Intention to De-Internationalise: Foreign-Based Competition at Home and the Effect of Decision-Makers’ Role

Piotr Wójcik, Mariola Ciszewska-Mlinarič

A B S T R A C T

Objective: The objective of the article is to investigate how decision-makers’ perception of the level of foreign-based competition in the home market affects their intention to de-internationalise and how decision-makers’ role moderates this relationship.

Research Design & Methods: A set of hypotheses is tested using regression analysis on a sample of 96 participants (entrepreneurs and managers) originating from Poland.

Findings: The results show that the perceived level of foreign-based competition in the home market is positively and significantly associated with the intention to de-internationalise. We find a statistically significant moderating effect of decision-makers’ role. In the case of managers, the intention to de-internationalise increases with the level of perceived foreign-based competition in the home industry, while in the case of entrepreneurs the relationship is negative. Firm international exposure and international experience are negatively associated with the intention to de-internationalise.

Implications & Recommendations: The results indicate the role of individual cognition and home market context in the non-linear internationalisation process.

Contribution & Value Added: We demonstrate that the perception of the increased level of foreign-based competition in the home market and decision-makers’ role should be considered with the Uppsala internationalisation process. The study findings draw attention to the nature of the manager-owner relationship, resonating with the agency theory in that the manager’s self-interest is bounded by the reciprocal behaviour of the owner.

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INTRODUCTION

The internationalisation process is a complex and multidimensional phenomenon that continuously undergoes conceptual development (Kuivalainen, Saarenketo, Sundqvist, & McNaughton, 2012). It is explained through three main theoretical approaches: economic-rational, sequential/stage-based, and international entrepreneurial (Javalgi, Deligonul, Dixit, & Cavusgil, 2011). However, while extant theoretical explanations focus on understanding different patterns of international commitment and growth, none of them explicitly considers or theoretically incorporates the reverse phenomenon of de-internationalisation. This shortcoming sharply contrasts with the developing literature on nonlinear internationalisation (Vissak & Francioni, 2013). Therefore, the exploration of peculiarities of de-internationalisation is important, as it is considered to be a part of the complex process of internationalisation in general (e.g., Dominguez & Mayrhofer, 2017; Trąpczyński, 2016; Vissak & Francioni, 2013). However, despite the relative frequency of de-internationalisation, it remains underrepresented as a research topic in international business (Santangelo & Meyer, 2017; Vissak, 2010).

Defined as a reduction of a company’s engagement in cross-border activities (Benito & Welch, 1997), de-internationalisation is characterised in terms of its sources, forms, and outcomes (Trąpczyński, 2016). Notwithstanding the theoretical advancement made by the prior studies, they examine de-internationalisation by employing a predominantly rational lens (e.g., Pedersen, Petersen, & Benito, 2002), while largely omitting the cognitive factors involved in this phenomenon, despite their theoretical and practical relevance (see Buckley, Devinney, & Louviere, 2007). This overemphasis on rationality in international business (IB) studies is criticised and considered a significant limitation to the development of the field (e.g., Buckley & Casson, 2019; Contractor, Foss, Kundu, & Lahiri, 2019). However, although individual-level cognition and cognitive biases were conceived and empirically tested in strategy, entrepreneurship, and psychology research, scholarship in the IB field remain relatively scant in this regard, which calls for more research. Moreover, existing approaches of internationalisation explain changes in international operations from the perspective of foreign markets, leaving the home market unexplored (for exceptions, see Bowen & Wiersema, 2005; Hutzschenreuter, Kleindienst, Groene, & Verbeke, 2014; Wiersema & Bowen, 2008). Therefore, although scholars provide a broad picture of de-internationalisation’s antecedents, their primary focus remains on macro- and organisational-level factors in foreign markets, ignoring the potential individual-level drivers at home.

In this article, we propose that a suitable theoretical perspective for analysing de-internationalisation and its individual-level antecedents lies in the Uppsala model. There are several arguments behind this statement. First, the Uppsala model accounts for behavioural foundations of firm-level actions (Cyert & March, 1963). The model allows for the consideration of different responses by decision-makers to similar situation of uncertainty and their risk perception, which may result in de-internationalisation (Clarke & Liesch, 2017; Figueira-de-Lemos & Hadjikhani, 2014). In the original model, the incremental nature of foreign expansion is associated with the individual perception of uncertainty and risk-avoidance related to the lack of knowledge about foreign markets (Johanson & Vahlne, 1977). We argue that an analogous mechanism applies to uncertainty related to home-market competitive situations. Secondly, the Uppsala model is applicable to firms of different sizes.
(SMEs, large firms, and multinationals; see Dow, Liesch, & Welch, 2018) and firms that originate from or operate in different institutional contexts, including emerging economies (e.g., Meyer, 2014). Finally, Vahlne and Johanson (2017) explicitly recognise the possibility of reduced commitment in the internationalisation trajectory.

The recognition of individual risk attitudes and home market perspective is important because it may contribute to a better understanding of the dynamics and complexity of the internationalisation process. Accordingly, in this article, we are interested in exploring two research questions:

1. How does decision-makers’ perception of the level of foreign-based competition in the home market affect their intention to de-internationalise?
2. How does decision-makers’ role (manager vs entrepreneur) affect this relationship?

