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Withdrawal from foreign markets

A study of two Swedish companies and their withdrawal decision-making process

Bachelor Thesis: International Business

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Abstract

This thesis presents a study of the withdrawal decision-making process within companies. It is relatively common that companies decide to exit foreign markets and close their operations and activities. Still, there is not much research within this field of international business and about the occurrence of this process. The limited theory, together with an in-depth study of two companies with a recent history of making a withdrawal, has resulted in the creation of a model which explains this withdrawal decision-making process. It is argued that this process starts when a company is exposed to internal and/or external stimuli, and depending on the characteristics of the firm, this stimuli leads to either continuance of the company's operations in the market, or a partial or full withdrawal.

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1. Introduction

In this part, we will introduce the subject of this thesis and explain why we have chosen this area of interest. Thereafter, we will present our research question and purpose together with the delimitations made in the study.

1.1. Background

In today's world, there are very few limits for a company. Many choose not only to operate in their domestic market but to take the step across the border and establish the company in foreign markets in order to, among others, gain economies of scale and scope and reach new customers (Hill, 2010, chapter 1). The many opportunities for companies today can partly be explained by the increased globalization in the world. Some companies are even 'born globals', implying that they expand internationally very quickly. The reasoning behind might be that their home market is too small due to the nature of their product or service, or that they have chosen a specific strategy and vision. Therefore, these companies operate globally instantaneously (Peng, 2009, chapter 5). The internationalization process of a firm can be made through different entry modes and a company can be more or less committed to the market it has chosen. The process of internationalization takes place step by step and moves a company towards an increased global presence (Johanson & Vahlne, 1977). A company has to take a great deal of factors into consideration when making a foreign investment. Some companies thrive and may invest further to make a stronger commitment and/or decide to enter new markets. Through their experiences, the companies gain valuable knowledge that increases their opportunity to succeed (cf. Johanson & Vahlne, 1977; Pauwels & Matthyssens, 1999). However, with the increased number of firms deciding to engage in international activities, and thereby increased competition in the world, there ought to be some firms less successful in their internationalization, which consequently may lead to withdrawal from one or several foreign markets. This implies that a company decides to exit a market it previously has entered. The factors influencing the decision to exit foreign markets and, above all, this withdrawal decision-making process are the main focus of this thesis. There have been several studies conducted and articles written about the internationalization of firms, but the field of withdrawal has been left relatively unexplored (Benito, 2004; Tan, Brewer & Liesch, 2007; Turcan 2003; Welch & Welch 2009). This might be because a market exit is often perceived as a failure and is something companies seldom want to talk about (Duhaime & Grant, 1984). Nevertheless, the motives for a withdrawal can vary greatly: the implementation of a new

strategy, a restructuring (perhaps due to a merger or an acquisition), the necessity to relocate resources, market maturity, strong competition, decreasing sales, et cetera (cf. Benito, 2004; Duhaime & Grant, 1984; cf. Siegfried & Evans 1994). A withdrawal does not always imply a full shutting down of activities internationally. Actually, sometimes the company stays in the market and only shuts down some specific activities and preserves others. Thus, the company might still have some connections to the foreign market and only exit from a specific segment, market or area, and still continue its operations in others (Benito, 2004).

1.2. Problem area

Our interest in this field of international business, together with the lack of research and knowledge regarding withdrawals, has intrigued us and that is why this is the subject of choice in this bachelor thesis. Within the concept of withdrawal, we decided to focus on the process leading to a withdrawal. We want to investigate how this process may look in a company and the factors influencing it, and also try to create a model illustrating this process. We have chosen to make a case study of two Swedish companies: Metro and Filipka K. They operate on multiple markets in the world, have used different market entry modes and have a history of making a withdrawal. We found it interesting to analyze the process of withdrawal since it is quite unexplored compared to the process of internationalization which has been widely discussed. In this thesis and in the creation of our model, we have been inspired by two other models. The first one, constructed by Wiedersheim-Paul, Olson and Welch in 1978, has been used in a different context and discusses the phenomenon of internationalization and specifically the pre-internationalization phase of export companies. The second one, by Pauwels and Matthyssens from 1999, has been used in a limited context since it discusses a six-stage process model of only export withdrawals. Thus, this article deals with the same subject as this thesis and it has inspired and influenced us, but we have chosen to examine all types of entry modes and not only export. We believe that our withdrawal decision-making process model can provide a tool to all companies, irrespective of entry mode. We have used these two models in a new perspective, and our reasoning regarding the articles and our own model will be further explained later on in this thesis (see section 4.1.).

1.3. Research question and purpose

As mentioned above, we are interested in the withdrawal decision-making process and therefore want to explore this course of action. In this process, the factors influencing and

stimulating the company to make the decision to withdraw from a foreign market is of great importance. We want to study which these factors are and what kind of change these stimulate. However, our main focus is to see how these factors, together with other dynamics, influence this state of change within a company which ultimately leads to a withdrawal, i.e. the withdrawal decision-making process. Our interpretation and definition of the withdrawal decision-making process is the whole process of deciding whether or not to withdraw from a foreign market, including several steps, actions and decisions on the way. Hence, our research question is:

- *What does the withdrawal decision-making process of a company look like?*

The purpose of this thesis is to answer the research question and to develop a model that explains this process and the factors leading up to a decision to withdraw from foreign activities. By combining relevant theory, our case studies and established models regarding the internationalization process and withdrawal process, we want to distinguish what the pre-withdrawal process, i.e. the withdrawal decision-making process, leading to market exit may look like. Our contribution will be to increase the understanding of *how* and *why* companies make decisions to withdraw. The model created can be used to provide a better awareness and understanding of this quite frequent occurrence which has not been greatly elaborated on in research theory. Companies are given a tool to analyze situations in which they are exposed to stimuli, thinking of leaving a market, or already have executed a withdrawal. This can provide them with guidance to what to be conscious of, which choices you can make and the outcome of these different scenarios, et cetera. Scientists can, by using our model, complete further case studies and actualize additional research in this subject.

1.4. Delimitation

The delimitations in this thesis have mainly been made due to the restricted time frame. We have chosen only two companies and both companies are Swedish. The time limit and the accessibility did not allow us to study more companies and the choice of Swedish firms facilitated the data collection. In the case studies, Metro has made several partial withdrawals. However, the focus will be put on the full withdrawal the company has made. The main focus will be put on *how* and *why* the withdrawal occurred. We will only briefly look into the internationalization process of the firm, even though this with all certainty affects the company and a possible withdrawal. Further, we will not study the appearance and

consequences of a partial, respective full, withdrawal. Also, the impact a withdrawal has on the company after the process will be left unexplored since this constitutes another research area within the subject. However, we will touch upon the knowledge the companies have gained from this process.

2. Methodology

2.1. Choice of method

We have chosen an abductive and descriptive method with primary data collected through semi-structured personal interviews. Qualitative case studies have been made in this thesis due to several reasons. Case studies can provide an in-depth view into the companies and their withdrawal decision-making process. By conducting case studies rather than a questionnaire study, a more personal contact and a better and deeper understanding of the rationality behind the decisions can be achieved. Consequently, a qualitative method has been used due to the in-depth information that can be received through this method.

2.2. Selection of companies

We have used the two cases as a tool to study the withdrawal decision-making process that companies go through when discussing whether to exit foreign markets or not. When choosing companies to interview for this thesis, several criteria were followed. First of all, Swedish companies were chosen due to the geographical distance which facilitates data collection and meetings. Thereafter, we searched for companies which had exited a foreign market. In our search for these companies, we made use of industries characterized by a high degree of internationalization since these industries ought to have a relatively high degree of withdrawals. Further, we wanted to make a case study of companies with a recent history of making a withdrawal, both to get a good description of the process with as many details as possible (which could be forgotten if too many years had passed), and also in order to get in contact with a manager within the firm that was actively involved in the withdrawal decision-making process. Several companies were contacted and interview inquiries were made. If receiving a positive response, an interview was realized. One major factor that influenced the selection of companies was if we could get access to the information needed, i.e. if there was a person who was willing to be interviewed and if the companies were willing to share the information we wanted.

2.3. Mode of procedure

The collection of data has mainly been made through case studies and from scientific articles and journals. The companies we studied were Metro and Filippa K and the respondents from the respective firms hold high positions within the company. When contacting the companies, we asked to speak with a person within the organization who works with questions regarding market strategies, sales, internationalization, market establishment, et cetera, and who was involved in the withdrawal. Thereby, we were directed to the managers we have interviewed. However, with respect to the managers, they remain anonymous in this thesis. Further information has been found on company web pages, other online sources, in books and newspapers. It has been easy to find secondary sources with information about Metro, but regarding Filippa K, it has not been quite as easy due to the web-page which was not recently updated. Accordingly, general information about Filippa K has been collected mainly through the interview.

Interviews were chosen since it is easier to analyze reactions when posing questions directly to the respondent, get a personal contact and point of view, receive detailed answers and it enables posing attendant questions. Compared to making a questionnaire survey, interviews provides more information about the specific cases which enables a deeper analysis. In this case however, the interviews were unfortunately not made in person due to the traveling schedules of the respondents. For that reason, the interviews were held over the phone. In order to limit the consequences of this, we listened extra carefully and tried to distinguished feelings, emotions, reactions, et cetera. Even though no face-to-face contact was possible, we felt that the interviews by phone provided us with the information we needed. Also, we re-contacted the companies when needed. The phone interviews took about 40 minutes each. Prior to the interview, a short description of the subject and the main focus of the interview were sent out to the respondents so that the interviewee would be aware of the area of discussion. During the interview, the respondents were asked to describe the withdrawal decision-making process as thoroughly as possible, and only few questions were posed. Attendant questions were asked when needed. After the interview, a resume was sent to each interviewee in order to get permission to use the data and quotes. Additionally, the information collected during the interview was reviewed by each manager to avoid mistakes and misinterpretations, and to clarify obscurities. The summary was then sent back to us with corrections and thereafter we used the data in our thesis.

A thorough analysis of why the companies have withdrawn from an external and/or several external markets has been conducted with the aim of trying to understand and explore the withdrawal decision-making process. The information gained from the case studies of the two companies has been used in order to answer the research question and to create a model which explains the withdrawal decision-making process. The scientific articles have provided us with previous case studies, research, definitions, theoretical models, and have constituted the foundation of our theoretical framework.

We have worked parallel with the theory written about the subject and the data collection from the companies and based on these, our model has progressed. First, we developed a pre-model on the basis of the initial contact with the companies and the theory written in the subject. After conducting the interviews with the companies and reading further research articles, we modified and adjusted our model with regard to the new insights. The case studies provided us with useful materials and another point of view which we incorporated in the model and from which we developed our theoretical contribution.

