that a highly internationalized company is positioned within a foreign network and, thus, enjoys direct relationships with foreign actors.

Figure 1- Internationalization and the Network Model

The Network Model		Market degree of internationalization	
		Low	High
Firm degree of internationalization	Low	Early Starter	Late Starter
	High	Lonely International	International Among Others

Source: Johanson and Mattson (1988, p. 298)

Johanson and Mattsson (1988) explained how the degree of internationalization can be conceptualized in four levels of international situations: the Early Starter, the Late Starter, the Lonely International and the International among others. The firm has two ways of acquiring experiential knowledge. The first is how the company is committed to the market, the scale and scope of internationalization; in this case it possesses weak channels. The second is that firms can acquire knowledge through of interaction with the market, intensifying current activities. The Early Starter firm has little or no experience of working in a foreign market and possesses few and relatively weak relationships with foreign networks, so the knowledge acquired is limited. The Late Starter is characterized by a low level of commitment and activity in international market, weak international knowledge and few international relationships. Otherwise, the level of experiential knowledge residing in the firm's network should have a positive influence because the late starter is always described as having a faster rate of internationalization than the Early Starter (Oviatt and McDougall, 1994). The third type of firms is the Lonely International, it is one enterprise that has its international experience alone, and so these firms obtain a first-hand experience allowing them to acquire specific knowledge. The International among Others is described by Johanson and Mattson (1988) as enjoying a high degree of internationalization, because the firm has developed resources and positions in foreign markets, giving the possibility to acquire high levels of experiential knowledge, reinforcing its international macro position.

These four firm typologies are sustained by three arguments (Wilson and Hadley, 2000): the first is that international knowledge is only valuable when absorbed by the

firm (Johanson and Vahlne, 1977); the second is that experiential knowledge of networks, combined with the experiential knowledge of firms, create an added knowledge advantage, either directly, indirectly or through imitation (Bonaccorsi, 1992); the third argument is that foreign business knowledge is expected to reflect the influence of the firm's network (Eriksson *et al.*, 1997). The operationalization of the network model provides a base from which to explore the interaction between the internationalization of the firm, the internationalization of its network and international knowledge.

The qualitative findings suggest that there is not only a relationship between experiential knowledge levels and the degree of internationalization of the firm, but that the degree of internationalization of the network is also significant. This finding may imply that the network acts as some sort of multiplier on the experiential knowledge levels residing in the firm. The operationalization of the network model also improves the development and targeting of export assistance programs, especially as knowledge is contended to be a key determinant in the internationalization process. Previous means of classifying firms have generally focused on the problems associated with a different stage of internationalization. However, examining the network dimension has permitted to identify differences in experiential knowledge levels within groups of similarly internationalized firms.

Johanson and Vahlne (2009) did a revision to the original model of Uppsala. They reinforced the network position and the relationship of commitment in the internationalization process. The positioning inside the network allows new networks and takes knowledge opportunities. The learning for previous situations gives confidence to the other members and exist trust-building.

For Johanson and Vahlne (2003, 2009), the building of business network relationships is complex and a delicate subject, which requires time and resources as well as responsiveness to the interests of the partners. But when firms have a strong building of business network relationship, they offer strong opportunities for international expansion. The Internationalization growth allows networks to increase. These new networks make the internationalization growth easier, so internationalization leads to more internationalization.

The International Entrepreneurship View

Amdam (2009) distinguished five types of business networks: 1) Personal networks, which are restricted to strong personal relationships between a key player in the investment firm and another person of the foreign country; 2) Investments resulting from an invitation from a foreign country; 3) Network comes from other companies that have invested strongly internationally, gaining international experience of these companies; 4) Network is connected to missionary activities; and 5) Network is connected to governmental actors.

As described by Amdam (2009), the own entrepreneur can be the vehicle for internationalization. The capacities of the entrepreneur can lead to successful internationalization. Although the term entrepreneur is ancient, it has only recently been included in a model of internationalization.

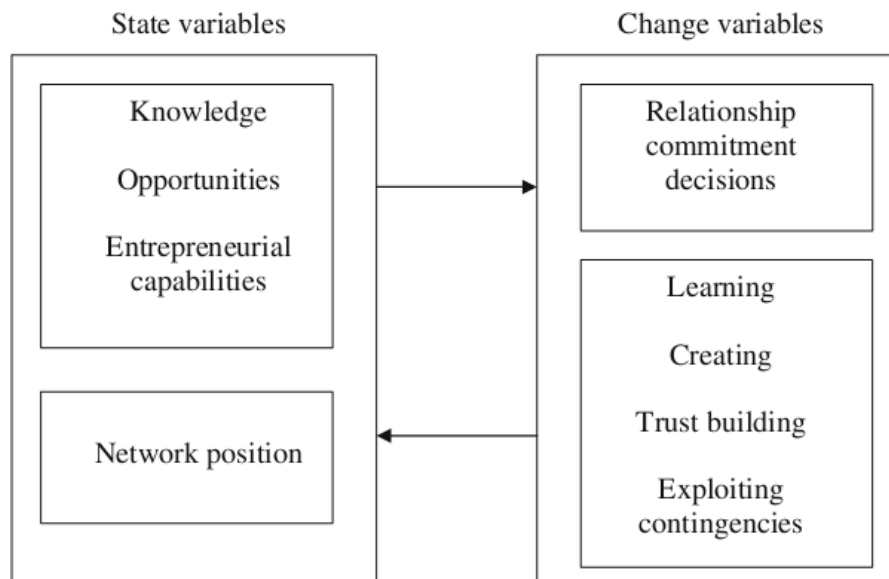
Therefore, we can argue that internationalization is a process of creation and/or exploitation of opportunities limited by the ability to recognize those opportunities, the ambition to take actions based upon them and the ability to respond to them, so internationalization is conditioned by entrepreneurial services. Following this way, we use the definition of international entrepreneurship by Zahr and George (2002), “the process of creatively discovering and exploiting opportunities that lie outside a firm’s domestic markets in pursuit of competitive advantage” and the entrepreneur is defined as an individual who carries out entrepreneurial acts.

Also Schweizer et al. (2010) gave importance to the entrepreneurial role in the internationalization process, including the entrepreneur in the model developed by Johanson and Vahlne (2009). The theories included in the business network internationalization process model are: studies on entrepreneurship and opportunity identification and development (Ardichvili *et al.*, 2003); studies on effectuation by Sarasvathy (2001); and the literature on dynamic capabilities (Sapienza *et al.*, 2006). Ardichvili *et al.* (2003) believed that accidental discovery may result from heightened entrepreneurial alertness, that is a passive search mode by the entrepreneur. So, opportunity recognition results from the discovery of the entrepreneurial alertness, and

from a promptness to be surprised. Ardichvili *et al.* (2003, p. 113) defined entrepreneurial alertness as “a propensity to notice and be sensitive to information about objects, incidents, and patterns of behavior in the environment, with special sensitivity to maker and user problems, unmet needs and interests, and novel combinations of resources”. They also explained why the opportunities are identified by some individuals and not by others, because of personality differences as self-efficacy, creativity and optimism and differences in background and experience. For these reasons, they divided entrepreneurial knowledge into two domains: knowledge accumulated in work experiences and knowledge related to fascinations, sense of fun and special interests. Other theory implemented by Saravasthy (2001) explained that the effectuation process perspective on entrepreneurial behavior results of the firm efforts to get in better position in its network or networks. The principal result of effectuation is to convert uncertainty in opportunities. The last theory implemented in the model dynamic capabilities to explain the internationalization of firms (Sapienza *et al.*, 2006). They defined dynamic capabilities as firm’s capacity to reconfigure innate capabilities in order to adapt to its environment, so it is the capacity of take advantage of the opportunity, with the limitations inherent to the enterprise.

The introduction of these three theories in the model of Johanson and Vahlne (2009), results for Schweizer *et al.* (2010) on an entrepreneurial model of the internationalization process (Figure 2).

Figure 2 - Entrepreneurial model of internationalization process



Source: Schweizer *et al.* (2010)

This model is important to perceive internationalization not as an outcome of deliberate efforts to expand internationally, but as a by-product to some other action, like entrepreneurial action. However, internationalization is itself an act of entrepreneurship (Moutinho, 2011) so it will have effects on catalysts in internationalization.

Born Global

Modification in the international scene leads to modification in companies' procedure. The firms begin to be global, looking forward to be in a larger number of markets. This alteration in international scene leads to a new model of internationalization, the "Born Global" firms advocated by Rennie (1993).