For the purpose of this paper, we draw on the strategic decision-making and IB literature. We aim to contribute to the literature by empirically testing a conceptual model that explores individual cognitive framing of foreign-based competition in the home market, environmental hostility, and related intentions to de-internationalise, while simultaneously considering the decision-maker’s role; a set of relationships never previously examined.

The remainder of this paper is structured as follows. The next section defines and reviews the de-internationalisation phenomenon – together with its antecedents – explores the role of decision-makers’ cognition in the Uppsala model, and briefly reviews the existing research on the role of home market perspective in internationalisation. This review leads to the hypotheses formulation. The following section presents the methods employed to test the hypotheses and results from the analysis. The final section discusses the results and concludes.

**LITERATURE REVIEW**

**De-Internationalisation and Its Antecedents**

Existing approaches to internationalisation implicitly assume irreversible international growth (e.g., Luostarinen, 1988). Consequently, any firm beginning its foreign expansion is supposed to infinitely increase engagement in international operations, expanding to an increasing number of foreign markets and generating increasing revenues from foreign operations. However, more recently, researchers indicate that this process actually involves more irregularities than initially assumed (Benito & Welch, 1997; Fletcher, 2001; Kuivalainen et al., 2012), including both progressive and reversal activities (e.g., Dominguez & Mayrhofer, 2017) and foreign market re-entry after previous exit (Vissak & Francioni, 2013).

Benito and Welch (1997) define de-internationalisation (DI) as “a voluntary or forced actions that reduce a company’s engagement in or exposure to current cross-border activities” (p. 9). Several scholars underline the adaptive nature of de-internationalisation. According to Mellahi (2003), it is “a voluntary process of decreasing involvement in international operations in response to organisational decline at home or abroad, or as a means of enhancing corporate profitability under non-crisis conditions” (p. 151). Turner (2012) treats DI as a process of strategic change in terms of configuration employing coevolutionary theory. Vissak (2010) adds to the body of knowledge by conceptualising de-internationalisation as a complete or partial withdrawal from foreign markets and a reduction of the depth and
breadth of operations (Vissak, 2010, p. 565). More recently, Trąpczyński (2016) argues that de-internationalisation should be considered a “reduction of international operations along specific dimensions of a firm’s internationalisation strategy, which may or may not lead to an overall lower international commitment” (p. 366). Consequently, de-internationalisation refers to the reduction of operating modes, the number of foreign markets (geographic diversification), product portfolio, the diversity of value chain activities, and the integration of international operations (Trąpczyński, 2016). However, reversal activities should not be analysed along these dimensions like progressive activities (Trąpczyński, 2016). The reason for this is that, from the international portfolio perspective (Swoboda et al., 2011), de-internationalisation decisions are considered in the context of an overall diversification strategy. Therefore, a complete or partial withdrawal from a foreign market may be a part of resource reallocation among company locations and is contingent upon the subsidiary’s role, its integration level with the rest of the company, and the actual profitability and economic potential of particular markets. Moreover, Vissak and Francioni (2013) show that market withdrawal can be followed by re-internationalisation and, thus, it is not necessarily a sign of a failure but a frequent phenomenon in the case of project-based service firms motivated by low exit/re-entry costs. Indeed, due to the lower associated risk, de-internationalisation is more common for exporting firms than for those investing abroad (Pauwels & Matthyssens, 1999). Moreover, the likelihood of de-internationalisation differs across internationalisation stages and depends on international experience (Welch & Luostarinen, 1988). Consequently, de-internationalisation can be treated as an umbrella concept for other notions. The first is foreign divestment, as opposed to foreign direct investment (Iurkov & Benito, 2018). It is strictly related to partial or total withdrawal from a foreign market in terms of a reduced number of operations or the amount of resources committed. A related notion is mode downgrade (Benito & Welch, 1997; Swoboda et al., 2011), as it relates to a decreased commitment in foreign markets. Other empirical studies focus on export withdrawal/discontinuation (e.g., Matthyssens & Pauwels, 2000; Pauwels & Matthyssens, 1999), market exit (Sousa & Tan, 2015), and product exit (Rahu, 2015). Whereas divestment is applicable to multinational corporations – in terms of their subsidiaries’ operations – export withdrawal may strictly refer to exporters.