2.4. Validity and reliability

According to Merriam's (1998) strategies to enhance internal validity, this thesis avails itself of triangulation, checks and peer examination in order to enhance the validity of our findings. Numerous sources of data have been used. A pre-opposition with other students and meetings with the tutor took place. During these sessions, the thesis was reviewed and feedback was given. The internal validity can also be further confirmed since the data from the interviews were sent back to the interviewees who approved the data, corrected, modified, and added supplementary information. This was made in order to avoid mistakes and misinterpretations.

The reliability in the thesis is ensured since the methodology is thoroughly explained and therefore, the research findings can easily be replicated. However, due to the choice of personal interviews, the exact same answers can never be guaranteed since the human behavior is not static and opinions and the perception of experience may change over time (Merriam, 1998). Also, since we have only interviewed one manager involved in the withdrawal decision-making process from each company, this can of course influence the answers received during the interview, such as the amount of data collected, if the managers withheld information, how he/she perceived the withdrawal decision-making process, et cetera. However, we are aware of this possible bias and have taken it into consideration.

The sources which we have used come from acknowledged authors. We believe that their findings and research has been conducted in a reliable way and hence can be valid sources of information in this thesis.

3. Theoretical framework

In this chapter, we will present the theory required to make a veritable research. We will start by compendiously going through the phase of internationalization and its preparations, the motives behind, and the different entry modes a company can choose and its consequences. The reason for this is to provide the reader with adequate information of the subject in order to understand the phenomenon of withdrawal since there is a correlation between these concepts of entry and exit. Thereafter, we will discuss withdrawal; the motives behind, barriers that can prevent companies to exit a market and finally, the withdrawal decision-making process.

3.1. Pre-internationalization

A firm's entry into a foreign market is preceded by a pre-internationalization phase. Tan et al. (2007), elaborated on this stage arguing that 'the pre-internationalization phase occurs prior to the representation captured in the Uppsala framework and can be established as a state that all firms experience before their initial commitment to a foreign market' (Tan et al., 2007, p. 296). The authors argue that something activates the company to reflect upon internationalization, meaning that the firm 'is exposed to stimuli factors that may trigger an impulse for foreign market expansion' (Tan et al., 2007, p. 294). A company's resources, managers' attitudes, et cetera, affect the way in which the stimuli factors are perceived, and companies thereafter respond differently. The internal and external stimuli factors are the incentives that together with opportunities and the company's interests initiate this gradual internationalization process characterized by learning, development, decision-making, and so on (cf. Tan et al., 2007).

In the article 'Pre-Export Activity: The First Step in Internationalization' (1978), Wiedersheim-Paul et al. discuss the behavior and activities a firm undertakes before engaging in export. The authors developed a model in 1975 (see appendix, figure 1) which later on was modified in the article from 1978 (see appendix, figure 2). The model explains the pre-export

phase of a company and the main focus is put on four factors: the characteristics of the decision-maker, the enterprise environment, the extra-regional expansion of the firm, and information. They explain that decision-makers are exposed to attention-evoking factors. The amount of attention these factors evoke and that influence them are dependent upon how they are perceived and upon the characteristics (e.g. previous experiences) of the decision-makers. Further, this process is bidirectional, which means that: ‘the decision-maker is influenced by his environment and at the same time is creating a new environment through his and the firm’s activities’ (Wiedersheim-Paul et al., 1978, p. 48).

A factor that influences the outcome of a firm’s internationalization process is its internationalization readiness (cf. Tan et al., 2007). Internationalization readiness is ‘the point of decision assessment that links a firm’s pre-internationalization phase with its initial international commitment’ (Tan et al., 2007, p. 295). How ready the company is to internationalize depends on several factors and the most important ones that might influence the outcome of an internationalization are the questions of how, when and where to internationalize (Peng, 2009, chapter 6). Further, the kind of resources the company has is also of great importance (Pauwels & Matthyssens, 1999). To increase the chances to succeed, it is essential to possess good knowledge of the market of choice in order to understand the history and culture, demand, behavior, consumption patterns, et cetera. In that way, the company can more easily develop a strategy that fits the market and ultimately increase its chances to succeed (cf. Hill, 2010, chapter 3, 12). If the company decides to engage in international activities without being ready, it could damage the company and lead to failure and the decision to withdraw (cf. Peng 2009, chapter 6).

3.2. Internationalization

Regarding the phenomenon of internationalization and the internationalization process of a firm, several studies have been conducted. One of the most cited articles is ‘The Internationalization Process of the Firm - A Model of Knowledge Development and Increasing Foreign Market Commitments’, also known as the Uppsala theoretical framework by Johanson and Vahlne (1977) where the authors elaborate on the internationalization process of a firm. The authors argue that market knowledge and commitment is important in the internationalization process and that the two ‘are assumed to affect both commitment decisions and the way current activities are performed. These in turn change knowledge and commitment’ (Johansson & Vahlne, 1977, p. 27). Furthermore, they discuss that commitment

usually increases gradually and therefore, expanding to countries close to the domestic market and with small psychic distance (i.e. cultures similar to the firm's domestic culture) is a first step in companies' international journey. In 2009, Johanson and Vahlne published the Uppsala internationalization process model revisited in which they, compared to the original model, added the network factor and stressed the importance of networking. The authors state that 'the business environment is viewed as a web of relationships, a network' (Johanson & Vahlne, 2009, p. 1411). The uncertainty factor is dependent on the degree of outsidership, i.e. how far a company is from a relevant network. In addition, two change mechanisms were added: trust-building and knowledge creation, which implies that further knowledge is gained through relationships (Johanson & Vahlne, 2009).

3.2.1. Motives for internationalization

Taking the step towards becoming international might be due to several reasons. Tan et al. claim that 'central to a firm's internationalization decision is the role of stimuli factors which provide the information input that drive a firm's international expansion by acting as the 'motives, incentives, triggering cues or attention evokers'' (Tan et al., 2007, p. 297). Some of the motives are rational, for instance, the possibility to benefit from economies of scale and scope in an effort to decrease the costs (cf. Hill, 2010, chapter 5). Also, the opportunity to increase sales and thus, an enhanced profit, may attract companies to enter foreign markets (Siegfried & Evans, 1994). Through expanding overseas, either autonomously or by cooperating with a partner, a company can gain further market shares and access new markets (Peng, 2009, chapter 6). The company can choose to be a first-mover in order to take advantage of the lack of competitors and other benefits that are associated with this strategy, or they can be a late mover and elude the first mover disadvantages (Hill, 2010, chapter 14; Peng, 2009, chapter 6). Another encouraging factor can be that the company recently has acquired specific market and/or internationalization knowledge through, for example, a new staff member or an acquisition of a company (cf. Johanson & Vahlne, 2009). Entering into a foreign market might also occur without any rational reason at all. It can be the desire to operate abroad or that a company encounters a good opportunity, perhaps by chance. And, as previously mentioned, some companies are born globals due to the limitation that characterize their domestic market. If the home market is too small or saturated, a company might feel a need to internationalize in order to survive (cf. Peng, 2009, chapter 5-6).

How the company succeeds in the new market depends on several variables, of which only some are controlled by the company. The implementation of new laws and regulations, trade barriers, changes in demand and supply, political issues and occurrences, environmental threats, et cetera, are some of the uncontrolled factors that can influence a company's potential to succeed. The return, is of course, an important prerequisite since it has to be profitable in the long-run for the company to expand its business into new markets. Also, there must be a demand for the product or service that the company provides. A further essential condition that affects a company's success is its entry mode strategy which will be discussed in the next part (cf. Peng, 2009, chapter 5-6; Siegfried & Evans, 1994, Welch & Welch, 2009).

3.2.2. Entry modes and degree of commitment

The chosen entry mode of a company has a strong influence on the outcome of the firm's internationalization and the probability of a future market exit. Entry modes are strongly correlated to the degree of commitment to the market. Commitment can be defined as 'The tendency of organizations to persist with their broad courses of action or strategies.' (Ghemawat, 1991, p. 14). All entry modes are characterized by some level of commitment. This affects both how easily the company can exit the market and how the company is perceived by its customers, competitors and local authorities. The degree of commitment can disclose the amount of resources put into the operation and which degree of presence the company strives for in the specific market (Peng, 2009, chapter 6). Hence, there is also a strong correlation between market entry and market exit (Agarwal & Gort, 1996; Siegfried & Evans, 1994).

Most companies start their international journey through exporting, either directly or indirectly through intermediaries. This is a fast, easy and inexpensive entry mode and the company does not commit to the market to a great extent. Also, if deciding to end this kind of operation, consequences and difficulties seldom occur. Usually, export is chosen in order to realize economies of scale and scope and it may enable companies to achieve experience curve economies and location economies. Even though it is relatively cheap, the transportation costs can increase and the company might encounter problems with local marketing agents. Two other entry modes characterized by low risks and low development costs are franchising and licensing, which are quite similar to each other. Franchising is when you buy the rights to use a company's brand or concept. The company can benefit financially

from the royalty fee it receives from the franchisee together with larger market shares and brand awareness. Another advantage is that the financial risk is put on the franchisee and not the company. However, disadvantages of franchising can be that the company can lose control of the brand and the franchisee, the quality of its products and its reputation. If the franchisee mismanages his/her responsibility towards the company, the brand can be damaged and thereby may cause an increased financial cost for the company since it has to re-establish the position of the brand. Further, as the business units are not company owned, it misses out on the opportunity to globally coordinate its business units. A license on the other hand, gives the licensee the right to use the company's intangible property such as patents, trademarks, processes, designs, inventions and the like (cf. Hill, 2010, chapter 14). The advantages are that risks and development costs are low. The same downsides as for franchising characterize licensing agreements together with the inability to realize location and experience curve economies (Hill, 2010, chapter 14). Both franchising and licensing are characterized by a relatively low degree of commitment (cf. Hill, 2010, chapter 14). However, by increasing the number of franchisees/licensees, the company can increase its presence in and commitment to the market (cf. Peng, 2009, chapter 6).

Internationalization and entering new markets are risky and require different amount of resources which can be costly. Therefore, a company can partner up with another company, i.e. form a strategic alliance. The two partners can collaborate in a specific project or form a joint venture, in which they join forces with each other and establish a new company and thereby they are given access to the knowledge of its partner. This entry mode is perceived as less risky since the business partners share both development costs and risks. By combining the two companies' competencies they can achieve both their individual and mutual goals and execute new developments that they could not do alone. Further, the advantage of a partner with knowledge of the local market is valuable and it accelerates the entry. Nevertheless, there are disadvantages associated with this strategy as well. It may be difficult to control technology transfers and the company risks sharing more technology and knowledge than initially planned. Moreover, just as in the case with licensing, the company loses the ability to engage in global strategic coordination of all its business operations since some are shared with the partner (Hill, 2010, chapter 14).