Chetty and Campbelt-Hunt (2004) chose the approach of "Born Global" as firms that have internationalized within two years of inception. In this kind of companies, the internal market loses importance, and the external market represents more than 75% of total sales. The pace of internationalization is very rapid and occurs in many international markets at the same time. This situation is possible if the enterprise has competitive advantage and product-market scope. For the quick internationalization of

the firm, someone with international experience is necessary (Oviatt and McDougall, 1997). In this model, usually the founder has extensive experience in relevant markets, acquired, for example, in another organization. In the proliferation of the company, the psychic distance is irrelevant, because the company wants to benefit from the competitive advantage that it has in the market. The learning to internationalize occurs more rapidly because of superior internationalization knowledge obtained in the multiple markets that the company internationalizes. Knowledge is necessary to help global firms to be born, to develop strategies and to develop/maintain relationships to assist them in accelerating their internationalization for which an excellent capacity of communications technology is necessary. These communications work in this model as enablers of global market reach and learning knowledge, differing from the traditional view in the speediness and scope of networks developed by the born-global firm.

The Born-Global model previews a global firm, in many markets, with less weight of home market and with a very fast process of internationalization. For the success of this kind of firms, a niche market and an entrepreneur with previous experiences in internationalization are necessary. Because internationalization brings more international experience, that expedite more internationalization.

After reviewing all this models in literature on internationalization, we conclude that all are consider internationalization as a self-feeding process in spite of the reality that shows us that internationalization is not an easy process and not always a successful one. We find different approaches on internationalization, considering internationalization as a stage model, as a network approach, as an entrepreneurial process and also as born global firms.

1.2 - De-Internationalization Process

In these first models we have a progressive internationalization interpretation, in the traditional stage the growth of internationalization is gradual and in the born global view it is rapid. Both situations show an increasing of markets during the internationalization process. None of the models shows the possibility of closing some market that internationalized, so they expect success in all markets where firms work.

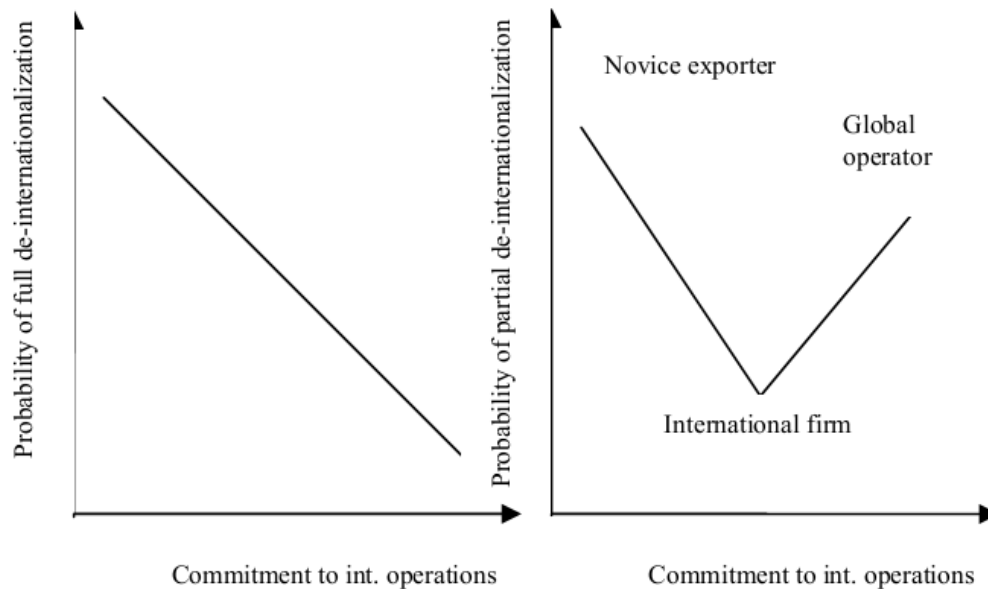
While a huge theoretical and empirical literature examining the internationalization process as a self-feeding process has emerged all over the years, considerably less literature not considering the internationalization process as self feeding has emerged. Difficulty in getting data may, in part, explain why relatively few studies consider the internationalization process as not self-feeding.

The term De-internationalization was forgotten for many years, while the internationalization process has got a lot of attention. When we focus on the opposite perspective of the expansion and growth of external operations, the literature is rather more limited and meager (Benito, 1997) and the first literature about this issue began to appear in the last years of the 20th century.

1.2.1 The concept

Mellahi (2003) defined de-internationalization as a voluntary process of decreasing participation in international operations due to organizational decline at home or abroad, for increase profits under non-crisis conditions. In another perspective, Chetty (1999) referred that de-internationalization in one dimension that can incept internationalization in other areas. This idea was also presented by Dass (2000), who believes that firms have a limited amount of resources and a multiple number of projects competing for resources and one type of diversification may be substituted by another. For example, the firm can reduce the number of markets in order to the number of products increase. For Benito and Welch (1997), de-internationalization can be full or partial. The full de-internationalization has more propensity to happen in the first stages of the internationalization process because the level of commitment is reduced as it tends to increase. The partial de-internationalization tends to occur in the first or late stages of internationalization (Figure 3).

Figure 3 – Probability of full and partial de-internationalization.



Source: Benito and Welch (1997, pp. 17-18)

The concept of de-internationalization is up to some extent different as compared to those of divestments and export withdrawals. All these activities that can be: 1) voluntary or involuntary in nature; 2) complete withdrawal from the market or decrease in commitment to the particular market. The main distinctive feature of de-internationalization is that it can be analyzed along several different dimensions (operational mode, target markets, products) while both export withdrawals and divestments are focusing on the operational mode aspect.

The processes of international divestment are beginning to be quite common and the requirement to develop an explanation for such events is evident. Inseparable to the renovation of firm is the corporate divestment as a tool of reconfiguration and adaptation to new competitive challenges perceived. In this sense, Freitas (1998) argued that investment and divestment are two sides of the same coin, persuaded by the dynamics of competition and the nature of the life cycle of products. This idea has been empirically proven (Porter, 1987), during a study of Fortune 100 companies, in the decades of 70 and 80, which proved that international investments end up later in

divestment. Not surprisingly that the divestiture has increased dramatically since the early eighties (Padmanabhan, 1993).

In one of the most important works on divestment, divestment is the decision to reduce significantly the assets (company, business unit or division) held by the company (Duhaime and Grant, 1984). Such operations are executed with the utmost secrecy and confidentiality (Hamilton and Chow, 1993), thus hindering the study of these cases. The decrease of assets can be made for their alienation (Mitchell, 1994; Chang and Singh, 1999) or by a restructuring (Bergh and Lawless, 1998). The divestment would thus be associated with the dismantling of a relationship of ownership (Vale, 2001). Other authors associated divestment to closure of production plants (Clark and Wrigley, 1997). However, the cessation of manufacturing activities with maintaining of the establishment and maintenance of their property is possible (close industrial activity and maintain the property as logistics centre). This corresponds generally to the transformation of subsidiaries in mere commercial subsidiaries (Simões, 1987 e 1992). On the other hand, there may be change of ownership without significant change in the current activity of the firm. Another perspective considers two types of divestment, divestment in the first case (in general terms) can be seen from the perspective of evolution of the subsidiary. In this case, the closure of the subsidiary is part of the same process that may lead to a centre of excellence (Holm and Pedersen, 2000). There is a number of common elements that lead to divestment, the strengthening (or not) the autonomy of the subsidiary (Simões *et al.*, 2001) and the establishment of centers of excellence (Simões and Nevado, 2000). From this comes the second consideration: the analysis of divestment should be supported on the interaction between endogenous and contextual factors. The endogenous factors have two parts: one associated with the multinational group (strategy, logic of action, innovation, rationalization of activities, distinctive competencies), the other belonging to the subsidiary and its inclusion in the group. The contextual factors are also divided into two groups: sectorial aspects (structure of competitive forces, technological trajectories) and local aspects, connected with the capacity of attraction of the investment territory. These reflections show a better definition of the notion of divestment is necessary.

Benito (1997) distinguished between deliberate and forced divestment. The first correspond to strategic situations that lead to voluntary liquidation or sale of all or part of operations abroad. The forced divestment, for its turn, corresponds to change of ownership of units imposed on the investor (expropriation, nationalization and confiscation). The same author, Benito (2005), made a subdivision of the divestment process in four possible forms, according to the way they are done and the final results on structural and organizational level (Table 1). The concept of divestment aggregates business movements in order to reduce the existing relationships, which can range from small and gradual adjustments to the complete and permanent disruption of activities.