Trąpczyński (2018) identifies that determinants of de-internationalisation decisions are reactive rather than proactive in nature and are generally attributed to poor performance in foreign markets. More broadly, Benito and Welch (1997) distinguish three broad groups of antecedents of de-internationalisation: (1) economic antecedents, which are rational responses to changes in the external environment (economic conditions, institutional context); (2) strategic management, which is associated with product lifecycle (DI as a strategic option in declining industries) and corporate portfolio perspective (resource reallocation between business units as part of overall international strategy); and (3) the internationalisation-management perspective, which underlines that DI can result from learning from experiences gained in foreign markets (e.g. failures) resulting in behavioural adjustment. These multiple antecedents of DI can be grouped at three levels: (1) the organisational level, (2) the industry or environmental level, and (3) the managerial level. The first, internal/organisational level, includes prior divestment or host country experience, the level of subsidiary’s autonomy, the role of subsidiary, subsidiary and parent firm
size, ownership level, cultural distance between parent and foreign unit, the scope of markets served, firm productivity, product diversification level, corporate international strategy, performance decline, failed adaptation or positioning on the local market, and decreased foreign demand. The second group of factors includes economic crises, the level of environmental dynamism, market changes, and the level of foreign competition (import penetration in the local market). Moreover, scholars indicate the role of firm’s experience in foreign markets (Tan & Sousa, 2019) and strategic misfit (Sousa & Tan, 2015) as possible DI determinants. Several studies also foreground institutional voids and uncertainty in foreign markets (Santangelo & Meyer 2011) – along with the lack of adaptability to norms in local markets (Bianchi & Ostale, 2006) – as factors that increase the likelihood of de-internationalisation. In the third group, among managerial-level antecedents, Trąpczyński (2016) identifies the threat of prospective losses and performance dissatisfaction. Taken together, the major shortcoming of prior studies on DI – as noted by Trąpczyński (2016) – is that they have not differentiated between active and reactive determinants. Moreover, the above analysis of antecedents indicates that there is a dearth of empirical studies that explore individual decision-making processes, which especially consider the perceived unfavourable situation in the domestic market.

The Uppsala Model and Decision-Makers’ Cognition

The original Uppsala model (Johanson & Vahlne, 1977) builds on the behavioural theory of firm (Cyert & March, 1963). Its basic premise is that firms’ internationalisation involves a series of incremental “adjustments to changing conditions of the firm and its environment” (Johanson & Vahlne, 1977, p. 26), which translate into a gradual increase of resource commitment in foreign markets. Further extensions of the Uppsala model began to more explicitly acknowledge the role of cognitive aspects of individual decision-makers in the internationalisation process. Among the first such studies was that of Calof and Beamish (1995), who explicitly recognise that the choice of less resource-intensive entry modes is driven by the change in individual managers’ beliefs and attitudes in response to different stimuli in the external environment. In a later study, Figueira-de-Lemos and Hadjikhani (2014) explicitly recognise the relationship between decision-makers’ risk perception and the contingency of de-internationalisation in the Uppsala model: “When coping with environmental dynamics commitment decisions entail choices and risk whose contingent nature may explain types of firm behaviour other than just the increase of commitment” (p. 332). Clarke and Liesch (2017) propose that firms change their international commitment by “changing the level of risk that they are willing to tolerate and/or their perceptions of the existing risk in the situation” (p. 924). On the individual level, the existing risk is assessed by the decision-maker according to his/her risk preferences – after comparison with the tolerable risk level – ultimately influencing commitment decisions. Other studies argue that foreign expansion is an evolutionary process with progression and reversal activities stemming from a sequence of decisions (Benito & Welch, 1997; Fletcher, 2001). Therefore, the Uppsala model “accommodates internationalisation, de-internationalisation, and even withdrawal from international operations” (Clarke & Liesch, 2017, p. 924).

In this vein, Vahlne and Johanson (2017) note that “a new resource position may be a reflection of reduced commitment, or of de-commitment, such as reducing diversification, leaving a market, and discontinuing a relationship.”
Given the above, we seek the boundary conditions of the market-oriented model (Johanson & Vahlne, 1977, 1990, 2006) by incorporating the possibility that reversed foreign commitment stems from decision-makers’ perception of external conditions. Our central proposition is that both the perceived level of foreign-based competition in the home market and the related hostility are subject to cognitive framing by individual decision-makers, leading to the organisation’s adaptive behaviour. Thus, we consider two possible alternatives: defending the home market at the cost of foreign markets (i.e., decreased foreign commitment) or, conversely, reducing home market commitment to seek opportunities abroad (i.e., increased foreign commitment).

The Perceived Level of Foreign-Based Competition in the Home Market and Environmental Hostility as Drivers of the Intention to De-Internationalise

We recognise individual-level and industry-level factors as drivers of de-internationalisation decisions. In doing so, we consider individual intentions about foreign commitment as a response to the perceived level of foreign-based competition in the home market.

The question of how and why foreign-based competition in the home market affects foreign commitment requires one to refer to the predictions of the Uppsala model. That is, the model emphasises the relative importance of the home market as a benchmark for foreign activities.

In this vein, Hutzschenreuter et al. (2007) argue that internationalisation is a process of discretionary managerial decisions that allow a firm to allocate resources between home and foreign markets. Salomon and Shaver (2005) find that firm-level factors (e.g., investments in R&D and advertising) and macro-level factors (i.e. economic growth and exchange rates) simultaneously affect both export and domestic sales, but that they do so differently for foreign-owned and domestic firms. In the case of incumbents, they are complementary, so that strengths in the home market are leveraged abroad (by R&D expenditures) to increase foreign sales. In contrast, the Spanish market is considered in terms of market portfolio for foreign-owned firms, and therefore sales in this market and other international markets were found to be substitutes (i.e. sales in the Spanish market negatively affect export sales).