In order to avoid the risk of knowledge and technology transfer, the company can initiate a Greenfield investment, and thereby create a wholly owned subsidiary. This entry mode is

characterized by high commitment to the market compared to, for example, export (cf. Peng, 2009, chapter 6). The Greenfield investment enables better control of the business unit(s), the protection of valuable information and makes it possible to strategically coordinate its business units globally. Furthermore, this entry mode can enable the realization of location and experience curve economies (Hill, 2010, chapter 14). However, Greenfield investments are very costly and associated with high financial and political risk (Peng, 2009, chapter 6). It also takes a lot of time to establish a wholly owned subsidiary, gain access to important network(s), knowledge about the host country, brand building, marketing, et cetera (Hill, 2010, chapter 14).

Two other types of entry modes are mergers and acquisitions (M&A), which have become more and more frequent during the past years (Howard Finch, 2011). Mergers and acquisitions have quite similar pros and cons. An acquisition of a firm is relatively quick to execute but the pre- and post acquisition process can be problematic and very time consuming. It is a good strategic move since it can eliminate the company's direct competitor(s). As in the case with strategic alliances, the company often gains fast access to markets, market share and distribution networks. The acquired company can contribute with knowledge of the market, established customers, networks, company growth, et cetera (Hill, 2010, chapter 14). The degree of commitment to the market for these entry modes is high (cf. Peng, 2009, chapter 6). However, even though it is such a popular entry mode, the failure rate is high. The high failure rate of acquisitions can be due to a variety of reasons (cf. Hill, 2010, chapter 14). One reason is the difficulty of double-layered acculturation, i.e. dealing with two cultures, both corporate and national (Johanson & Vahlne, 1977). Additionally, managers often have too high expectations of the outcome and believe that the company is well prepared. This prohibits the creation of synergies, integration, control and coordination of the two companies' business units (cf. Hill, 2010, chapter 14).

Finally, a turnkey contract occurs when a company establishes a whole new production plant in the market, including all the details and staff training, and then 'hand over the key' to the client. This way, the company literally hands over knowledge, production techniques, et cetera. This can create strong and efficient competitors and the company will not have a long-term presence on the market (Hill, 2010, chapter 14). However, the advantage with a turnkey contract is that it can result in the 'ability to earn returns from process technology skills in countries where FDI is restricted' (Hill, 2010, p. 483).

Depending on the chosen mode of entry for the new market and the level of commitment, the company's intentions might be perceived in different ways by customers, competitors and the local authorities. Additionally, how successful a company is in its internationalization may have an impact on an eventual future withdrawal (cf. Hill, 2010, chapter 14; cf. Peng, 2009, chapter 6).

3.3. Withdrawal

When it comes to market exit, there are several concepts with similar definitions; withdrawal, divestment, and de-internationalization. Withdrawal (export withdrawal) is defined as 'a firm's strategic decision to remove a product/market combination from its international portfolio.' (Pauwels & Matthyssens, 1999, pp. 10-11). Divestment is defined by Benito as 'the closure or sell-off of units in foreign locations, or conversely units owned by foreign firms' (Benito, 2004, p. 235). Benito and Welch (1997) have also defined de-internationalization as 'any voluntary or forced actions that reduce a company's engagement in or exposure to current cross border activities' (Benito & Welch, 1997, p. 9). Since not much research has been conducted in this field, it is still somewhat unclear to what to attribute this phenomenon of exiting a market. When a company chooses to engage in activities outside its domestic country, it is internationalizing. But when deciding to exit a market, the process of leaving the market is called de-internationalizing even though the company has not exited from all foreign markets and become completely de-internationalized. The same can be applied to withdrawal and divestment. Therefore, in this thesis the terms will be used synonymously since the distinction between the concepts in the field of research is small.

A withdrawal does not always imply a full shut-down of international businesses. The company might still have some connections to the foreign market and only choose to withdraw from a specific segment, market or area, and still continue its operations in others (Benito, 2004). The motives for withdrawal are various, and one of the most common is that the foreign investment was unprofitable. But there are also many other reasons and combination of factors that make the companies want to discontinue the action of internationalization. A divestment can be either voluntary, and be viewed as adjustments, the result of a re-structuring or a failure, or it can be forced by external forces, e.g. governmental actions (cf. Benito, 2004). This is supported by Pauwels and Matthyssens (1999). They argue that there are forced and strategic withdrawals that can have both internal and external causes

and ‘should not, a priori, be regarded as a reactive strategy or a failure’ (Pauwels & Matthyssens, 1999, p. 11). However, if a withdrawal should be seen as a failure is widely discussed. Bane and Neubauer (1981) state that ‘failure of an activity in a business context is often not a matter of black and white, it is a question of degree, and furthermore, it can only be judged in relation to management's original aims for the activities’ (Bane & Neubauer, 1981, p. 220). In fact, divestment can be an important part of a company’s operations since a company is always in a state of change, as is the world economy. The processes of change make sure that the companies stay in ‘shape’ (Benito, 2004). Welch & Welch (2009) argue, with support from research, that in the early stages of internationalization, the drop-out rate is high and the companies which withdraw are often small, and utilize new, instead of conservative, development paths.

3.3.1. Motives for market exit

The factors that influence a market exit are several. To begin with, in order to even be able to internationalize, the firms must be able to transfer some of their resources abroad. If unable to transfer a sufficient amount of company resources, they can face difficulties in internationalizing which may lead to a market exit (cf. Cuervo-Cazurra, Maloney, & Manrakhan, 2007). Other factors regarding resources that can influence a decision to withdraw are the nature of the resources. A resource that is an advantage in the domestic market may lose its advantage and become a disadvantage when entering a foreign market. Also, the lack of complementary resources in the foreign country may cause difficulties in internationalization. Misjudging the advantage of the company resources can have serious implications with regard to the success of the operation (Cuervo-Cazurra et al., 2007). The company can obtain a higher success rate if it expands within the industry or related industries of which it already has great knowledge (Benito, 2004). One of the most frequent motives for leaving a market is poor financial performance of unit(s), where the appearance of low profits can be due to numerous reasons (Benito, 2004). Most often, it has to do with high costs (e.g. labor, production, raw materials, et cetera) but also a permanent decrease in the demand on the market, or a decrease in the rate of increase in demand, can cause outright losses (Benito, 2004; Siegfried & Evans, 1994). The declining demand and market exit can also be due to the maturity of the market, the state of the product in its life cycle, or the rise of new competitors who are more aggressive and/or efficient (Benito, 2004; Siegfried & Evans, 1994). Conversely, sometimes a unit is divested even though it is profitable. For example, in the French retail company Carrefour’s case, the company wanted to be top three in every market

it entered. If they could not achieve this goal, they decided to withdraw from the market, even though its operations were profitable (Som, 2009, chapter 7). The established strategy, vision, goals and financial requirements set up by the company might not be accomplished and therefore become an incentive to exit the market (Benito, 2004).

When increasing international operations, problems can occur concerning transportation, communication and coordination, i.e. liability of expansion. The operations can become more complex and also increase the costs (Cuervo-Cazurra et al., 2007). Complex operations distinguished by uncertainty and/or high volatility are exposed to high risk of divestment (Benito, 2004; Cuervo-Cazurra et al., 2007). Additionally, if a company chooses not to locate a foreign operation in an industrial cluster, it may lead to the lack of opportunity to take part of valuable labor, technology, industry news, resources, distribution networks, et cetera, which can give the competitors the upper hand. Problems might also occur if the company chooses to enter countries and markets culturally distant from the home country culture, or if the chosen mode of entry is through an acquisition, a merger or through a strategic alliance. To deal with two cultures (double layered acculturation) can be very difficult and in some cases, the issues that arise are too difficult to surmount and therefore, the company chooses to withdraw from the country. In mergers, acquisitions and strategic alliances, this problem occurs more frequently and thus, these entry modes have a high failure rate (Benito, 2004). However, the low success rate also depends on several other factors, as mentioned above, that ultimately may lead to a withdrawal (Hill, 2010, chapter 14). The establishment in a new market implies bringing a product or service from a company's home country into a new, foreign country. A company's country of origin may have a negative impact on the product, and the liability of foreignness in the host country might lead to discrimination of the product by consumers, organizations, authorities, et cetera, due to the nationality of the company (Cuervo-Cazurra et al., 2007). With regard to the leadership, managers who lack international experience are more likely to face difficulties when dealing with problems, which ultimately can lead to a decision to divest (Cuervo-Cazurra et al., 2007).

According to Benito (2004), 'appropriate strategies are those that match companies' resources and capabilities to given market conditions in various locations' (Benito, 2004, p. 240). Even though the formulated strategy has proven to be successful in other markets earlier, it may not fit the specific market or it has not been implemented appropriately. Using a strategy that does not fit the market may also lead to problems in the internationalization process. Sometimes,

the decision to de-internationalize occurs because of a change of the current company strategy towards a global strategy, meaning greater focus is put on fewer and larger business units rather than small and local units. Hence, this leads to the divestiture of smaller locally adapted business units (Benito, 2004). This can be done when resources are needed in other markets or in order to decrease costs, but which can have the opposite effect, diseconomies of scale, such as 'managerial diseconomies, increasing distance to suppliers and markets, and greater network complexity' (Benito, 2004, p. 243). The likelihood of divestment of company subsidiaries depends on the company strategy. Companies pursuing a global or a transnational strategy have a higher likelihood of divestment compared to companies with multi-domestic and international strategies. Re-structuring of a company can be the outcome of a change in strategy, but can also be due to inefficiencies, a desire to increase the interdependency between business units and improve the overall performance of the company, et cetera. There can be 'dramatic consequences' for the corporate network if the motive for the divestment is due to re-structuring. Important personal contacts might be lost in the process (Benito, 2004).

Diversified firms have a higher risk of divestment and a re-structuring process is also said to be easier in these kinds of companies since the business units do not greatly depend on each other. Usually, companies divest non-core units to facilitate a recovery (Benito, 2004). Moreover, as mentioned above, the choice of entry mode can have an impact on a company's success in a new market. Depending on entry mode, the company's commitment to the new market varies and through that, the company can be perceived differently by customers, organizations and authorities (cf. Benito, 2004).