Table 1- Types of Divestment.

Adjustments	Small and gradual Examples: Selling off of part of subsidiary; Closure of a unit (Dicken, 2003) and outsourcing.
Dissolution	Closure of a specific unit, does not entail repercussions for the company.
Restructuring	Profound change in the activities of the units. Very rare and complex process.
Externally imposed	Nationalizations and expropriations.

Source: Benito (2005)

It is important to refer that, in this study, the concept of de-internationalization is used as international divestment, however both terms can be used.

1.2.2 Theoretical Approach

The continuing search, over the years for an explaining theory of de-internationalization phenomenon resulted in different theories from different perspectives of the same fact. However, it is possible to make an outline of the literature in three approaches: the Financial Theory, the Theory of Industrial Organization and the Corporate Strategy (Hamilton and Chow, 1993; Benito, 2005) – each one presents relevant explanations for the phenomenon. Examining each one of these theories, I verify that these theories compete and complement each other in search of an explanation for the social and economic phenomenon of divestment. Financial Theory focuses on the impact that a decision to divest has on firm value (Montgomery and Thomas, 1988; Hoskisson and Turk, 1990; Markides, 1995), and the authors of this theory agree on the improvement of value of the company made after the divestment, since the market interprets these decisions as a major focus of the company in higher value activities, divesting those with worst performance.

The perspective of the Theory of Industrial Organization (Siegfried and Evans, 1994) focused on the obstacles and barriers for the exit of firms, investigating which factors are most important in the decision of divestment. The Perspective of Corporate Strategy differs from the previous since it tends to use theories of Lifecycle (Vernon, 1966) - where divestment is a possible solution for businesses in decline - and the Portfolio, under which the company is a portfolio of assets and activities that, at all times should be in a state review in accordance with corporate and financial strategies (Chow & Hamilton, 1993).

Seeing the divestment as closure of production units, Watts and Stafford (1986) and later Watts (1991) proposed a distinction between closure by suppression (the company leaves the business, leaving the line of products concerned or chooses outsourcing) and selective (when production is transferred to or retained in other production units). Mata and Portugal (1997 and 2000) in only two econometric studies on the divestment abroad in Portugal, distinguished between "exit", corresponding to the sale of the company or position in the capital of Portuguese entity and "closure" in which the subsidiary is liquidated. Mariotti and Piscitello (1997) consider two types of divestiture - failure and

restructuring. The first reflects the failure of the subsidiary, while the second is linked to broader strategies for reconfiguration of the company's business portfolio. Hennart *et al.* (1998), analyzing the longevity of joint ventures of Japanese companies in the United States, confronted the case of liquidation (i.e., death of the subsidiary) with the sale of the position in the capital.

1.2.3. Causes

The causes leading to de-internationalization have not been very thorough, since there are few studies in this area. One of the first studies of this subject was done by Reiljan (2004) that find several different motives why enterprises decide to de-internationalize. The main causes are classified into four groups (Table 4): 1) lack of international experience caused by few international experience of entrepreneur; the entrepreneur doesn't perceive the differences between countries and the analysis of market is not enough (usually this kind of reasons appears in the beginning of the internationalization process); 2) change in strategy caused by a change of foreign owner's intention or modification of strategy in the gradual development of international market (normally, change in strategy occurs in the last stages of internationalization process); 3) the third group of reasons is related to poor performance and/or increase costs originated by the increase of competition or increase in production costs (this group of reasons tends to appear in middle stage of internationalization; and 4) the last group of reasons includes external shocks.

It is important to refer that different motives have simultaneous effect and these motives are interrelated. Another important aspect is the role of the entrepreneur that is decisive in the two first motives, because the level of knowledge and his decisions affect the process of de-internationalization. So, we can suggest that de-internationalization activities can induce intensified entrepreneurial actions for detecting new possibilities in other markets in order to promote wealth creation in the future.

1.2.4- Conclusion of de-internationalization

After reviewing the de-internationalization literature that is scarce and recent, we have concluded that some researchers already studied the subject of our thesis. Some researches make an analysis of the mode of exit from some markets, if the firm left a country totally or partially and if the firm maintains its activity in that country or abandoned the market. Benito (2005) studied the modes of international divestment and reached some conclusions.

However you only understand a problem when you have knowledge of its causes. And about of de-internationalization process, with our knowledge retired from Literature review, it only exists in one study.

The study was done by Reiljan (2004), who defined the causes of de-internationalization. His study divided the causes of de-internationalization in four groups, Lack of International Experience, Change in Strategy, Increase in Costs and Poor Performance and the last one Other Reasons. This theory is our term of comparison with information obtained for our study.

2. - Methodology and research Questions.

The existing literature recognizes that internationalization leads to more internationalization, due to accumulation of experience, growth of connections and networks and stronger commitment with foreign firms. So, the internationalization of firms seems a self-feeding process, after its beginning the process the growth of internationalization is the only possible path.

But in real life we see many cases of firms with international divestment, like for example Sonae, in Brazil, Jerónimo Martins, also in Brazil or Parfois, in Spain, among other cases. These evidences contrast with the existing literature, since in these cases we have an exit from foreign markets, and not a progressive growth as it is supposed. The observation of this gap between literature and reality is the motivation of this study.

In this point of work, it is intended to explain clearly the methodology adopted and the steps followed in its construction. After presentation of grounded theory, we identify the research question that served as the motto for this study. The construction of the sample and the operationalization of the methodology mark the remainder of the chapter.

2.1 - The Grounded Theory Methodology

After a literature review on theories of internationalization and international divestment, we intend at this point to detail the methodology used and the steps followed to get to the final conclusions. Throughout the work, the methodology of grounded theory, first proposed by Glaser and Strauss (1967) and used mostly in research of a qualitative study was adopted. This methodology results from a dissatisfaction from the authors on the predominance of the hypothetical-deductive approach - used in the exact sciences - and which were to be replicated in the social sciences. As concern in fact, the market, the government and government agencies seeking data can overcome any sociologist using simple resources. Where the sociologist can help these agencies is to provide them with theory that will make the investigation of these agencies relevant (Glaser and Strauss, 1967). This methodology seeks to promote the involvement of the researcher in the research process itself, so that he feels part of the process and not just a receiver.

The logic of this approach is to place the emphasis on theory as a process and not to test hypotheses already given. It is not part of previously existing hypotheses, but a situation or phenomenon (in this case, the phenomenon of "de-internationalization" on the one side and the "international divestment" on the other side), giving rise to hypotheses as the process moves forward. The main difference between this approach and the others is that one theory may arise from the data, so it is clearly an emerging theory. This approach leads to looking at every moment to establish a bridge between theory and reality, a back-and-forth constant validation between the two dimensions. The comparison between theory and empirical data is the heart of the whole methodology. Initially, the hypothesis may not seem relatable, but as different categories and properties are emerging, and eventually relating, these interrelationships form the core of emerging theory. It is this core that serves as a theoretical framework for the collection and analysis data (Glaser and Strauss, 1967). In this work we used an abductive approach that Denzin (1978) describes as the one that combines the deductive and inductive models in progress of propositions and theory building. Thus, the final result of this document is a consequence of interaction between successive relevant theoretical frames and empirical evidence. As stated by Strauss and Corbin (1990, p. 3) "the research question in a grounded theory study is a statement that identifies the phenomenon under study." Thus, questions such as:

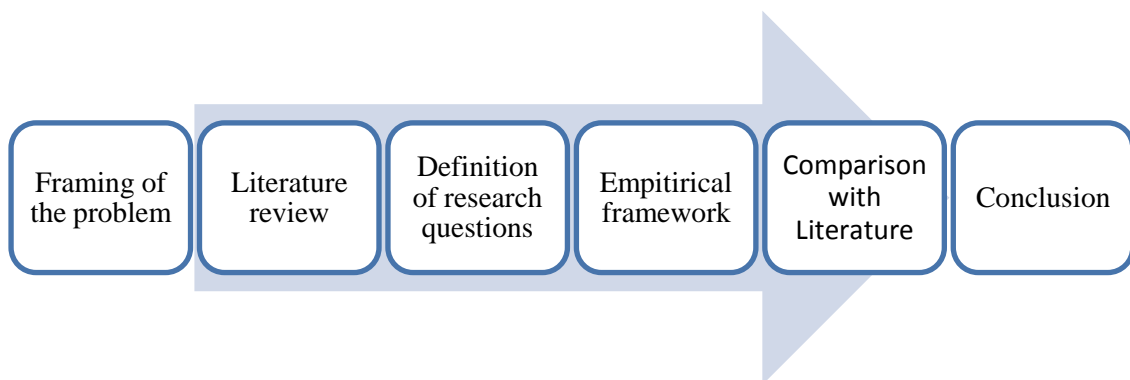
- "Why is there a growing phenomenon of internationalization of Portuguese companies?"
- "The Portuguese government believes that internationalization of Portuguese companies is the solution for the crisis, so why international divestment of Portuguese firms is growing?";
- "Which are the causes for international divestment of Portuguese firms?".