Therefore, we expect that decision-makers of exporting incumbent firms will prefer to defend their home market as the main source of revenues to prevent overall performance decline. Few studies empirically explore the incumbents’ strategic choices as driven by the increased level of foreign-based competition in the home market. Scholars find that the incumbents respond by strengthening the focus on the domestic market while simultaneously lowering the focus on the foreign market (e.g., Driffield & Munday, 2000). Bowen and Wiersema (2005) show that increased foreign competition in the domestic market leads to the reduced diversification of business portfolio. The underlying mechanism is that the inflow of foreign competitors increases competitive intensity, resulting in price reductions, tighter margins, reduced organisational slack (Porter, 1980), and incumbents’ reduced market share (Dunning, 2001). In this sense, the nature of competition as exerted by foreign-based companies “raises the cost of keeping scarce managerial attention directed at non-core activities” (Bowen & Wiersema, 2005, p. 1168). These “non-core activities” could reasonably be activities performed in foreign markets.

Three other studies have shown that different modes of market servicing (i.e. exports vs foreign direct investments) used by foreign entrants determine different responses of
incumbents, respectively reducing and increasing geographic scope (Wiersema & Bowen, 2008) and geographic diversification (Hutzschenreuter et al., 2014). Hutzschenreuter et al. (2014) apply a cognitive framing lens to find that firms’ responses are consistent with prospect theory predictions.

The inflow of foreign competitors increases uncertainty, complexity, and efficiency pressures (Wiersema & Bowen, 2008), which could lead to the perception of environment as adverse. This requires a reference to the postulates of the Uppsala model, whereby firms’ actions in foreign markets are explained within the tradition of the behavioural theory of the firm (BTF; Cyert & March, 1963). Among other things, the BTF predicts that goals are formed as expectations and “take the form of aspiration level rather than an imperative to ‘maximize’ or ‘minimize’” (Cyert & March, 1963, p. 28). Ultimately, decision-makers compare actual organisational outcomes with aspiration levels (desired goals). Based on the perception of the difference between these two states, they make decisions that drive organisational actions. Realised goals reflect firms’ actual performance in terms of profitability, sales, production level (Cyert & March, 1963), or market share (Baum, Rowley, Shipilov, & Chuang, 2005). Experienced actual performance below the aspiration level will motivate decision-makers to seek solutions. The rationale underlying this process is one of avoiding uncertainty by maintaining the existing procedures, which promote resistance to change. Therefore, a perception of the current market situation as adverse is likely to initiate risk-averse behaviour, which involves the application of known solutions.

This central assumption of the BTF about risk-averse responses to variation from expected outcomes is further developed by works on individual decision-making, which explore the role of decision-makers’ interpretation of the issue/stimulating factor (issue framing or framing effect; Tversky & Kahneman, 1982) in organisational adaptation to external environment (Miles, Snow, Meyer, & Coleman, 1978; Thomas, Clark, & Gioia, 1993). In the context of de-internationalisation, Turcan (2003) and Turner (2012) formulate propositions with regard to the interaction between a stimulus in the external environment and discretionary actions via its managerial perception. Dutton and Jackson (1987) argue that any stimulus in the external environment is categorised by decision-makers in terms of threats or opportunities. The question that remains is how they actually categorise and react to increased domestic market penetration by foreign firms.

Following March and Shapira (1987), we argue that although decision-makers operate under conditions of uncertainty, their choices can be considered close to situations of risk management, because they estimate that one of the alternative solutions they consider will be more likely than others to lead to a ‘success’ (achievement of desired goal). Growing risk increases variation from desired goals (performance outcomes). Increasing resource commitment abroad will increase the likelihood of domestic firms’ exposure to risk associated with not surviving the competition at home (i.e. the perceived hostility of the home market; see Santangelo & Meyer, 2017). In line with the predictions of the BTF, we expect that when decision-makers are faced with an increased level of foreign-based competition in the home market, they will perceive it as a threat to the performance of their exporting firms and will be motivated to seek solutions that could help to improve the situation by applying existing well-known organisational rules. In other words, given that internationalisation is a risky activity (Shrader,
Oviatt, & McDougall, 2000), they will likely avoid uncertainty and make risk-averse decisions. Accordingly, as we associate risk-averse choices with reduced foreign commitment, we expect that the most likely reaction to increased foreign-based competition at home will be a high intention to de-internationalise. Therefore:

**H1:** Decision-makers’ intention to de-internationalise is positively associated with:

(a) the perceived level of foreign-based competition in the home market;
(b) the perceived level of environmental hostility in the domestic market.

**The Moderating Effect of Decision-Makers’ Role**

We expect that the decision-maker’s role (entrepreneur vs manager) moderates the above relationships. Supporting arguments come from several streams of literature. Studies in entrepreneurship usually attribute a higher risk-taking propensity to entrepreneurs than to non-entrepreneurs (e.g. managers; see the meta-analytic study by Stewart & Roth, 2001). For instance, entrepreneurs were found to reveal more positive attitudes towards uncertainty compared to non-entrepreneurs (Palich & Bagby, 1995). Other studies attribute the source to entrepreneurial overconfidence and greater proneness to (positive) cognitive biases (Simon & Shrader, 2012).