3.3.2. Barriers to exit

Even though a unit, for example, is underperforming, it is not always easy to divest or make a withdrawal from a foreign country. Sometimes, the company faces impediments to exit the market. If the initial investment is characterized by sunk costs or specific assets, the company will not be able to take advantage of these investments if moving to another country or shutting down the operations because these kinds of assets have no valuable alternative use (Benito, 2004; Siegfried & Evans, 1994). The firm might feel trapped and forced to continue its activities, despite the low profits. Apart from the tangible assets, intangible assets may as well become exit barriers. Managerial assets, for example, employees, can be hard to sell off due to emotional reasons, such as the discomfort and reluctance to remove friends and co-workers. Managers can also experience fear of failing the operation and/or that other people

perceive the de-internationalization as a failure, even though that is not the case. Additionally, diversification is an intangible asset that can serve as an exit barrier. For example, the unit(s) may have a value for other businesses or the company may want to maintain its reputation in the market (Siegfried & Evans, 1994). According to Mata and Portugal (2002), it seems to be that when foreign companies divest, they receive a more negative public opinion than if domestic firms decide to divest. Due to these impediments to exit, companies sometimes choose to first increase their commitment to the market, and try to improve the unit's performance, before making the decision to de-internationalize (Pauwels & Matthyssens, 1999). Other barriers to exit can be contractual obligations, for example, rental contracts for office buildings, et cetera (The Economist, 2009). Difficulties with labor laws and labor unions can also obstruct the withdrawal process (Siegfried & Evans, 1994).

3.4. The withdrawal decision-making process

At the time when the company realizes that the foreign operation is not going as planned, the managerial staff must make a decision. In a dynamic environment where the market changes permanently, the company may have to switch from a growth strategy into a survival strategy (Pauwels & Matthyssens, 1999). A variable that is strongly connected to the actions taken when re-thinking the company's operations is commitment (Pauwels & Matthyssens, 1999; Welch & Welch, 2009). It shows how eager companies are to continue with their operations in a specific market and it is one of the main factors influencing and explaining a company's international performance. When a company faces declining performance it often reacts through committing itself even more to the specific market in order to remain present and continue to be competitive (Pauwels & Matthyssens, 1999). Pauwels and Matthyssens (1999) refer to a company which, in reaction to decreasing sales, targeted non-typical project segments in order to survive in the market. However, it did not result in the expected outcome, a hereby the company withdrew from the market (Pauwels & Matthyssens, 1999). A company might be forced to commit further in order to stay competitive and not lose its market shares (cf. Pauwels & Matthyssens, 1999). Sometimes, opinions within a company differ concerning whether to increase market commitment or initiating a withdrawal. Also, different opinions regarding the motives behind a withdrawal and how to withdraw can arise in the company and complicate the decision-making process (Benito & Welch, 1997; Pauwels & Matthyssens, 1999). It is argued that it is more difficult to make the decision to exit a foreign market and deal with it if the company has an international division, export department or other formal organizational commitment to international operations (Welch &

Welch, 2009, p. 571). Actually, it often takes more courage to withdraw from a market than to stay and possibly increase the commitment. Therefore, some companies decide to stay, despite the fact that the decision to exit would be the best for the company. However, staying in the market could be time-consuming, lead to increased financial expenses and may require additional resources.

Market commitment contains allocation of resources to a market. Resources that are an advantage for the company in the home country could turn into disadvantageous resources or become useless in a specific market when crossing the border. If a company has allocated a great amount of resources, and if these resources are characterized by no (or little) alternative use, i.e. sunk costs, the firm will most definitely commit further to the market before considering a withdrawal. In that case, the resources become an exit barrier and this influences the decision of what path to choose (cf. Cuervo-Cazurra et al., 2007; Pauwels & Matthyssens, 1999; cf. Porter, 1976). Increased commitment can result in persistence in the market or lead to discontinuance of the company's operations. Once the company has decided not to maintain its activities in the market, the divestment process begins and the company has to determine how to realize the withdrawal. Pauwels and Matthyssens (1999) argue that there are six phases in the withdrawal decision-making process for exporting companies. The phases are: '(1) initial and accumulating market commitment, (2) increasing stress, (3) two opposite reactions, (4) toward a stress threshold, (5) confrontation at the threshold, and (6) learning beyond the withdrawal' (Pauwels & Matthyssens, 1999, p. 19). These assumptions are based on the study of four export withdrawals (Pauwels & Matthyssens, 1999). However, we believe that this can be applied to companies engaging in other international activities than export. In the model, the first phase deals with increased commitment. A company decides to establish itself within a new market and gradually, the commitment to the market increases. After a while, the results may not fulfill the requirements and as a first course of action, companies often further increase the commitment to the market. Examples of actions taken are adoption of a more local strategy, increased marketing, more generous terms of payments, and the introduction of financial incentives. If these 'solutions' do not provide the desired results and enhancements default, a withdrawal will probably be the next step to take for the company. In this position, managers have most likely realized what caused the poor performance. Reasons that might cause a withdrawal can be that the end of the life cycle of the product/market combination has been reached or is heading towards the end, or that the company provides the market with further resources which, for example, can prevent 'the

company from tackling opportunities in the domestic and profitable global project market' (Pauwels & Matthyssens, 1999, p. 19). The company's growth strategy changes into a survival strategy. It is stated that 'a positive relationship exists between accumulating commitment to particular markets and export performance in these markets' (Pauwels & Matthyssens, 1999, p. 20).

In the second phase, increasing stress, or the experience of a strategic misfit, occurs and enlarge when there is a 'perceived ineffectiveness of the tactical responses' (Pauwels & Matthyssens, 1999, p. 20). According to Ocasio (1995), there are two filters that dominate – one focusing on the endogenous misfit and one on the exogenous misfit, i.e. the misfit can be perceived either as a growing endogenous misfit or as a growing exogenous misfit. This differs within the company, where managers focusing on the specific unit experience an endogenous misfit while managers focusing on the whole international organization experience an exogenous misfit. In the first case - endogenous misfit - the market strategy is not correctly implemented and the commitment to the market is not high enough. The latter implies changes in the environment which influence the market approach. Managers face reality from without their beliefs and assumptions. This implies that managers can interpret the same thing completely differently due to each one of its personal filters. In addition, each subunit builds up its own filter through which the information from its environment flows. Consequently, managers perceive the endogenous and exogenous information differently depending on personal factors and the subunit it appertains to. This influences the making of decisions since the manager expurgates the things he or she does not find relevant, and/or chooses to focus on only some things (Pauwels & Matthyssens, 1999).

Depending on the perception of the stress, an organization can expect opposite reactions when trying to reduce the increasing stress and this is what the third phase is about. Either managers hold out for the current approach and advocate further commitment to the unit (a reaction to the endogenous perception), or they disconnect themselves from the approach and look for strategic options (a reaction to the exogenous perception). After some time with continuous attempts to preserve the unit, the company is faced with only a small amount of possible actions left to take (Pauwels & Matthyssens, 1999). More and more attempts to preserve the unit are made, and the company constantly increases the commitment to the market. But as the attempts prove unsuccessful, there are not many strategic alternatives left in the end (Ross & Staw, 1993). When a company goes through hard times, the employees do not accept risk

and uncertainty to the same extent. Therefore, managers prefer looking for new alternatives and actions to take since that is associated with less risk than staying with the existing market approach (Pauwels & Matthyssens, 1999).

The fourth phase concerns the moment where the two reactions or paths, described in the previous part, converge. The authors argue that there are three drivers that push the companies towards making a decision to exit the market: continuously decreasing performance, the planning for a new strategic direction, and when increased stress culminates due to one specific incident. The pressure to make the decision also comes from stress, unsuccessful attempts to stay in the market, and the fading belief in keeping the unit (Pauwels & Matthyssens, 1999). Increased stress can occur as a, sometimes inappropriate, reaction to a dynamic environment (Huff, Huff, & Thomas, 1992; Pauwels & Matthyssens, 1999). Even though, as mentioned above, a lot of factors are significant, most often one specific incident becomes the trigger which results in withdrawal. This is the next step in the withdrawal decision-making process. The fifth phase, the confrontation at the threshold, occurs when the exogenous stress reaches a point where the growing misfit becomes too large and finally, the company makes the decision to exit the market (Pauwels & Matthyssens, 1999).

The last phase, learning beyond the withdrawal, discusses how a market exit influences companies. For some companies, the withdrawal affects the whole organization and a new international strategy may be established, for example, a new type of entry mode may be used when entering new markets or all units may be evaluated. For others, the occurrence only concerns the specific unit. Nevertheless, it is further argued that in some way, the whole organization will still be affected by a withdrawal since the learning which comes from the withdrawal 'goes beyond the solution of the original problem' (Pauwels & Matthyssens, 1999, p. 29). This learning is often utilized in all international parts of the company and as a consequence, the company will most definitely increase its degree of internationalization. However, when increasing the commitment to the foreign market, the company will not automatically be successful because of the new experiences gained from previous foreign operations (Pauwels & Matthyssens, 1999). It may lead to the opposite of improvement due to 'project, psychological, social, organizational, and contextual determinants' (Drummond 1994; Pauwels & Matthyssens, 1999, p. 13; Ross and Staw 1993).

4. Conceptualization

In this section, a primary version of our model will be presented. To begin with, we will discuss and explain how the two models mentioned earlier have influenced us. Since not many case studies have been done concerning withdrawal nor models presented which try to explain this process, we have considered factors influencing the decision to internationalize and see if they could be utilized in a reverse model. Thereafter, the model will be presented and explained.

4.1. The models' interference

The model by Wiedersheim-Paul et al. (1978) and the six stage-process by Pauwels & Matthyssens (1999) discussed above have been developed specifically for export as the chosen mode of entry. However, we believe that these can be applied to other entry modes as well. If looking at Wiedersheim-Paul et al.'s model (1978), explained in the theoretical framework, but through the perspective of all the other entry modes explained earlier, we can see that the reasoning is relevant in these cases as well. Let us illustrate with an example of a Greenfield investment. It starts out with the company being exposed to stimuli, either internal, external or both, and thus the company notices an opportunity to expand internationally. For example, it could be through a change in the industry environment, new resources or knowledge that the company recently has acquired, or other reasons connected to internationalization as discussed in the theoretical framework. Depending on the firm environment, possible entry barriers, the characteristics of the decision-maker(s) and of the firm, these attention-evokers could lead to pre-internationalization activities and a decision-making process, including information and market seeking, financial investigations, analyzing the possibilities of the project, et cetera. If the company sees a great potential in the foreign project, the decision is finalized and the implementation process begins. So to conclude, in our opinion, none of the above mentioned factors or exposure to stimuli are solely connected to export. However, the internal and external stimuli differ depending on the type of industry, what kind of product(s) and/or service(s) it offers along with the characteristics of the decision-maker(s), et cetera. Thus, the stimuli can affect a company to, for example, choose to make a Greenfield investment rather than entering through export. The company may have a contact in another country whom is about to sell off some land on which the company could establish its office or build a production site, et cetera. Therefore, we have used the model by Wiedersheim-Paul et al. (1978) as guidance when constructing our own model dealing with

the reverse phenomenon, namely market exit. A great part of our reasoning concerning the decision-maker characteristics can be derived from Wiedersheim-Paul et al.'s model and regarding increased commitment as a common first step from the six-staged process model by Pauwels and Matthyssens (1999). The distinction between our model and the model of Pauwels and Matthyssens can be perceived as small. However, compared to their model, we have incorporated all entry modes and focused more on the withdrawal decision-making process rather than on the stress factor and learning process of the withdrawal.