It marked the beginning of the investigation. In this sense, initially, a survey was conducted based on the themes "Internationalization" and "De-internationalization", supported by books, newspapers, documents in internet, academic journals and databases, including: Business Source Elite (EBSCO), JSTOR, Science Direct (Elsevier) and Knowledge Library on-line (B-on). Throughout this initial research and confrontation with existing data, new questions have emerged which were more focused

and targeted leading to two specific points: - firstly, the few literature about de-internationalization, - secondly, the models of internationalization that assume a progressive growth of internationalization. So this result in the research question of this study - "Why does de-internationalization happen?" Although the last decade has increased the number of items in this area, the revision of literature allowed us to detect gaps in these two areas.

Figure 4 shows in synthesized form, the various stages of this study:

Figure 4 - Phases of Research



Source: Author

Construction of sample

As Strauss and Corbin (1990) suggested, studies using the methodology of grounded theory, should build a "relevant" sample to the phenomenon under study that will be defined by the own analysis. In turn, Eisenhardt (1989) recommended researchers should select between four and ten cases, since it may be difficult to generate any kind of theory with less than four and more than ten.

The number of companies was defined, due to the saturation theory that Glaser and Strauss (1967) described and which means "that there is not additional data that are being found by sociologist that can support the development of properties of the category" (p. 61). Thus, the sample is composed for five companies since it was felt that theoretical saturation had been reached and that in the analysis of a new case, not relevant theory would emerge.

The selection of companies was made to ensure that we only chose firms that had an internationalization experience and at least one case of international divestment.

The requirements were defined as follows, the company:

- has been active for at least five years in the domestic market prior to internationalization;
- is based in Portugal;
- has international experience;
- has at least one experience of international divestment;
- has to be active.

The criteria of choice are not very demanding, for to be part of this sample, the firms only have to be Portuguese, with an international experience and at least one case of failure of internationalization. The firm has also to be active. The firms were contacted by email and mail with a letter to the responsible of the firm, requesting an interview to approach the internationalization of the firm and respective cases of de-internationalization. Despite the large number of firms contacted, we only received four positive answers. Some firms didn't answer to our request and other firms answered, saying the case of divestment was strategic for the firm and because of that they weren't open to talk about it. The firms that gave us a positive answer were interviewed. The number of answers was not a problem because the theoretical saturation was already obtained with these firms.

The process of building grounded theory

Pandit (1996) defines that grounded theory methodology is constructed in five analytical phases (not strictly sequential): research design, data picking, data sorting, data analysis and comparison with literature. In these five phases nine procedures / steps were discovered (Table 2). This building process advocated by Pandit (1996) was adopted in this research.

Phase 1: Design of research

The process of building grounded theory begins with the planning of research to be made. As outlined by Pandit (1996), the first step was to define the research question that set the tone for the entire document - "Why de-internationalization happens?" With the definition of this research question, we didn't want test hypotheses or theories, since this is not the purpose underlying the methodology of grounded theory. What we were searching were several cases of de-internationalization and their causes, maybe different from those presented in the literature. Once defined the variables most frequently highlighted in the literature of the internationalization process and de-internationalization, we would identify new variables not present in the literature. We were obviously aware that the qualitative study pursued in this work could possibly not identify variables other than those already existing.

The second step concerned the selection of "a theoretical non-random sample." For this purpose, a survey was conducted to companies that met cumulatively, the criteria of being an active Portuguese company, with internationalization experiences and at least one case of internationalization failure.

Table 2 – Phases of methodology

Phase	Step	Activity	Motivation
1 Research Design	1) Literature Review	Definition of research question;	Focus in literature
	2) Case Selection	Theoretical sampling, not random.	Focus in cases theoretically useful
2 Data Collection	3) Develop a rigorous protocol for data picking	Creating a database of cases studied; Use multiple methods of data collection; Quantitative and qualitative information.	Increases confidence; Strengthens the theory by triangulation of evidence. Synergistic view of the evidence.
	4) Fieldwork	Overlap data collection and analysis; Methods of data collection flexible and timely.	Accelerate the analysis and do precious adjustments to the collection of data. Allows researchers to take advantage of emergent themes and unique cases.
3 Data sorting	5) Data sorting	Sorting events for chronological time.	Facilitates the analysis of information. Allows the examination of processes.
4 Data Analysis	6) Analyze the information of first case	Use the encoding process (coding);	Develop concepts, categories and properties;
	7) Theoretical Sample	Reapplication theoretical in cases (back to step 2 until theoretical saturation)	Confirms, extends and enhances the theoretical framework.
	8) Reaching to the end	Always possible reach theoretical saturation	The process ends when the marginal gain is small.
5 Compare with Literature	9) Compare emergent theory with the literature	Compare similar and conflictions frameworks	Improve the construction of definitions and therefore the internal validation; also improves the external validation field in which the establishing the study results may be generalizable.

Source: Adapted by Pandit, 1996

Phase 2: Data collection

The second phase of construction of the method began by defining a protocol for data collection. Following this step, we decided to resort to an open interview with the responsible that originated the process of internationalization in selected companies. However, the interview was absolutely open, not constituted as a tight frame and mandatory to be followed from beginning to end. The nonexistence of preconceptions that might influence the course of the interviews was another set of points. When there was agreement of the interviewees, the interviews were recorded for later transcription. The duration of interview was not previously defined.

The reading of existing information in various media (newspaper articles, websites of firms and other information on the Internet) served as a support to the preparation of each interview. Later, there was a triangulation of all information collected in order to have greater support to the evidence found.

The fourth step of this process was to ensure that the methods used for data collection were flexible and, where possible, that this collection was performed and analyzed almost simultaneously. The interviews were carried out at the respective companies or in a place agreed by email, and took place from May to June of 2012. In all, data were collected and analyzed almost simultaneously.

2.2 - Implementation of Methodology

Firms Interviewed

The companies interviewed are:.

Parfois



Parfois – Barata e Ramiro, S.A. was the first firm interviewed, and the person interviewed was the CEO Sérgio Marques. Parfois is a brand created in 1994 whose mission is willing to become the reference brand for neo-traditional and trendy women, offering consistently good value for money in a wide and dynamic range of fashion accessories (necklaces, rings, earrings, bracelets, scarves, handbags, wallets, sunglasses, travel bags, shoes, among others), within a pleasant and dynamic space that can enhance the buying experience. This firm has competitors players like Zara, Massimo Dutti, Bershka and Mango. In Portugal the firm has 650 employees taking into account the shop assistants.

The process of brand internationalization began in 2005 for Spain, when they opened 8 shops. But, a few years after, they closed four or five shops. Although the beginning was not very suspicious, the Spanish market is now one of the most important markets, and, according to the CEO, it will be the biggest market in sales shortly.

The process of internationalization continues for other markets, but now using the franchising model. They used this model because it allows the opening of more shops around the world. At this moment Parfois is in all Europe, Middle East, America and in some countries in Africa. Per year, they open more than 90 shops.

Sonae Distribuição



The second interview was done to Álvaro Portela. He was CEO of Sonae until 2010 and occupied another positions before. The Group Sonae has a large range of businesses; in this case Sonae Distribuição refers to sales of Retail. The most known brands are Modelo and Continente, today it is only Continente due to a strategy of synergies that resulted in only one brand. Nowadays the name of Sonae Distribuição is Sonae MC and his core business is food retail.

It was during Álvaro Portela leadership that Sonae Distribuição began the internationalization process, in the decade of 90. The firsts markets were Brazil and Greece. At this moment the market of Greece has some difficulties because of the economic crisis. In Brazil, Sonae Distribuição Brazil was alienated to Wall Mart Group, in 2005. At this moment Sonae MC hasn't got an international strategy, according to Álvaro Portela.