A related plausible explanation of the nature of the relationship between the investigated constructs is the mechanism of performance-reducing threat as proposed by Kahneman and Tversky (1979) in their prospect theory. Its main argument is that individuals are risk-averse in the domain of gains and risk-seeking in the domain of losses due to the framing effect (i.e. anticipated losses). The prospect theory predicts the “loss aversion” of decision-makers and assumes that when a situation is framed by an individual as a likely loss, it will evoke a risk-seeking attitude. Consequently, decision-makers are motivated to “escape” from the space of losses and seek likely gains. It is most likely that decision-makers will generally perceive any action associated with deepening foreign expansion as a risky activity, because of its uncertain effects (Johanson & Vahlne, 1977) as compared to the status quo. However, because Kahneman and Tversky (1979) overtly note that entrepreneurs, are “likely to accept gambles that would be unacceptable otherwise” (pp. 286-287), we posit that, compared to managers, entrepreneurs will respond with a more risk-seeking attitude to increased foreign-based competition and home market hostility through a lower intention to de-internationalise. In this vein, Kiss, Williams, and Houghton (2013) show that entrepreneurs perceive less risk in international activities about opportunities abroad.

Moreover, many believe that decisions related to the internationalisation process differ depending on the role played in the company by the focal person, meaning that entrepreneurs respond differently to the external environment than managers. This is because managers, when making a decision like whether to retract resources from foreign markets, consider the ‘psychological contract’ between themselves and the owners by whom they were hired and refer to the reward systems in their organisations (Cameron & Quinn, 1988). A complementary view is provided by empirical studies in strategy, which tend to show that managers have a systematic aversion to risk due to uncertainty (e.g. Zahra, 1996). In contrast, Chittoor, Aulakh, and Ray (2019) find that the owner-CEO facilitates the firm’s exploratory (risky) international activities. Hence:
H2: The positive relationship between the intention to de-internationalise and:
(a) the perceived level of foreign-based competition in the home market;
(b) the perceived level of environmental hostility is moderated by the decision
maker’s role, such that the relationship is stronger in the case of managers than
in the case of entrepreneurs.

Figure 1. Conceptual framework
Source: own elaboration.

MATERIAL AND METHODS

Data and sample
The data for this study come from a 2018 survey of Polish firms (CATI method; usable sample: 96 respondents) and form a part of a larger project funded by a grant from the Polish National Science Centre (grant no. DEC-2017/01/X/HS4/01015). We applied purposive sampling, as we were solely interested in exporting companies with the majority of Polish capital (at least 51%; subsidiaries of MNCs were excluded). Our focus was on internationalised companies; thus, as another criterion we adopted companies that obtain at least 10% of their total revenues from sales in international markets (i.e. ≥ 10% FSTS). Similarly to other countries (e.g. Miocevic & Morgan, 2018), for companies registered in Poland with the majority of Polish capital, exporting remained the most popular form of international engagement in 2016, and 99.1% of all firms conducting outward international activities were exporters (Cieściłk, 2019). The firms in our sample operated in all type of industries according to NACE classification. The data were collected using the Bisnode database (including a database of Dun & Bradstreet) of randomly selected firms registered in Poland, from decision-makers responsible for internationalisation, including 50 entrepreneurs/managing owners of their companies and 46 managers. The characteristics of the sample and characteristics of the subgroups based on the respondents’ role (managers and entrepreneurs) who represent the companies in the study are presented in Table 1.

Firms represented by managers and entrepreneurs differ in terms of size, age, international exposure, and industry. Considering the characteristics of individual respondents, there is a higher representation of women among managers (41%) than among entrepreneurs (18%). The amount of prior individual international experience – resulting from work
and study abroad – is about half a year in both groups (i.e. managers and entrepreneurs). In our analyses, we decided to control for these effects, which we further elaborate in the “Measures” section, in the paragraph that discusses control variables.

Table 1. Characteristics of the sample

<table>
<thead>
<tr>
<th>Variable</th>
<th>Descriptive statistics</th>
<th>N=96</th>
<th>N=46 (Managers)</th>
<th>N=50 (Entrepreneurs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of female respondents</td>
<td>n/a</td>
<td>29%</td>
<td>41%</td>
<td>18%</td>
</tr>
<tr>
<td>Respondent’s international experience (cumulative years of study and work abroad)</td>
<td>Mean</td>
<td>0.52</td>
<td>0.48</td>
<td>0.56</td>
</tr>
<tr>
<td></td>
<td>Std. dev.</td>
<td>1.34</td>
<td>1.26</td>
<td>1.43</td>
</tr>
<tr>
<td>Firm size (no. of employees)</td>
<td>Mean</td>
<td>233.54</td>
<td>473.11</td>
<td>13.14</td>
</tr>
<tr>
<td></td>
<td>Std. dev.</td>
<td>324.33</td>
<td>330.57</td>
<td>11.91</td>
</tr>
<tr>
<td>Firm age</td>
<td>Mean</td>
<td>18.30</td>
<td>31.24</td>
<td>6.40</td>
</tr>
<tr>
<td></td>
<td>Std. dev.</td>
<td>16.43</td>
<td>15.35</td>
<td>2.28</td>
</tr>
<tr>
<td>Firm international exposure (Foreign sales to total sales, as %)</td>
<td>Mean</td>
<td>22.52</td>
<td>29.56</td>
<td>16.04</td>
</tr>
<tr>
<td></td>
<td>Std. dev.</td>
<td>17.85</td>
<td>22.47</td>
<td>8.03</td>
</tr>
<tr>
<td>% of firms operating in manufacturing industries</td>
<td>n/a</td>
<td>71%</td>
<td>87%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Source: own study.