4.2. Internal and external stimuli

As mentioned previously in the theoretical framework, there are a lot of factors, both internal and external, which influence and affect a company in a way that could lead to a withdrawal from a foreign market. Internal stimuli can be derived from several parts within the firm. Losing control and coordination of business units can obstruct the ability to achieve synergies leading to complications, difficulties and higher costs. Having a complicated organizational structure, or a change of structure, can lead to inertia, confusion, duplication of work, et cetera, within the organization, which can stimulate some kind of change. The corporate culture is also an important aspect. Firms availing themselves to M&As face difficulties, not only when implementing and combining the two companies' resources and organizational structures, but also regarding the culture, especially if the companies originate from different domestic countries. Then the firm has to deal with double-layered acculturation, as mentioned previously, and different routines and ways of conducting business. Also, ethnocentric behavior can be problematic. Furthermore, factors such as the resources (both tangible and intangible) within the company, a change of strategy and/or goals, losing valuable human capital (including knowledge and personal experiences), the company's history, et cetera, can evoke attention which may lead to a change within the company and ultimately to the initiation of a withdrawal decision-making process.

External stimuli can be the implementation of new laws, rules and regulations in a country, region, industry, et cetera, which can prevent the company from conducting business in the specific country. Changes of industry standards, which they cannot live up to at the moment, can increase the costs and complicate the firm's way of doing business in case they need to change some of their processes in order to meet the new industry standards. One of the most common external stimuli is decreasing demand and profit. Also, the environment, competition and characteristics of the industry are dynamic and may change. Furthermore, increasing

transportation costs and prices of raw materials, currency fluctuations, natural disasters, the loss of valuable contacts and resources, et cetera, are examples of external stimuli.

4.3. The withdrawal decision-making process model

Beneath, we will present and explain the model we have created which describes the withdrawal decision-making process.

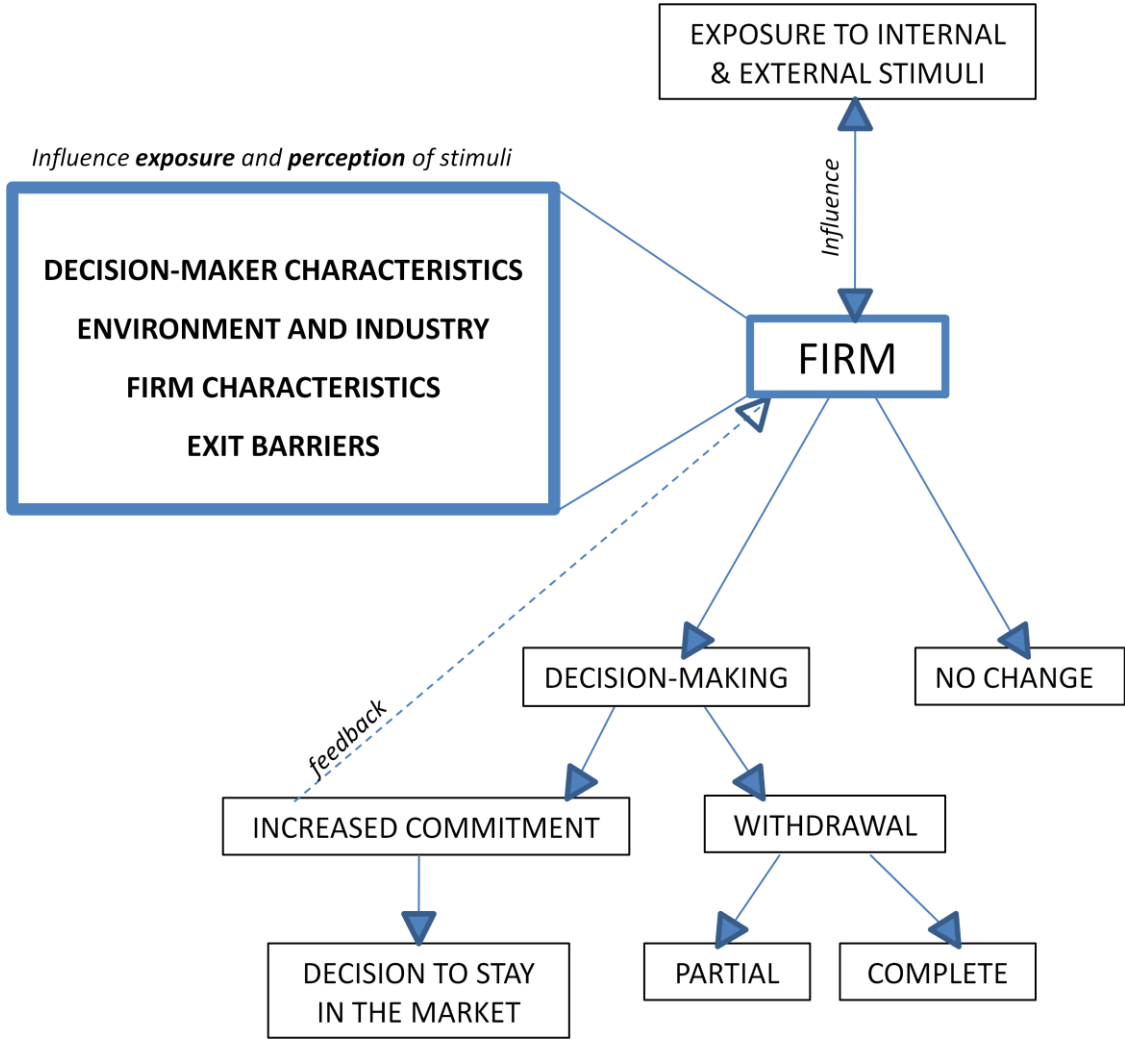


Figure 3. The withdrawal decision-making process. A pre-model.

The withdrawal process begins with some kind of exposure to stimuli. Being a company in an international environment implies being more exposed to stimuli factors, changes and dynamics, than if only operating domestically. All of the above-mentioned internal and

external stimuli factors influences the firm and can trigger the company's need to change something. Within the firm, there are four main factors: decision-maker characteristics, environment and industry, firm characteristics, and exit barriers. These factors influence how the stimuli are perceived and conversely, have an impact on what stimuli the firm is exposed to. This is what the bidirectional 'influence arrow' between 'exposure to stimuli' and 'firm' describes. These four parts of the firm will be described further below.

4.3.1. Decision-maker characteristics

Each person is unique and perceives things differently. Depending on how well-informed the decision-maker is regarding the company and company related features (such as the industry environment) and in which manner he/she filters information, the stimuli influences him/her differently. Further, the decision made is influenced by the willingness of the persons involved in the decision-making process to take risks. Having an international mindset and membership in industry organizations is another important aspect, since the exposure to stimuli increases. Also, past history and experiences of the decision-maker(s), contacts from previous projects, personal characteristics, background, values, ways of thinking, et cetera, form the decision-maker(s). If the decision-maker(s) keeps himself/herself updated, is proficient in analyzing the business environment and also quick at making decision, the stimuli may lead to a quick withdrawal. If being too analytical and if postponing the decision-making, the company might be negatively affected and/or miss out on great opportunities. Companies can benefit from having diligent personnel who can compile reports and collect data in order to facilitate for the decision-maker(s). However, it is important to be aware of the fact that each person has a filter, as discussed earlier, through which the information goes, and this can lead to the sifting out of important information/stimulus. Also, a company has to make sure that the decision-maker(s) is well aware of the company's goals and requirements in order not to jeopardize the future of the company.

4.3.2. Environment and industry

The environment in which the company exists in affects the kind of stimuli factors the company is exposed to. As mentioned previously, political decisions and natural disasters are examples of environmental factors which can have an effect on the company, depending on its location. Also, the industry in which the firm operates in has an impact on the exposure to and perception of internal and external stimuli factors. For example, the clothing industry is not affected by exactly the same stimuli factors as the newspaper industry.

4.3.3. Firm characteristics

The firm characteristics are individual and specific for each firm. They involve the way in which a company organizes itself, including both horizontal and vertical differentiation, as well as integrative mechanisms such as formal and informal networks. This has an impact on the firm, for example, how easily the decisions are made. The type of organizational structure influences the level of inertia within the organization together with the company's way of doing business. Its history and organizational culture do also have an impact on how the stimuli influence the company and how it is perceived. Additionally, the goals, vision and strategies set up by the company are part of the firm characteristics. With a smooth organization, the withdrawal decision-making process is facilitated.

4.3.4. Exit barriers

During the decision-making process, discussing whether or not to withdraw from a market, exit barriers, which were discussed earlier, can be one of the reasons why companies decide to maintain their activities. If leaving the market is complicated and prevented by expensive and/or long processes, the firm might re-think its decision and try to steer up the business operations in order to avoid this. The barriers to exit can also exist at a level too high for the company to even consider withdrawing.

4.3.5. Decision-making

Being exposed to stimuli either affects the company or not. This depends on the box named 'firm' in the model, presented in the section above. If the stimuli influence the firm, there are two outcomes. Sometimes, the stimuli factors which reach the firm and the decision-makers within it lead to no change. The perception of the stimuli may be that the organization can continue on as before and does not have to take the factors into consideration. Hence, the firm will choose 'no change'. However, the stimuli (e.g. bad sales) can lead to some kind of change within the company and the firm will initiate some kind of activity. The decision-making starts in this stage. The firm either decides to commit more to the market and the specific business unit, or it decides to withdraw from the foreign market. As discussed earlier, this could be a partial or a full withdrawal.