Sonae Sierra



Sonae Sierra is the international specialist in shopping centers with a passion for introducing innovation and excitement into the shopping and leisure centre industry. This firm was founded in 1989 and it began its internationalization in 1999 in Spain, Greece and Brazil. In 2008 Sonae Sierra reached 50 shopping centers with inauguration of the two first shopping's centre in Italy. However the success of internationalization was stained with the closure of shopping Centre M40 in Madrid.

To obtain information about this firm we used the same source, Álvaro Portela.

Álvaro Coelho & Irmãos, SA



The firm Álvaro Coelho e Irmãos (ACI) was founded in 1996. Despite being a young company, they have a vast knowledge of the cork industry gained through many years of founders' experience of working with cork.

The company's founders are experts in all activities within the cork industry and they want to develop a dynamic company within the world cork market by understanding and resolving their customer's requirements of cork products.

The company internationalized since the beginning, it is one case of Born Global. The firm had some markets like Chile, Argentina, Bulgaria, Hungary, Spain, Italy and France. All these countries have good wines and big productions (reasons to that market be chosen these markets).

The person interviewed in this firm was Álvaro Silva, the CFO of the firm. He explained the productive process since the extraction of cork from the cork oak until the delivery of cork stopper to wine producers. In distant markets, from the extraction of cork until the payment of the cork stopper, it can take 9 months. Because of financial problems, the firm had to sale the firm in Argentina and it is losing other businesses.

KYAIA



Kyaia was founded in 1984 with a production capacity of 500 pairs of shoes per day, with a total of 50 employees. Since the beginning that production was mostly to export and the principal target was the European Union. The group Kyaia is compounded by several brands like FlyLondon, Foreva, Sapatália and Fungi. The most famous brand of Kyaia is FlyLondon.

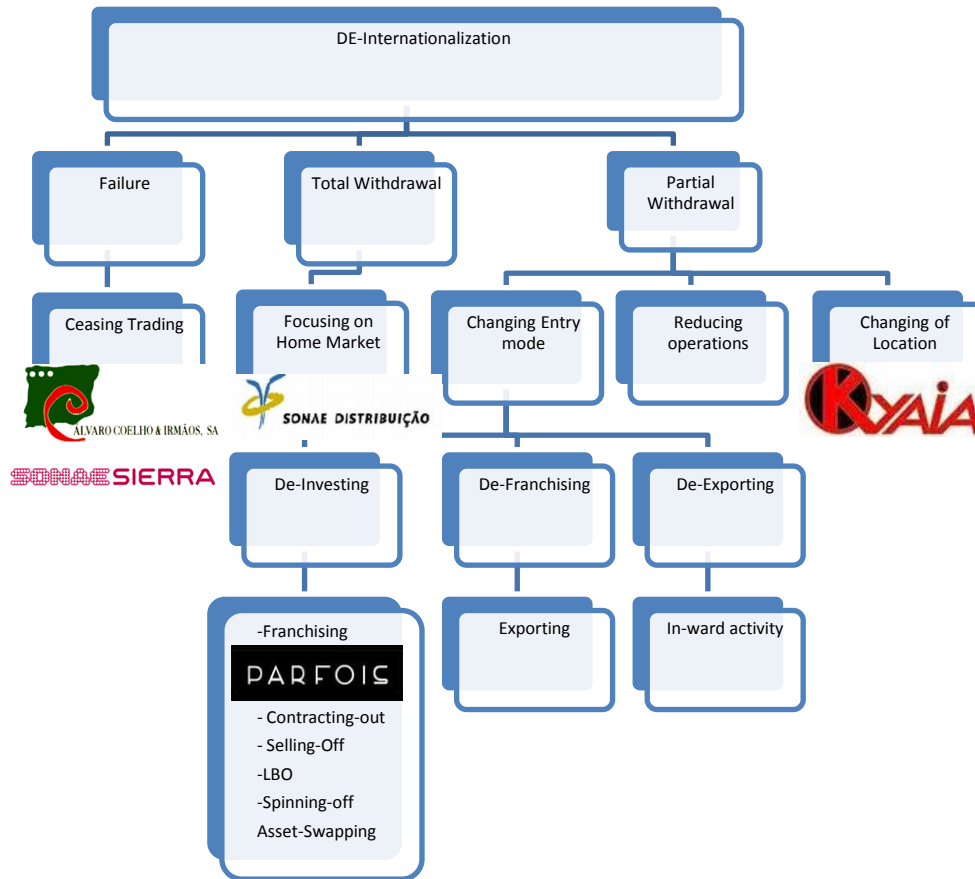
Kyaia is another case of Born Global; the firm was created with the intention of working in international market. The person interviewed in this company was the owner, Fortunato Frederico. He explained to us the process of internationalization, the difficulties, the progresses and the expectations for the future. In Spain, the initial strategy was to open a warehouse in Madrid, but that strategy was not successful because the place to sell shoes in Spain is Alicante. It is there that the negotiators of shoes are located and distribute shoes all over the country.

Kyaia also had a situation of international divestment in Pakistan, where they abdicated to be partners in a firm that makes shoes. Kyaia maintains relationships with them; Kyaia bought fur for its production in Portugal.

Types of de-internationalization of firms studied

All the firms studied had a process of de-internationalization. However the way to de-internationalize can be very different. In table 3 we present the modes of de-internationalization of firms interviewed. Note that we have five firms interviewed but we have more than five cases so we will select only one case from each company.

Table 3 - Modes of de-internationalization of companies interviewed



Source: Adapted from Turcan (2011),²

In the table 3, we have the modes of de-internationalization of the firms interviewed. Sonae Sierra built a shopping center in Madrid, the M40, however this commercial center was only successful for the first 3 months, while it was a novelty. After this period of time, the affluence of people began to decrease, because they preferred other commercial centers. The over evaluation of location was the motive for the closure of

² The Original model of Turcan (2011) didn't include the changing of location.

M40, according to Álvaro Portela. So, we consider the mode of de-internationalization the ceasing of M40 a failure.

The firm Álvaro Coelho & Irmãos had a successful firm in Argentina with an Argentinean partner, but the Capital needs led the firm to sale this position to the major competitor, Corticeira Amorim. That happened because of Portuguese crisis in the reduction of credit conceded by banks to firms. This reduction makes the firms sell some assets to maintain their activities in other countries. In spite of the firm's success in Argentina, we consider it was a failure that leads to ceasing business in this country. It is a failure because the internationalization process grew up more than possibilities.

Sonae Distribuição left the Brazil market in 2005 by selling its position to Wall Mart group. The process of entrance was done by acquisition of small firms in local cities. The owners of these small firms could not open firms during some years, however after these years they opened new shops and began to compete. This competition would not be a problem if they competed in the same circumstances. However, in a market as Brazil where parallel economy existed, this kind of economy was only possible to small firms with a restrict number of employees. For Álvaro Portela, the cause of de-internationalization in Sonae Distribuição is "Sonegação" that means tax evasion. We consider this total exit and a focus in home market, because they don't focus their attention in another foreign market.

Another firm that had a process of de-internationalization was Parfois in Spain. For Sérgio Marques, the reasons for that were the "similarities" to Portuguese market, the concept of shop and the location of shops. He thought that Spanish market is similar to Portuguese market, so he can copy the business model and will have success. They corrected the entrance errors and today Spanish market is one of the most promising markets. After this first entry market, they corrected the errors and today Spanish market is one of the most promising markets. In the beginning they opened own shops, but now most shops are franchised. This allows being in more markets with more shops, but they are limited to the decision of Franchised to open more shops. We consider a partial withdrawal as consequence of changing entry mode to Franchising.

The last firm, Kyaia, had a process of de-internationalization in Spain. The firm begins to internationalize to Madrid and this warehouse was open for three years. However the sales do not correspond to the expectations; after to hear some of their networks that tell that a better place to sell shoes in Spain is Alicante. After to hear their voices, the firm changed its location for Alicante. Nowadays Spain is a successful market for Kyaia.

In conclusion, in five firms that de-internationalize we have four different modes of de-internationalization. Only one mode gets two companies to failure and consequently ceasing trading. In some cases the withdrawal was temporary and now they had prosperous markets.

Phase 3: Sort of Data

The next phase began by ordering the collected data; this is ordering the interviews. To facilitate the analysis of information, we proceeded to the ordination of four interviews in chronological order using the computer software NVIVO 9 that served as support for phases 3 and 4 of the whole process. These interviews have resulted in four internal sources and information of the five firms. Is relevant inform that the analysis unit isn't the firm but the cases of de-internationalization.