To ensure that the data came from our target decision-makers, we applied an ex-post check for respondent competency (Morgan, Katsikeas, & Vorhies, 2012).

Measures

Dependent variable. Considering that the construct of de-internationalisation is multidimensional and has no clear definition (Trąpczyński, 2016), we decided to design the scale drawing from the literature. Similarly to Calof and Beamish (1995), we defined de-internationalisation (DI) as broadly as possible and followed the logic of the extent of a firm’s actual outward activities. DI involves three dimensions: overall involvement abroad vs in the home market, the scope of market offer, and resource commitment in foreign markets vs domestic market. Relying on Liu, Li, and Xue’s (2011) scale of the internationalisation of companies from emerging markets, we developed opposite meanings compared to the original scale and adapted it respectively. The respondents were asked to indicate on a seven-point scale the extent to which they agreed with three statements (see Table 1). The exploratory factor analysis indicated that the items’ loadings were between 0.813 and 0.937 (see Table 1). The construct reliability does not raise concerns, as indicated by Cronbach’s alpha (0.821).

Independent variables. The domination of foreign-based competitors in the home industry was operationalised as one self-reported statement (“our home industry is dominated by foreign competitors”) measured on a seven-point Likert scale. The environmental hostility of the home industry was adapted from Martin and Rialp (2013; Cronbach’s α=0.60). The respondents were asked to indicate on a seven-point scale the extent to which they agreed with three statements (see Table 1). The construct has a Cronbach’s alpha of 0.60, which is satisfactory in exploratory studies (Nunnally, 1978). The decision-
maker’s role was operationalised as a binary variable, differentiating between managers (value “0”) and entrepreneurs (value “1”).

**Control variables.** We controlled for the possible effect of four variables for the dependent variable. The first of the variables was firm international experience, i.e. years a focal firm has served foreign markets; we extracted the year when the company began exporting from the year of data collection, i.e. in 2018. Taking into account that for the intention to de-internationalise, firm international experience is more relevant than firm age alone, not to mention the fact that these two variables were significantly and highly correlated (p<0.001; Pearson’s correlation equal to 0.82), we decided to keep only the firm’s international experience so as to avoid multicollinearity issues. The second control variable was firm international exposure (foreign sales to total sales ratio, FSTS) because we expected that incumbents whose performance depends largely on foreign buyers would be less likely to be concerned with their peer foreign rivals in the home market. Thirdly, we controlled for industry type. Since firms in the sample derive from different industries, we wanted to target those that operate in industries with different levels of foreign-based competition. Eventually, we used dummy variables to discriminate between service and manufacturing industries. The fourth control variable was firm size (the number of employees). The reason for that was that the incumbent’s organisational size in terms of employees, which correlates with the amount of organisational slack and equity, will likely weaken the significance and perceived threat stemming from foreign competition. Table 2 summarises the operationalisation of variables, while correlations and descriptive statistics for all variables are shown in Table 3.

**Table 2. Measurement and validity assessment**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intention to de-internationalise (DI)</strong> (Cronbach’s α=0.82)</td>
<td></td>
</tr>
<tr>
<td>Concentrate on domestic market, while simultaneously decreasing involvement in currently served foreign markets</td>
<td>0.824</td>
</tr>
<tr>
<td>Widen domestic market offer (introduce new products/services), while simultaneously limiting market offer on foreign markets</td>
<td>0.813</td>
</tr>
<tr>
<td>Limit resource commitment on foreign markets and allocate freed-up resources domestically</td>
<td>0.937</td>
</tr>
<tr>
<td><strong>Environmental hostility (EH)</strong> (Cronbach’s α=0.60)</td>
<td></td>
</tr>
<tr>
<td>The external environment in which we operate generates numerous threats</td>
<td>0.556</td>
</tr>
<tr>
<td>There are very few marketing opportunities and investment in the external environment in which we operate</td>
<td>0.838</td>
</tr>
<tr>
<td>Our firm’s initiatives count for very little against intensive competition</td>
<td>0.810</td>
</tr>
<tr>
<td><strong>Domination of foreign-based competitors in the home industry (FC)</strong></td>
<td>n/a</td>
</tr>
<tr>
<td>Firm international experience (current year – first year of exporting)</td>
<td>n/a</td>
</tr>
<tr>
<td>Firm international exposure (FSTS in %)</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Decision-maker’s role (DMR)</strong> (managers vs entrepreneurs)</td>
<td>n/a</td>
</tr>
<tr>
<td>Firm size (number of employees)</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Industry type</strong> (service vs manufacturing)</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Decision-maker’s gender</strong> (male vs female)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: own study.
Table 3. Correlations and descriptive statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>De-internationalisation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign competition (FC; Home industry dominated by foreign competitors)</td>
<td>0.252*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental hostility (EH)</td>
<td>0.229*</td>
<td>-0.448**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm int. exposure (FSTS)</td>
<td>-0.448**</td>
<td>-0.133</td>
<td>-0.150</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm int. experience</td>
<td>-0.366**</td>
<td>-0.172</td>
<td>-0.315**</td>
<td>0.386**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm size</td>
<td>-0.208*</td>
<td>-0.116</td>
<td>-0.251*</td>
<td>-0.281**</td>
<td>0.193</td>
<td>0.592**</td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>-0.116</td>
<td>-0.098</td>
<td>-0.235*</td>
<td>0.286**</td>
<td>0.368**</td>
<td>0.186</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>2.71</td>
<td>3.77</td>
<td>3.62</td>
<td>22.52</td>
<td>12.92</td>
<td>233.54</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>3.00</td>
<td>4.00</td>
<td>3.67</td>
<td>16.50</td>
<td>7.50</td>
<td>40.00</td>
<td>1.00</td>
</tr>
<tr>
<td>SD</td>
<td>0.94</td>
<td>1.51</td>
<td>0.92</td>
<td>17.85</td>
<td>10.88</td>
<td>324.33</td>
<td>0.46</td>
</tr>
<tr>
<td>Range (min-max)</td>
<td>(1-7)</td>
<td>(1-7)</td>
<td>(1.33-6.33)</td>
<td>10.00-85.00</td>
<td>1-48</td>
<td>2-2000</td>
<td>0-1</td>
</tr>
</tbody>
</table>