Usually, companies first try to solve the problem and improve the situation through increased commitment. This mindset can be explained by several variables. If the firm already has

poured a lot of resources, time and hard work into the specific project, it might (at the time) be more valuable for the company to try and improve the current situation of the unit. There can also be personal reasons as to why a company chooses to stay in the specific market. Entering the phase of increased commitment implies some kind of change for the company. This change can be the implementation of a new strategy, changing the company portfolio, increased marketing, modification of its product offering and/or products in order to boost sales and increase the demand, re-organizing the corporate structure, et cetera. After initiating this action, feedback regarding the results of the change will be sent back to the company, as the 'feedback arrow' illustrates, and an evaluation of the increased commitment will be made. Depending on the effect of the decision to commit further, the company either decides to stay or to withdraw. If the increased commitment has given desirable results, the company will choose to stay in the market. If not, it has to make a new decision whether to try a new option, i.e. to increase the commitment further through the same line of action or a new one, or to exit the market. The process of making several attempts to save the unit through increasing the commitment can be repeated several times but eventually, the firm will make the final decision which ends the withdrawal decision-making process.

5. Case studies

In the following section, the case studies that have been conducted will be presented. The two companies that have been examined are Metro AB and Filippa K AB. They are both Swedish companies with a widespread presence in Europe. Since both were established in the mid-/late 90's, they have experienced almost a similar world economy environment during their existence.

The following data has, if no other secondary source is mentioned, been collected from the interviews with the respective manager from each company.

5.1. Metro

Metro is a free daily newspaper which publishes 62 editions available in 127 cities located in 20 countries worldwide (Metro¹, 2010). The newspaper, which is published in 15 languages, reaches about 17 million readers per day and over 37 million readers every week (Metro¹, 2009). The company employs about 400 journalists all over the world (Metro², 2010). Metro started its journey in 1995 in Stockholm, Sweden, (Metro³, 2010) as the first free daily

newspaper in the world (Metro⁴, 2010). The very first Metro newspaper was published in January 1995 (Metro², 2009). Out of 193 free daily newspapers in the world today, Metro is the world leader (Metro¹, 2010). In Sweden the newspaper is distributed in the three biggest cities: Stockholm, Gothenburg and Malmö, and their suburbs (Metro³, 2010).

The company's main target audience is young urban people, i.e. metropolitans, in big cities all over the world. The original idea is to give the readers easy access to the daily news flow (Metro⁴, 2010). The average time it takes to read the newspaper is about 20 minutes and by making short and interesting articles covering all kinds of subjects, there is something for every reader, which enables the company to attract many readers. These qualities, together with the free-of-charge format and the easy access to the newspaper, characterize Metro's success factors. In order to reach as many urban readers as possible, it is important to establish contracts with distribution channels in the city such as the rights to distribute the newspaper in the subway, tram, train and bus stations, in city areas, et cetera. Since Metro is a free newspaper, it receives the majority of its income from advertisements. Hence, attracting these is crucial for its survival. About 43 per cent of those who read Metro read all or the majority of the newspaper. This implicates that there is a good chance that the readers spot all the ads in the newspaper, thus making Metro an attractive medium for companies' marketing campaigns.

5.1.1. The interviewee and his/her background

The interviewed manager has worked for the company since 2008 and has previously worked in two other companies with a history of both internationalization and de-internationalization. The experience concerns acquiring or selling companies as a way to expand the business, and a strategic withdrawal due to unattained synergies.

5.1.2. The internationalization of Metro and the motives behind

Metro began its international journey in July 1997 by entering the Czech Republic, Prague, followed by Hungary, Budapest, in 1998. In 1999, Metro took the internationalization to the next level, increasing the number of markets it was present in, and at that time, Metro was distributed in the three biggest cities in Sweden. The company continued expanding with a rapid pace the following years. In 2000, Metro moved outside Europe and launched its newspaper in both South and North America. The next continent it entered was Asia, which was penetrated in 2002. By 2009, Metro had a daily newspaper circulation of 7 740 000

copies (Metro², 2009). The reasons for the internationalization were many, but there were two main motives. The first one was to experience first mover advantages. Metro realized that the business model, established in 1995, performed well in Sweden and therefore the company wanted to take advantage of that and gain market shares before new companies were created or entered the same markets as Metro. The company discovered quite fast a potential to distribute the free newspaper in the subway in the Czech Republic and the Netherlands. At the same time, Metro used synergy effects such as mutual content to a certain degree, shared logistics and sales. By doing this, the company could realize economies of scale, and these synergy effects are still used by the company. Metro's rapid expansion can be explained by these two main motives.

In 2008, Metro established a new corporate strategy which implied the continuation of growth in Asia, Latin America and Russia. With regard to Europe and the Western world, the company wants to consolidate through acquiring, merge with or sell to competitors. Hence, Metro has a clear strategy, also in terms of geographical areas.

5.1.3. The chosen entry mode

When entering new markets, Metro has used different types of entry mode strategies: wholly owned subsidiaries (in Sweden, Holland, and Hong Kong), franchising, strategic alliances (for example, in Guatemala, Ecuador and Brazil) and Master franchising (minority stake in the franchisee's company). By utilizing these types of entry modes, Metro has chosen to commit to the market in different degrees, both high and low.

In some markets the ownership has changed since the time of the establishment. In most cases, the company has decreased the degree of commitment foremost due to financial reasons. Additionally, Metro has realized the importance of co-operations with local media partners when going into new markets, for example, when entering markets in Latin America. The local culture, environment, consumers, legal systems, et cetera, can be difficult to understand and adapt to. A local partner can provide the assistance needed when launching the newspaper in these markets. Metro has used local media partners when they entered, for example, Guatemala and Brazil. The knowledge from these operations has been used during further expansion in other markets.

5.1.4. Exited markets

In spite of Metro's international expansion and success worldwide, the company has 'exited' a number of markets during the 21st century, but in most of them, the company's presence remains in other ways, such as for example through franchising.

Since 2002, the Metro has exited Argentina, Poland, Croatia, Italy, Portugal, the U.S., Greece and Spain. The motives behind entering these markets has been various, but overall, these markets were characterized by great potential and a large population, they were strategically important, and Metro had established contact with local media partners to co-operate with which displayed an interest in franchising. Also, the ability to provide advertisers the possibility to promote their product(s)/service(s) in geographical regions has motivated market entries. However, Metro decided to 'exit' these markets due to unexpected results and financial performance, changes in the country/industry/environment, wanting to put resources in other areas of the world et cetera. Metro states that it was a strategic decision and that it wanted to focus on more value-adding activities. It did not believe that the market would become huge and affect the company's total result, and therefore, the unit was sold and resources were put elsewhere.

The company is still present in the de-internationalized markets, except for Spain, mainly through franchising or Master franchising. The withdrawal from Spain was a setback strategically, but this was not the case with the other markets Metro has exited. When Metro realized that its wholly-owned business units were not financially profitable for the company, it searched for partners that wanted to initiate a franchise agreement. In some of the cases, when realizing the franchisee agreement, Metro also bought stakes in the franchisee's company. By buying minority stakes Metro could increase the level of control of the franchisee.

5.1.6. The case of Spain

The Spanish market has been a special case for Metro due to several reasons which will be elaborated on in the next section. The newspaper made a full withdrawal and is no longer present in the market. Therefore, the focus in the interview and in this case study of Metro is put on this specific market.

In March 2001, Metro decided to enter the Spanish market (Metro, 2001). Spain was a strategically important market for Metro because the company saw a huge potential in the country due to its size and location in Europe and it was at the time characterized by a large advertising market. Thanks to the activities Metro had in Latin America, it could take advantage of synergy effects regarding the language. It entered the market autonomously through a wholly owned subsidiary and had no local partner. The first city chosen was Barcelona. When Metro entered the Spanish market, there were only few other competitors. Quite quickly, the competition grew and several new competitors were established in the same market. In order to increase the foothold, Metro started to expand geographically and eventually, the free newspaper was distributed in eight cities in Spain.

The company avails itself of weekly controls concerning sales, financial performance, et cetera, for each market. Therefore, it could early detect changes that occurred in the Spanish market. During the beginning of 2008, the advertising market started to shrink. Metro then made some minor decisions and changes in the organization as a response to the situation. The commitment to the Spanish market initially increased. Several different changes were tested and executed but none provided the result the company wanted. Organizational changes were made, the local managing director was replaced, the local content decreased or derated which resulted in that employees were removed, and the web page was remade to boost the amount of readers and advertisers. All this was made in order to cut costs and remain present and competitive in the market. Metro was aware of the tough competition and it had to react to the dynamic environment of the host country. During the last six months of 2008, the company started to discuss a potential consolidation. But since it was not amongst the two largest companies which attracted the most readers in the market, it had difficulties in initiating an M&A strategy and the discussion did not lead anywhere. During 2008, there were no thoughts of leaving the market, but when the company faced the declining trend in 2009 leaving became an option. In January 2009, the advertising market in Spain had decreased by 50 per cent compared to the previous year. Hence, a circulation war, in which the companies fought for the highest edition and to be distributed in the most cities, seemed imminent and finally broke out between the free daily newspaper companies. Metro chose to stay out of the ensuing circulation war since it would cost the company too much. Consequently, the company lost readers and since the tolerance level regarding losses was low, a discussion about a possible market exit was initiated between management and the board. After some discussions, Metro decided to exit the Spanish market. This occurred in

January 2009. According to a manager in the company, the non-participation in the circulation war was what forced the decision to withdraw. When asking what the main motive for the withdrawal was, the manager explains that ‘In the particular case of Spain, and in many other cases, it has purely been a financial decision’ (interviewed manager, 20 April 2011). In principle, there was no other reason or motive behind the withdrawal. The company plainly saw that the subsidiary would not be profitable when facing the changes in the advertising market.

The decision-making process within Metro involved quite a few people. The decision was made collectively by the board, the President, the financial manager and the European manager. The local manager in Spain was not involved. No other attempts were made to withdraw from the Spanish market earlier. The company did not experience nor was affected by any exit barriers. However, the manager states that it is always hard to leave a market. The company feels it has a responsibility towards its employees, suppliers, and other partners. Only in Argentina was the company declared bankrupt. Metro has made it a principle not to let it go that far as in the case of Argentina, but instead to close the unit(s) and still pay redundancy payment to all employees and fulfill or solve other contracts the company has committed itself to. Metro had large contracts regarding print and distribution with suppliers in Spain, but after they were dissolved it was quite easy to exit the market. Also, the negotiations with the union can take long a time and be complicated, but for Metro it turned out well and the outcome was, under the circumstances, good. The contracts, et cetera, have not been an exit barrier but, of course, it has had an impact on the company and made it more difficult to withdraw. When asking if the company would have done anything different if they were put in the same situation today, the manager states that Metro would still not have taken part in the circulation war. It would have required too many financial resources from the company. But one thing they would have done differently concerns the M&A discussion. These would have been initiated earlier.