Phase 4: Data Analysis

After data collection, the next step was to analyze data using software NVIVO 9 and the introduction of "nodes" identified in the literature review. Each "node" represents a variable identified in the literature as reason for international divestment of the company, constituting a total of fourteen "nodes." All these variables were labeled with a blue color for easier identification of new process variables.

Then we proceeded to analyze information concerning the first case entered (step 6). Matches were made between aspects referred and the "nodes" created. When relevant information was found, we associated it to an already created "node". When a variable mentioned was not on the variables identified in the literature, we created a "node" capable of being included in the final conclusions, depending on the analysis of the remaining interviews. The creation of a new "node" was identified with the green color.

The same procedure was followed in other cases. Through this process of coding, it was possible to develop concepts, categories and properties that were emerging from the analyzed data. Analyses of the interviews were being carried out progressively, leading to new variables. However, as it would for advancing a new interview, the marginal gain (represented here to identify a new variable) was smaller and smaller. As such, we concluded that it had reached the theoretical saturation and it was therefore important to advance over some interviews, leaving the sample to the five firms.

Phase 5: Comparison literature

Analysis of the interviews identified a set of variables. At this stage, the comparison was made between the existing literature (reflected in "nodes" marked in blue in NVivo) and the theory that emerged from the analysis of the existing data ("nodes" marked in green, in NVivo).

The theory that we compared according to Reiljan (2004) is presented in the table 4. New variables were identified. With the exclusion of some variables such as new but that had little relevance, we tried to improve the external validation of establishing a criterion by which the results of the study could be generalized as Pandit (1996) suggested.

Table 4 - Four groups of motives influencing the decision to de-internationalize

<p>LACK OF INTERNATIONAL EXPERIENCES</p>	<p>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)</p>
<p>CHANGE IN STRATEGY</p>	<p>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</p>
<p>POOR PERFORMANCE AND INCREASE IN COSTS</p>	<p>Increase in production costs Increase in transport costs and tariffs Increase in competition (from the home country, host country, or third country) Poor performance</p>
<p>OTHER REASONS</p>	<p>(De)internationalization of related industries External shocks (including government interventions) Existence of foreign owner</p>

Source: Reiljan (2004)

Conclusion of methodology

The methodology adopted in this research was grounded theory. This choice has been methodologically shared by many researchers in studies of a qualitative nature and based on the construction theory as a process.

In this chapter all the steps of the process were described, some were done in previous chapters, and some were in this chapter, such the definition of research question and description of methodology used in this thesis. The next steps that consist in describing the firms interviewed are explained, as well as the results of these interviews and the conclusion of this study.

Therefore the next chapter is the findings of our work.

3 - Findings

Based on the literature review carried out, this chapter had as main objective to help us find answers to the research question – The Portuguese government believes that internationalization of Portuguese companies is the solution for the crisis as said by Oliveira (2011), Secretary of State for Entrepreneurship, Competitiveness and Innovation, when he said that “Government will create "new tools" to increase "collective efficiency" and the ability to internationalization of clusters”.

However the internationalization process isn't linear and easy to lead for firms. For firms in difficulties, the internationalization process can be another problem, because internationalization needs resources, capital and persons. Also, in big companies, the internationalization process can fail. We have some cases of de-internationalization of Portuguese firms as Jerónimo Martins in Brazil, Sonae Distribuição in Brazil, Cabelte in Brazil, and Throttleman in Spain among other cases.

To answer to the research question, we have made four interviews to the responsible of the firms or person related with the process of internationalization, resulting in five companies studied.

The companies chosen are inserted in different sectors, so we did not take the risk of the context of the sector leading to similar analyzes in two or more companies. In our sample we had small and big companies in different sectors as Retail, manufacturer of cork stoppers, manufacturer of shoes and builder of commercial centers.

Each of the cases was studied in detail and the interviews took place without any kind of conditioning by the interviewer. The respondent approached freely the various themes, with greater focus being given in the process of internationalization and the "why" and "how" of it. By analyzing this issue, we sought to identify variables that had acted as facilitators of this process.

We also searched articles in journals, sites and thesis, in order to obtain more information about the de-internationalization of these firms.

3.1 - Categories from literature

As shown in Table 4, we consider four groups of motives influencing the decision of de-internationalization from the literature. In our interviews we found empiric evidence for all these four groups. The first group that we present is the Lack of international Experience (Figure 5).

Figure 5 – Causes of de-internationalization due to lack of International experiences

Nodes		
Name	Sources	References
Lack of international Experiences	4	17
Insufficient pre-internationalization analysis	3	13
Too rapid and or early expansion to the foreign market	4	6
Lack of knowledge	2	6
Inadequate interpretation of market signals	3	10
Choice of inappropriate target market	3	4
Choice of inappropriate operational mode	4	9
Misfit of product and or insufficient adaptation to the market	0	0
Decrease in the value of previous experiences and knowledge due to the rapid changes in target market	0	0
No previous inward internationalization	2	4
Insufficient attention to foreign market (focusing on sporadic export)	3	9

Source: Author (exported from Nvivo9)

In this group, Lack of International Experiences, we used all sources in a total of seventeen references. The same reference can explain more than one cause at the same time. The causes with more references are insufficient pre-internationalization analysis with thirteen references, as “Now analyzing the business, the principal reason for the withdrawal of Sonae Distribuição were competitive characteristics of Brazilian market that are very specific”, said by Álvaro Portela.

Inadequate interpretation of market signals has ten appearances, like the reference of Álvaro Portela “Sonae grows for acquisitions of small unities, but this increasing was made by failed acquisitions because the purchase was made on the basis of value business, that no longer existed at the time it was acquired”. That happens due of insufficient interpretation of Brazilian Market.

With nine references we have two causes, insufficient attention to foreign market and choice of inappropriate mode. One example that justified the second mode was explained by Sérgio Marques from Parfois: “We began a few years ago with own stores and what happened at the beginning was bumping our head on the wall, because we

thought that Spain and Portugal were equal. The shopping centers are opening in Spain; so, let's go open some stores because it's easy”.

There are two causes without any appearance, decreases in the value of previous experiences and knowledge due to the rapid changes in the market and misfit of product and/or insufficient adaptation to the market. However these causes of de-internationalization are viable, but in our firms that cases didn't happen.

The second category that we present is the Change in Strategy (figure 6):

Figure 6 – Causes of de-internationalization due of change in strategy

Name	Sources	References
Change in strategy	4	10
Focusing on core markets	1	1
Focusing on core activities	2	5
Change of (foreign) owner's strategy	1	1
New managers with different strategic perspectives	1	2
Increase in demand at home	0	0
Scarcity of resources and qualified personnel	3	7
Constraints of manufacturing capacity	3	4
Inadequate growth in target market	2	3
Maturing of the product in the target market	0	0
Change of operational mode	2	7

Source: Author (exported from Nvivo9)

In this category all the sources were referred in the various causes of de-internationalization. The causes with more references are scarcity of resources and qualified personal and Change of operational mode. These two reasons are much related because the scarcity of resources can lead to change of operational mode. Sérgio Marques said “The greatest difficulty we have to open stores abroad is human resources.” and “Franchising is a model that has advantages for us, because he [Local Franchiser] is in the local market and knows the market, the operation is, in principle, done better than what we would do and we haven't resources to go to 40 countries.” The other mode with more relevance was “Focusing on core activities” as described for Álvaro Portela “In 2003 or 2004 Sonae group had a strategy that needed resources out of Sonae Distribuição Brazil, for example, which was to seek to increase its stake in Portugal.” And also for Frederico Fortunato owner of Kyaia “We made a deal, come

away and leave the factory in Pakistan and continue to be their client of Leather. It was a good experience, because we first solved the problem of lack of leather, with good quality and good price and the second showed that one thing was good in the supply of skins was not good in the field of finished products.”

The third category that we present is Poor Performance and Increase of Costs (figure 7).

Figure 7 - Causes of de-internationalization due of Poor Performance and Increase of Costs

Name	Sources	References
Poor performance and increase of costs	3	4
Increase in production costs	1	1
Increase in transport costs and tariffs	1	1
Increase in competition (from the home country, host country, or thir	1	1
Poor performance	3	4

Source: Author (exported from Nvivo9)

In this node we only have 4 references and all of them are referred in the same cause of de-internationalization, poor performance. One example of these references was said by Álvaro Portela “I was responsible for market entry, we insisted on it and invested on it, and I'm sorry it happened. Because I think all the resources that Sonae Sierra used in this market would have been much better used in other markets, I am speaking of Greece. But I would say today that over the world anyone can be happy to have gone to Greece.”