Note: Correlation is significant: ** at the 0.01 level (2-tailed); * at the 0.05 level (2-tailed).

Source: own study.

RESULTS AND DISCUSSION

To test the proposed set of hypotheses (Figure 1), we performed a linear regression analysis using SPSS 25.0. We considered the main effects model (Model 1, Table 4) and the full model, including the interaction effects (Model 2, Table 4).

Model 1 is statistically significant ($F=4.426$, $p<0.001$). The perceived level of foreign-based competition in the home market is positively and significantly associated with the intention to de-internationalise ($p=0.088$), thus supporting H1a. The relationship between the perceived level of environmental hostility and the intention to de-internationalise was positive but not significant ($p=0.298$), which does not support H1b. Model 2, which includes the moderation effects, is statistically significant ($F=4.337$, $p<0.001$).

The moderating effect of the decision-maker’s role in the relationship between intention to de-internationalise and the perceived level of environmental hostility was not supported, which rejects H2b. However, there is a statistically significant ($p=0.016$) moderating effect of the decision-maker’s role and perceived foreign-based competition in the home industry on the intention to de-internationalise, which supports H2a. In the case of managers, the intention to de-internationalise increases with the level of perceived foreign-based competition in the home industry, while in the case of entrepreneurs the relationship is negative. The moderating effect is illustrated in Figure 2. The inclusion of moderating effects in Model 2 statistically significantly increased the explanatory power of the model captured by the change in R-squared (Change in R-Squared is 4.9%; $p<0.05$; Cohen & Cohen, 1983). Our full model explains 33.8% of the variance of the dependent variable. This value in the management field is usually viewed as acceptable. The explanatory power of the statistical model – as captured by adjusted R-squared – is medium.

Among the control variables, firm international exposure ($p=0.001$) and firm international experience ($p=0.098$) appeared to be significant predictors of the dependent variable, negatively associated with the intention to de-internationalise.
While the majority of the literature on internationalisation implicitly assumed irreversible international commitment and growth, the reverse process remained an underexplored area. To address this gap, the present study explored the drivers of de-internationalisation. In doing so, we focused on the effects of perceived foreign competition at home and the decision-maker’s role. Specifically, against the backdrop of the predominant conceptualisation of de-internationalisation based on rational/economic premises and explained at either the macro/industry or organisational level, this article sought to explore the relationship between decision-makers’ cognition and intentions to de-internationalise.

Overall, the results highlight that the perceived high level of foreign-based competition in the home market can be considered a driver for de-internationalisation. Our findings support what other scholars conceptualised: that the individual perception of the external environment is crucial to understand decisions to decrease resource commitment abroad (e.g. Calof & Beamish, 1995; Clarke & Liesch, 2017). We postulate that the level of foreign-based competition in the home market constitutes an external stimulus of the organisation’s adaptive behaviour.