Metro’s international operations and activities have provided the company with a lot of experience and knowledge. With regard to the Spanish market, the manager explains that the company has gained valuable knowledge from the de-internationalization process. As mentioned above, Metro now knows that the discussions concerning a possible M&A should have been started earlier. Further, the withdrawal from Spain has given Metro an increased comprehension of which risk factors to take into consideration when closing or selling a unit

or subsidiary. The manager says that this can be used if the same or a similar situation occurs in the future. Additional knowledge from the process is an insight into which key contracts are the most difficult to solve, what problems can arise concerning the employees, et cetera. The company is also more prepared for possible PR risks. When leaving the Spanish market, Metro was prepared for negative press but the withdrawal did not cause any huge headlines which surprised the company.

The manager states that Metro's choice of entry mode in Spain probably had an impact on the withdrawal. Metro has noticed that a local media partner or media investor often is very helpful and supportive, but, of course, it depends on the partner. The manager believes that if Metro had chosen to enter the Spanish market through a partner, and not a Greenfield investment, the outcome could have been different. The circulation war was costly for the other companies too, and compared to its competitors in Spain, Metro had the least losses.

Regarding the decision to withdraw, and the reactions that followed within the company, the manager says that:

'Yes, amongst those who made the decision, they all agreed. The local manager wanted to continue to participate in the circulation war and find other solutions. At headquarters level, it was more about when to withdraw rather than if the company should withdraw from Spain. It was nothing we had planned for far in advance, but as we neared January 2009, it became clearer.'

(interviewed manager, 20 April 2011).

Locally, Metro knew it had big problems and that a change was needed. But still, the local unit was surprised over the decision to close the unit and of how fast the process went.

Metro's current strategy is to focus on Asia, Russia and Latin America. It is in these markets that the company wants to put its resources.

5.2. Filippa K

Filippa K is a Swedish fashion brand established in 1993 by Filippa Knutson and Patrik Kihlberg. The company's core values, which are reflected in the entire brand, are *style*, *simplicity* and *quality*. Further, Filippa K strives to create timeless and fashionable clothes at an attractive price (Filippa K¹, 2010). The clothes are sold both in hand-picked specialty stores and in large department stores. Filippa K has also, in cooperation with Rörstrands,

created porcelain products which are sold online and in stores where Rörstrands' products can be found (Filippa K¹, 2011).

5.2.1. The interviewee and his/her background

The interviewed manager has worked with Filippa K for the past two years. Earlier in the career, the manager was the vice president of a smaller clothing company and worked six years for another clothing company in a position similar to the current one. In the previous work places, the manager has experienced both internationalization and withdrawal. In the case of the smaller clothing company, the withdrawal was forced due to problems with the payments from foreign customers and companies, together with diminishing. These experiences have contributed to increasing the manager's knowledge in this area.

5.2.2. The internationalization of Filippa K

One year after its creation, the company started to internationalize by being represented via agencies in the neighboring countries Denmark and Norway. In 1997, Filippa K opened its first wholly owned stores in Stockholm and Oslo, followed by an opening in Copenhagen the year after. During the beginning of the 21st century, the company continued to grow steadily, opening more stores and increasing its market presence in Europe. The company focused on expanding to neighboring countries, such as Holland, Belgium, Germany and Switzerland. Seeking further markets and opportunities, the company set its eyes on Canada and the U.S., where it secured distribution in 2003, and in November 2008, Filippa K opened up a flagship store in San Francisco (Filippa K¹, 2010).

Currently, Filippa K has 48 brand stores and 25 Filippa K shop-in-shop stores located in 19 markets of which the majority is situated in Europe. The company is also represented by over 650 retailers worldwide, such as Selfridges in the UK (Filippa K², 2010), and has suppliers mainly in Europe and China, but also in Portugal, Italy and Turkey (as of 2008) (Filippa K³, 2010). Filippa K's head office is located in Stockholm with representation of all divisions. The company also has offices in Norway, Denmark, Germany and Holland (Filippa K², 2010).

Two years ago, the company implemented a new strategy; it wants to focus on the markets in which it has a strong presence, mainly in Scandinavia but also in other parts of Europe.

Therefore, Filippa K allocates its resources to these areas. The company prefers being big in smaller areas and therefore puts a lot of energy into these markets.

5.2.3. The chosen entry mode

Before deciding to enter a new foreign market, the company wants to be well prepared regarding aspects such as market knowledge, resources, et cetera. During its international expansion, Filippa K has been consistent in its entry mode strategy, namely entering new markets through agents. This mode of entry contains a low degree of commitment. After being assisted by the agent, the company possesses knowledge of the market and it has gained market shares and analyzed the market's potential. Therefore, the company opens up its own stores in the market, i.e. it increases the degree of commitment to the market. By working with agents, the company can gain fast market access and take advantage of some of the knowledge possessed by the agent(s).

5.2.4. The motives behind Filippa K's internationalization

There have been several reasons behind Filippa K's decision to enter foreign markets. After a few years of building the brand in Sweden, more and more people came in contact with Filippa K's clothes and as a result, the brand awareness increased. From then on, as mentioned previously, the company started to internationalize by establishing itself in the neighboring countries, which is in line with the Uppsala model (by Johanson & Vahlne, 1977). Through analyzing the company's performance and its position on the current markets, it discovered new opportunities and markets to enter. The search for and the establishment on new markets, was also made in order to be able to reach economies of scale and scope and increase the company's profitability. Also, new opportunities and contacts were found on exhibitions. Further reasons as to why Filippa K entered the markets selected are that the company had found good agents to cooperate with and the company has continued with this type of entry mode due to the great success.

5.2.6. The US market

In 2008, Filippa K decided to enter the American market. The reasoning behind this decision was that the company saw the great potential the large market provided, and that it had discussions with a distributor who saw the same possibilities. Filippa K had a long-term vision regarding the American market. It did not just want to try and see if it could succeed

and hope for the best. In general, the company does not enter a market if it does not believe it has a chance to establish the brand properly. However, in November 2010, Filippa K decided to discontinue its activities in the U.S.

The first step in the withdrawal decision-making process in the American market was the change of strategy within the company, i.e. internal stimuli. As mentioned above, the new strategy implicated focusing on markets where Filippa K had a strong position. The American market did not fit that strategy at the moment. The market required a lot of adjustments of the products in order to be able to export to the U.S., such as extra product modifications, labeling, customs, VAT, declaration of contents, et cetera, which of course would imply a cost for the company. Moreover, the distributor lacked resources. A dialogue was initiated with the company's distributor in the USA, in which they discussed the possibilities for the company in the American market and the perception of the brand. They analyzed the appearance of the market at that point and conversed about the positioning of the company in the future and what kind of vision they had. Further, they discussed what kind of options the company had on the American market. Not many people from the organization took part in the decision-making process. It was mainly the sales director who was involved.

Approximately six months prior to the withdrawal, in November 2010, the company decided to discontinue selling its clothing collections in the U.S. after the spring collection 2011. The last products were delivered during spring 2011, since it has to be ordered six months in advance. Additionally, it requires a lot of resources to be an established brand in the U.S. and it takes time. In order to be a strong brand in the American market, the turnover only in the U.S. would have to be the same as the company currently has for all of its business operations. This, however, would be too high a cost for the company and hence, it realized that it was not worth it. Consequently, the withdrawal was motivated by the market specific requirements and the implementation of the new company strategy in which it wanted to focus on other markets. According to the manager, Filippa K 'wanted to focus on areas in which we are strong' (interviewed manager, 18 April 2011). In this case, 'The timing was just not right' (interviewed manager, 18 April 2011). The sales director made the decision and gained approval from the Vice President, and even though the distributor wanted the company to stay in the market, the exit was realized. Filippa K has not withdrawn from other markets than the American, but it has re-organized itself in other markets within which it is present.

The manager states that the company would have made the same decision if put in the same position today and that it was a natural and non-dramatic decision. The withdrawal was not complex and the withdrawal decision-making process was not long. Instead, it went by reasonably quickly and it was easy for the company to close down its operations. Filippa K did not try to withdraw from the U.S. prior to the market exit. The company did not experience any barriers to exit that complicated the withdrawal, but, of course, customers wanted it to stay. The manager states that it is better to withdraw from a market before too much time, energy and resources have been spent without receiving the expected results. Also, the manager argues, it is better to investigate what kind of options you have and see what they can lead to and then make a decision about what to do.

The firm felt it had made the right decision. The manager states:

'Everyone in the company was on board with the decision, but, of course, there were emotional aspects as well. We felt a certain sense of defeat. All companies want to stay and succeed, but at the same time, everyone realized that it was the best for the company.' (Interviewed manager, 18 April 2011).

The United States is a country in which it can be difficult to succeed, at least in this industry. Filippa K was well aware of this fact when it entered that market.

The company has, just as Metro, remained in contact with the distributor and other contacts. When exiting the American market, Filippa K did not experience any huge media attention, and the withdrawal has not been that harmful for the company. The manager states that at the moment, there are other companies in the market which are making the same mistakes as Filippa K made, and this further confirms that it made the right decision.

In the near future, the company wants to focus on the markets within which it has a strong presence. It requires a lot of time and engagement to enter a market and the company wants to have a clearly structured strategy of what it wants to achieve and be financially ready before entering new markets. The manager claims that the internationalization process of Filippa K has occurred in a pace that was too fast for the company. Today, it turns down interesting projects in order to be able to focus on the markets in which the company already exists. For example, Filippa K is currently opening new stores in Sweden.

6. Analysis

In the analysis, we are going to apply our model to the cases and examine the results. Thereafter, we will discuss our findings.

When applying our model to the case studies we can distinguish several similarities between the behavior of the companies and the withdrawal decision-making process described in our model. In the case study about Metro, our main focus was put on the withdrawal from the Spanish market since it is the only market from which the company has fully withdrawn. The stimulus in this case was a change in the Spanish advertisement market, i.e. external stimuli together with the overall financial mindset of Metro, i.e. internal stimuli. Filippa K also experienced both external and internal stimuli. The internal stimulus was the change of the company's overall strategy. It wanted to enhance its market presence in the countries in which it was already established, especially in Scandinavia and Europe. This, together with the external stimuli of the market specific requirements of exporting products to the U.S., started a withdrawal decision-making process within the company.