Finally, the fourth category that we present is Other Reasons (Figure 8).

Figure 8 - Causes of de-internationalization due of other reasons

Name	Sources	References
Other reasons	1	1
(De)internationalization of related industries	0	0
External shocks (including government interventions)	1	1
Existence of foreign owner	0	0

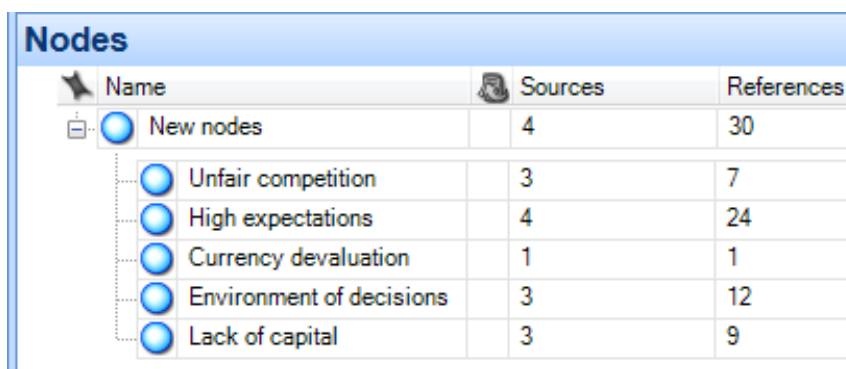
Source: Author (exported from Nvivo9)

In the node Other Reasons we only have one reference by Álvaro Portela relatively to failure of Sonae Sierra in Romania “There are other frustrations that are related with the situation and the market itself, I’m talking about Romania. Romania is a target of crisis like other countries, the 2008 crisis also affected them, but we always have to think about what is being considered.” In this situation, the cause of failure was the international crisis that originated a decreasing of sales in shopping centers.

3.2 - Emerged Categories

Our research found the causes of de-internationalization presented in literature but also some categories emerged from our study (Figure 9).

Figure 9 – New causes of de-internationalization



Name	Sources	References
New nodes	4	30
Unfair competition	3	7
High expectations	4	24
Currency devaluation	1	1
Environment of decisions	3	12
Lack of capital	3	9

Source: Author (exported from Nvivo9)

Besides of modes of de-internationalization proposed for Reiljan (2004), we found some other causes that lead to de-internationalization of the firms in study. The most referred was High Expectations with 24 references and all sources. One reference was said by Álvaro Silva of Álvaro Coelho & Irmãos, “Our difficulty in internationalization is not in terms of product, because technically this company came to wake up smaller companies facing the market because it came the turn to the markets and we bet strong in technology, branding, quality and research, we knew that the question of taste was a situation that had to be solved, so we have invested in a unit that cost 12 million Euros in the south. Maybe today ...”.

Another reference was said by Álvaro Portela relatively to Sonae Sierra “Fundamentally overestimation of the location. La Fortuna is a relatively poor neighborhood with little

commercial interest, it has little purchasing power, but our assessment was the following is not relevant to be in la Fortuna, because the market that matters is the City of Madrid and this is guaranteed because of the M40 where thousands of cars pass per day, and the visibility of the mall is very interesting, with direct access from the M40 to the field of shopping which is very good and very easy. We'll be on that place but it is as if we were in the center or even better, because there are no traffic jams and the shopping center is easily accessible for cars. What turned out not be true.”

Frederico Fortunato also referred a situation of overestimation of location, as we can see in the next reference “There was an experience in Spain for 4-5 years and had to come though, because we are not interested. But today we are in Spain and successfully. The location was poor. After three years we saw that the world for selling shoes in Spain is Alicante”.

Sérgio Marques also referred that bad location and not good concept of store were the reasons of failure at entrance in the Spanish market as referred in the next reference “After opening the market in Spain, 4-5 shops closed at the time was more than half of what we had. We opened with eight stores, but without certainty, for it was long ago. We're talking about something that happened 7 years ago. Now the Spanish market goes well, we have franchisees and company stores as well. The concept and location of stores has greatly improved.”

We need to reinforce that most part of cases of High Expectations are result of misfit “Micro-Location”. In cases occurred in Spain, as Parfois, Kyaia and Sonae Sierra, the firms choose mistakenly the first location to begin the internationalization in Spain. In all cases the alteration of location brings more profits and better results.

The second mode with more references is Environment of Decisions with twelve appearances. This mode refers to decisions that are taken due to pressure of other markets, financial pressure and administration pressure. The firm Álvaro Coelho e Irmãos showed one case of them, “About one year ago Group Amorim took our partner in Argentina, we had an excellent company with excellent image and performance, and we got to undergo some difficulty responding to the product due to this crisis, and we think it was not fair to penalize the company, which had an excellent route. And we

finished selling our participation to Group Amorim, and we solved other issues. Because this pressure that the financial system carries on business, it leaves no space for you to think about anything. We left Argentina, not by the market but because of the financial crisis.”

Álvaro Portela also said that “So the picture that was around the issue is a picture of pressure to "diversify." This happens in all companies, the decisions always have Environments. This fact made Sonae decides that it was more interesting to put these capitals that were used in Brazil, in other places, with much regret of mine.”

The lack of capital was referred by three interviewees as reasons of de-internationalization. One case was mentioned by Álvaro Silva, “the problem arises with the crisis, because banks arrives to firms and inform radically that current accounts are to close and that the lines of credit are off to halving and later will also be closed. The company was not prepared for this shock; it is evident that one can think, when doing a project for internationalization we do not think about these things. Yes we thought, we did our business plan of our project, but which resulted in this study is that, I wanted to open a company in Chile and making my study of business and come to the conclusion that I need capital, and as I learn long-term investments require long-term capital. Only in Portugal, still wonder where are the financial products for SMEs that want to make a company in Chile or Argentina and need 6-7 years to make the return of these investments. I wonder where the financial products are. I go to a bank, they like the project, but an investment for as long as you need to have collateral. We have to arrange a mortgage. What for? The business is in Chile, I cannot give a mortgage of a pavilion in Chile. So I wanted to make my investment considering all these issues, I was over and decided not to make the investment”.

Another cause of de-internationalization discovered with these interviews was Unfair Competition mainly in South America markets. Álvaro Silva said, “Argentine also has the issue of tax evasion because the tax burden is very high.” and for Álvaro Portela with an expression “The name given in Brazil as key feature that led to the departure of Sonae Distribuição of Brazil is the tax evasion.” That happens because the small unities can escape to taxes, because they are in restrict ambient, familiar and can escape to taxes. When a big group buy small shops and build a big group, they can't escape to

taxes, and for that reason they can't compete with them despite having economies of scale in process of distribution and supplying. Also Frederico Fortunato refers that some customers in Spain want to buy without invoice, but that was denied immediately, as we can see in the next expression "We opened a store in Madrid, with a team of salesman, but customers wanted to buy only from outside, nothing billed. We were there three years without success."

The cause of de-internationalization that had fewer appearances is Currency Devaluation and only referred once time for Álvaro Silva, "While today we have a more controlled volatility, a coin remains very volatile. The currency issue is a fundamental situation in the process of internationalization. We feel it in the markets of Latin America that were based on U.S. dollars". Although Álvaro Portela didn't refer this problem in this interview, we found a text from Carvalho (2009, p. 49) that said "strong political and economic instability and the high interest rates, which resulted in a sharp depreciation of the Brazilian currency, that contribute for a decrease of value to the Consolidated Model of the Continent resulted in 1,271 million, a decrease of 23% over the year 2001." So, Sonae had the problem of Currency devaluation in Brazilian businesses too.

After having presented all these new causes of de-internationalization, we suggest the creation of one category called Misfit or Bad Adjustment of Entry Mode. In this Category we include the High Expectations with focus in cause of Misfit of Micro Location, Environment of Decisions and Lack of Capital. We left outside of this category the other two modes, Unfair Competition and Currency Devaluation.

We kept these causes out of this category because they don't depend on entry mode but on changes in market. Misfit or Bad Adjustment of Entry Mode Category incorporate situations as overestimation of location, overestimation of market, needs of capital due to innumerous markets, environments of decisions because one opportunity can lead to withdrawal of one market, changes in financial market that origins modifications in financial conditions to firms.

3.3 – Conclusion

The comparison of our information, obtained by five interviews, with de-internationalization literature of Reiljan (2004) shows that all motives of de-internationalization were found in our cases.