### Table 4. OLS regression results (intention to de-internationalisation as a dependent variable)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign competition (FC)</td>
<td>0.164 † (0.059)</td>
<td>0.095 (0.061)</td>
<td>1.228</td>
</tr>
<tr>
<td>Environmental hostility (EH)</td>
<td>0.108 (0.106)</td>
<td>0.174 (0.108)</td>
<td>1.430</td>
</tr>
<tr>
<td>Decision-maker’s role (DMR)</td>
<td>-0.025 (0.333)</td>
<td>0.008 (0.327)</td>
<td>3.898</td>
</tr>
<tr>
<td>EH x DMR</td>
<td></td>
<td>0.092 (0.101)</td>
<td>1.158</td>
</tr>
<tr>
<td>FC x DMR</td>
<td></td>
<td>-0.236* (0.094)</td>
<td>1.185</td>
</tr>
<tr>
<td>Firm int. experience (years)</td>
<td>-0.245† (0.013)</td>
<td>-0.241† (0.012)</td>
<td>2.669</td>
</tr>
<tr>
<td>Firm int. exposure (FSTS)</td>
<td>-0.362*** (0.005)</td>
<td>-0.344*** (0.005)</td>
<td>1.278</td>
</tr>
<tr>
<td>Firm size</td>
<td>0.043 (0.000)</td>
<td>0.087 (0.000)</td>
<td>2.214</td>
</tr>
<tr>
<td>Industry</td>
<td>0.104 (0.207)</td>
<td>0.144 (0.206)</td>
<td>1.280</td>
</tr>
<tr>
<td>Decision-maker’s gender</td>
<td>0.007 (0.197)</td>
<td>0.044 (0.195)</td>
<td>1.145</td>
</tr>
<tr>
<td>R-Squared</td>
<td>0.289</td>
<td>0.338</td>
<td></td>
</tr>
<tr>
<td>Adj. R-Squared</td>
<td>0.224</td>
<td>0.260</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>4.426***</td>
<td>4.337***</td>
<td></td>
</tr>
<tr>
<td>Change in R-Squared</td>
<td></td>
<td>0.049</td>
<td></td>
</tr>
<tr>
<td>F-change</td>
<td></td>
<td>3.119*</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Cell entries are standardised regression coefficients. Standard errors shown in parentheses.
†p<0.10; *p<0.05; **p<0.01; ***p<0.001
Source: own study.
However, the results do not consistently support the claim that this effect is explained by the framing of this issue as a threat by individual decision-makers, as environmental hostility proved to be an insignificant predictor of the dependent variable (see H1b and H2b), thus calling for further research. In line with prior studies (Trąpczyński, 2016), our results also suggest that the intention to de-internationalise – as affected by the increased foreign-based competition – can be reduced by international experience and exposure. In a sense, our results echo Bowen and Wiersema’s (2005) and Hutzschenreuter et al.’s (2014) studies. The former authors indicate the home market perspective’s effect on the company’s diversification extent. The latter study found that when domestic incumbents (multinationals) face increased import-based foreign competition in their home market, they apply a sure-gains approach by reducing their FDI. This suggests that, as in our study, managers perceive increased foreign competition as a critical threat. However, the limitation of their study is that it considers only multinationals.

In line with our expectations, the moderation effect tested in Model 2 revealed that managers are more risk-averse than entrepreneurs. We can speculate that our results may be biased, since entrepreneurs in our sample are unique, as we considered only strongly internationalised SMEs (FSTS >= 10%). This may suggest that entrepreneurs in our sample are more risk-prone than their non-internationalised peers.

CONCLUSIONS

Our study seeks to contribute to the internationalisation literature in general and the Uppsala model in particular. The results indicate the role of individual cognition in de-internationalisation phenomenon. In response to calls to extend research on individual-level
factors in IB (e.g. Hutzenscheuret et al., 2007), we show that decision-makers’ cognition and cognitive biases – along with their role in the organisation – are basic elements when in the de-internationalisation phenomenon. Consistent with behavioural theory, our results indicate the greater risk-aversion of managers in their response to external stimuli as compared to entrepreneurs. Moreover, our study indicates the decision-maker’s role and draws attention to the nature of the manager-owner relationship, resonating with the agency theory in that the manager’s self-interest is bounded by the reciprocal behaviour of the owner (Bosse & Phillips, 2014). In this sense, we believe that our study contributes to the emerging literature on microfoundations and behavioural strategy in IB (Buckley & Casson, 2019; Contractor et al., 2019). We also highlight the role of the home market perspective in the internationalisation process. In this respect, our results are consistent with literature on the effect of the home market on internationalisation strategy (Bowen & Wiersema, 2005; Hutzenscheuret et al., 2014; Wiersema & Bowen, 2008).

This study has several limitations. First, it focused on a single emerging home country, which may come at the expense of external validity. Second, while we concentrated on the home market perspective only, future studies could also take into account the foreign market(s) perspective. Because internationalisation decisions are made in a concrete context, we note that decisions about increasing and decreasing foreign commitment should be explored in conjunction. In other words, it is reasonable to expect that the contexts of both home and host markets interplay, being subject to individual perception and affecting ultimate decisions. The third limitation relates to the construct of de-internationalisation used in this study. As our sample involved only exporting companies, we considered a narrow view of de-internationalisation (i.e. resource decommitment). Therefore, we suggest that future studies should incorporate more DI dimensions, as proposed by Trąpczyński (2016). Fourthly, the operationalisation of foreign-based competition is not perfect. The domination of foreign players in an industry may not necessarily reflect the intensity of competition that the studied companies experience. Therefore, we suggest that more robust measures of foreign-based competition should be used in future studies. We also believe that distinguishing between environmental hostility in domestic and foreign markets would enrich the value of the future research. Finally, it is worth noting that results of this study should be considered in terms of an interesting IB-related theoretical phenomenon rather than ultimate findings; i.e. the explanatory power of the statistical model as captured by adjusted R-squared is medium.

We believe that additional research is needed in order to better understand the nature of de-internationalisation. Specifically, we suggest that future studies could also incorporate the effect of resource slack apart from firm size. Another issue for further research concerns foreign competition entry mode, which may affect the response of incumbent firms. Lastly, we believe that to improve external validity, future studies could examine DI decisions by controlling for the type of industry, which relates to different requirements with regard to investment levels (i.e. less vs more capital-intensive industries) and, thus, affects incumbents’ foreign market entry mode choices. It is our hope that our exploratory study, despite its limitations, will lay the groundwork for future avenues of deepened research.
REFERENCES


Intention to De-Internationalise: Foreign-Based Competition...


The contribution share of authors is equal and amounted to 50% each of them.

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