However our study brings five new causes of de-internationalization. There are High expectations with focus in Misfit Micro Location, Environment of decisions, Lack of capital due of Economics Crisis, currency devaluation and unfair competition.

These causes are diversified however we aggregate three of them in a new category. We called this category Misfit or Bad Adjustment of Entry Mode and it includes the cause of High Expectations with focus in Misfit Micro Location, Environment of decisions and Lack of Capital due of Economic Crisis. These findings make possible to complete the causes of de-internationalization.

4 - Conclusion

This research aimed to understand which causes can origin the process of de-internationalization.

The literature review carried out on the theories of internationalization and de-internationalization approaches, made important contributions to the development of the study. From the identification of gaps at the intersection of the concepts "internationalization" and "de-internationalization", this was identified at a starting point.

We used the Grounded Theory Methodology to undertake our study. Until obtaining the theoretic saturation we interviewed five firms. After comparing the de-internationalization literature and the categories obtained for our study, five new variables emerged; focusing particularly on the three most valued that origin a new class of modes of de-internationalization, the Misfit or Bad Adjustment to Entry Mode.

4.1 Theoretical implications

Turcan (2003, p. 211) said that “Thus, the process of cross-border activity of the firm can be defined as cause – effect relationship between internationalization and de-internationalization, whereby a firm cannot de-internationalize (effect) without having internationalized (cause)”. All these causes are related with internationalization process. We agree with him because one of the big causes to de-internationalize is wrong internationalization process.

The new variables explain most cases of de-internationalization. The cause of “Unfair competition” is external to the firm, because the company cannot control the payment of taxes from firms to government. However, the firm should investigate, before internationalizing to that market, the conditions of this market, the taxes, the growth of GDP and perspectives for future. The companies should also investigate the location inside of country, the tradition of their population, how they do businesses (for example because of tax evasion). With this previous investigation the firm can avoid some unpleasant surprises, like the situation of Sonae Distribuição in Brazil.

Another new cause is “High Expectations” and it is more internal to firm than external. When a firm begins to internationalize, the responsible and his team think that internationalization process will be a case of success, so they think in big projects. Unhappily not all projects are successful and bigger projects have higher risk of loss. One high expectation is originated by the government that invites firms to internationalize looking the only solution to surpass this crisis. However internationalizing is not so simple as that, it is necessary to have an exportable product and/or service, funds, a good team, a good concept, knowledge, an entrepreneur in alertness and availability to satisfy the customers.

In our study, the most common cause was the “Misfit Micro-Location”, that means wrong choice of place inside a determined country. So, after choosing the country, it is necessary to choose the best place to be located to internationalize. In International Business the term International Market Selection is much spoken and it is very important, however we suggest companies should give more relevance to a selection of a place inside of a market or city, it is crucial for the success of firm internationalization.

The cause “Currency Devaluation” is external to the firm; however the firm can minimize its risks. For example, the firm Álvaro Coelho e Irmãos began to bill all in Euros, reducing the risk of two currency devaluation ARS/USD and USD/EUR.

The cause “Environment of decision” is internal to firm. This cause means decisions that administration makes in determined situations. These decisions are not consensual and easy to make. The funds are not unlimited to the firm, so the decision to entry in some market can lead to withdrawal of another market. In this kind of decisions, the last months of this market are of interest and the profits in years before are forgotten. Another evidence is the inexistence of exit plan for a specific market that causes more costs and hasty exits.

The last new cause “Lack of Capital” includes situations of needs of capital to invest in multiple markets but specially situations where the financial crisis origins a reduction of financial conditions to firms. The reduction of credit lines, discount lines and current accounts difficult the sustainability of firms and its foreign markets. Álvaro Silva

suggests that the government should make agreements with banks to accept real guaranties of foreign countries and also give special conditions to projects with economic viability. He [Álvaro Silva] also suggests agreements between countries to make the process of internationalization easier.

We suggest the aggregation of three of these five new causes, between them, “Unfair competition”, “High expectations” and “Environment of decisions”, in a new group called Misfit or Bad Adjustment of Entry Mode.

We also developed a new matrix (table 5) that includes all causes of de-internationalization used by Reiljan (2004) and the new causes discovered in this study. We separated the causes as before or after internationalization. We divided in columns the inception of de-internationalization caused internally in firms or externally.

The result of this separation is table 5 that allows seeing that majority of causes is internal to firms and before the start of the internationalization process. That happens because firms haven't got a plan of entry. It is interesting to note, that in our study, the firms don't make studies about the market that companies are planning to enter. The other group with more causes of de-internationalization is external to the firm and occurred after the internalization process started. The third group with more causes of de-internationalization is internal to firm and it happens after the internationalization process started. We integrated the cause of Lack Capital in this group because that can be originated for multiple projects when firms haven't got enough funds or alteration of conditions with banks which origin difficulties to companies. In the last situation we could consider it as external to the firm.

However, we expect to see more causes in this group. In none firm studied were admitted errors in management of internationalization process. We think that omission of these errors affects the studies on this subject.

The group with fewer appearances is external to firm and it happens before starting the process of internationalization. In this group we include the cause of “Unfair Competition” because usually those conditions are already implemented in the market.

Table 5 - The inception of de-internationalization causes.

		Causes	
		Before	After
Inception	Internal	<p>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;</p> <p>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 core markets; Focusing on core activities; Scarcity of resources and qualified personnel; Constraints of manufacturing capacity;</p> <p>High expectations.</p>	<p>New managers with different strategic perspectives; Inadequate growth in target market; Poor performance; Change of operational mode; Existence of foreign owner;</p> <p>Environment of decisions; Lack of Capital.</p>
	External	<p>Maturing of the product in the target market;</p> <p>Unfair competition.</p>	<p>Increase in production costs; Increase in transport costs and tariffs; Increase in competition; (De)internationalization of related industries; External shocks (including government interventions); Increase in demand at home ;</p> <p>Currency devaluation.</p>

Source: Author

We expect with table 5 to show to firms the most common causes of de-internationalization until now and help the firms that begin to internationalize to avoid the errors present in table 5.

4.2 Practical implications

One of the purposes of this work is to help Portuguese firms to internationalize with more success, so we leave the followings advices:

- Before internationalizing to a market, the firm should analyze specifically that market; they must investigate the taxes, the competition, commercial policies, transport costs and the culture of the country.
- The firms should have knowledge about the Legal system but should pay attention to the informal system as well.
- The companies shouldn't begin an international experience thinking that the foreign market is similar to home country.
- One factor of success for an international experience is the Micro Location, because one country has many regions, one region has many cities and in some cases we have big cities with many zones. The location depends on the product that the firm sells, because we have specific products to a determined region or city. The good location of a shop, warehouse or office can lead to a successful internationalization.
- Another analysis that a firm needs to do is internal, the firm has to perceive which possibilities they have to invest and make a plan for some years. The firm can't give up from projects at first constraint. The firm should also have an exit plan to minimize the costs.
- We advise firms to take secure steps and "don't take steps bigger than the legs".
- The firm should use all networks to pick up information about the market and persons before entering in specific markets.

Limitations and Recommendations for future studies

One limitation relates to the sample size. Although the size is justified by the theoretical saturation that has been reached, it would be interesting to test the new variables identified from a larger universe of companies. Another limitation is the study made in Portugal, a small country with an open economy, a country facing economics crisis that worsened the financial situation of firms. In some cases, it originated the closure of firms.

Our study falls under a subject difficult to approach by firms because we search the causes of de-internationalization of firms in specific markets. This is another limitation of our study, because all the causes are not present.

The present study tried to find the causes that origin de-internationalization. We chose a qualitative methodology, the Grounded Theory Methodology. We recommend taking this study to a high number of companies, so we recommend a quantitative confirmatory study.

We recommend that future researchers investigate the Micro location of firms in foreign countries as a cause of successful in internationalization. Up to now, the choice of market was studied and not the location inside a specific country. We suggest that future researchers investigate the phenomenon of Re-internationalization further, because in some of our cases this phenomenon happened. Welch and Welch (2009) did a investigation about phenomenon Re-internationalization, however it would be interesting new investigations based on Misfit Micro location.

This thesis is a qualitative work whose major purpose is not to confirm any theory or hypothesis but rather to expand the theory. In this aspect we believe that the greatest contribution of this study is obtain more five causes that lead to de-internationalization and the built of new table (table 5 - The inception of de-internationalization causes). So, we help to have a better knowledge of de-internationalization problem. We hope with that reduce the rate of failures in the internationalization process.

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