The four factors within the 'firm' in the model influence the perception of the stimuli. Metro spotted the changes rather quickly, due to the managers' characteristics together with the weekly reports. As mentioned, the decision-makers within Metro's organization have previous experience from internationalization and withdrawal which affects the decision-makers attentiveness and perception of internal and external stimuli. Further, the media industry, in which Metro is operating in, is an ever changing industry where you have to be alert. Since the company is the world's biggest newspaper and wants to expand, it has its ears and eyes open. This is an important factor in order to be successful in international business. In Filippa K's case, the manager also had previous experience of de-internationalization. He was also involved in the creation of the new company strategy, which influenced the decision to withdraw from the U.S. market. The clothing industry is also an industry in which it is important to follow and/or set trends in order to increase the brand awareness and the demand for the company's products. Also, none of the companies experienced exit barriers which affected the decision to withdraw.

Both Filippa K and Metro acted as response to the stimuli. Hence, the process of change started within the company moving on to the 'decision-making' stage in our model. Now, the

companies needed to make a decision whether to increase their commitment to the respective markets or to withdraw. Filippa K initiated discussions with the distributor, who wanted the company to stay, but the company chose not to increase its commitment to the American market due to the choice of strategy and the market specific requirements. Behind these factors, there was also a financial perspective. In order to stay in the market, the company would have had to conform to the requirements which consequently implied a huge investment and allocation of resources to the market. Therefore, the company decided to not even try to stay in the market through increased commitment, but instead chose to withdraw from the U.S. For Metro, the diminishing advertising market led to the initiation of a discussion and change-process within the company at this stage. As described in the case study, the company implemented minor organizational changes and discussions of M&A, but none resulted in a satisfying outcome. Consequently, the company chose to increase its commitment to the Spanish market when spotting a negative trend in the Spanish advertising market, trying to remain in the market. Metro re-entered the decision-making stage several times after each attempt to increase its commitment and stay competitive. However, since none of Metro's attempts to remain in the market worked out, the company finally decided fully to withdraw.

When it comes to Metro's experiences from other foreign markets, we can spot the same behavior. After being exposed to some kind of stimuli, in most cases external, a decision-making process was initiated. This process led to some kind of change within the company or the particular business unit. For Metro, this whole withdrawal decision-making process appears to have been quite easy. This may be due to the fact that the company previously has experienced withdrawal prior to the withdrawal from the Spanish market. Thereby, the company has acquired valuable knowledge of how to react to the attention evoking factors and has experienced managers and decision-makers within the company.

Metro is a company with an overall financial mind-set which also may have an influence. The company has tried out several markets during its existence and if its business operations in a certain market have not met expectations and/or goals, Metro has made the decision to divest. Therefore, a withdrawal appears to be a less sensitive matter for Metro than for Filippa K. We get the impression that Metro has a view leaning more towards 'trial and error', whereas Filippa K has a more slow and careful approach. As mentioned previously, Metro is still present on all markets it has entered except for Spain, but Filippa K is not present in the U.S.

market. Further, none of the companies were greatly negatively affected or damaged by their market exits.

Additionally, as mentioned previously, depending on the chosen mode of entry, the company's presence and commitment to the market can be perceived in different ways. Metro has chosen to enter several markets through Greenfield investments, which requires a lot of financial resources and is associated with higher risk. Thereby, Metro chose to commit to the market to a great extent. Metro later changed its establishment in some markets by discontinuing its wholly owned subsidiaries and instead found local media partners to initiate franchise agreements with and in some cases also held a minority share in the franchisee company. With regard to the case of the Spanish market, it was more difficult for Metro to exit due to its commitment to the market compared to if the company had utilized another entry mode. The company had local staff members that was affected by the decision, contracts with print and distribution and the like, which it had to resolve before withdrawing. Filippa K entered the U.S. market through export via an intermediary, which is the entry mode characterized by the least amount of commitment. However, the company did want to fully engage to the market and establish the brand on the market. Later on, Filippa K opened up a flagship store in San Francisco, further committing to the market and increasing its presence. But still, the investment was rather small in comparison and when deciding to withdraw, the process was rather easy, according to the interviewed manager.

6.1. Modification of our model

After conducting the case studies and applying the model to these, we realized that some of the reasoning did not comply with reality and that we had to re-think certain parts in order to cohere with the logic behind. Therefore we revisited it and four changes were made.

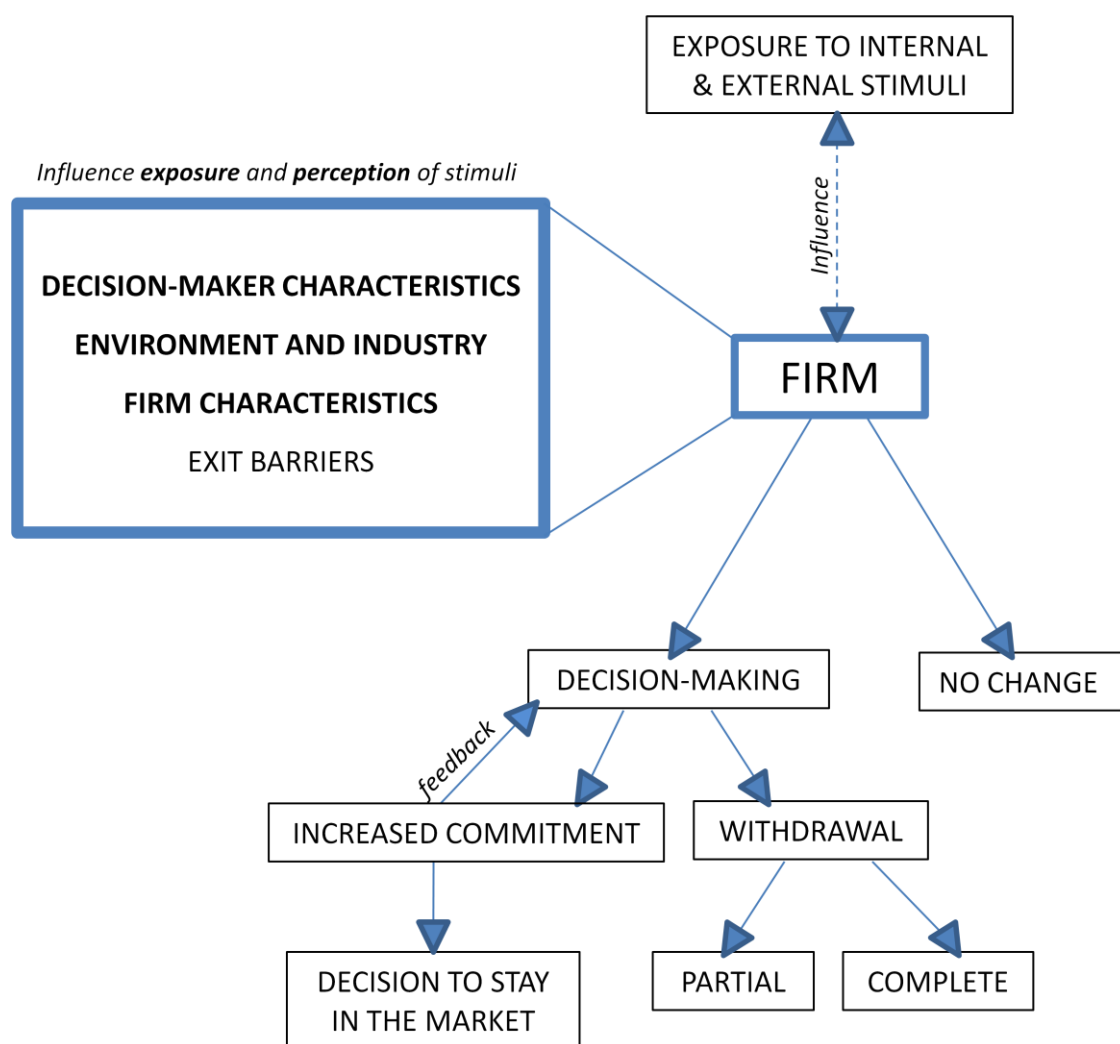


Figure 4. The Withdrawal decision-making process model. Final version.

a) Exit Barriers: Within the firm box, the exit barrier factor is no longer in bold base letters. In the revisited model, there are three main factors within the firm that influence the exposure and perception of stimuli. We do still believe that it is a factor that can be important in other company cases, but in this case, the exit barriers perceived by the companies did not affect their decision to withdraw from a foreign market. As mentioned in the theoretical framework, exit barriers could make a company increase commitment alternatively to stay a little longer than they would have otherwise. The companies felt that they had to withdraw irrespective of the existing exit barriers and the amount of resources invested in the operation. The financial losses would be greater by staying compared to the cost invoked by leaving. In the case of Metro, if it had joined the circulation war and continued its operations in Spain, the company's losses would have been larger. The established contracts with distributors and printers/printing were a barrier to exit, but these were solved relatively easily but, of course,

to some financial cost. Neither did Filippa K experience problems when exiting the American market.

In some cases, the perceived exit barriers can have a great impact on the withdrawal decision-making process, but in these two case studies, the few exit barriers that the companies encountered did not impede the decision to withdraw.

b) Feedback: We moved and changed the appearance of the ‘feedback arrow’. In the previous model, the arrow represented feedback containing the results from the actions taken when increasing the commitment. The ‘feedback arrow’ now points at the box ‘decision-making process’ instead of the box ‘firm’ since the four factors within the firm do not make the decision. To clarify, the decision is made *by* the company but it is *made* in the decision-making process.

c) Connection between increased commitment and withdrawal: We have removed the arrow between the boxes ‘increased commitment’ and ‘withdrawal’. This modification is connected to the change in b). The feedback provides the company with new information. Depending on the outcome of the initial actions of increased commitment, the company has to make a new decision.

Before the arrow was moved, the increased commitment could lead to either a withdrawal or to the situation that the company stayed in the market if the increased commitment had a satisfying outcome. However, if the increased commitment did not lead to a good outcome, the company only had the option to withdraw. In reality, the firm can choose to make further attempts to succeed in the market if the initial increased commitment action(s) does not work (‘feedback arrow’ → new decision). Therefore the arrow was removed.

d) The influence between the exposure of stimuli and the firm: Initially, the ‘influence arrow’ was complete like the rest of the arrows, indicating a decision in the withdrawal decision-making process. However, that is not the case with the ‘influence arrow’. It only displays the interchange between the boxes. The exposure to internal and external stimuli influences the ‘firm’ and conversely, the ‘firm’ influences in which way the stimuli affects the company and how they are perceived within the ‘firm’. The stimuli do not necessarily lead to the initiation of a withdrawal decision-making process.

After having modified our model, we believe that it displays a good description of companies' withdrawal decision-making process and can definitely be applied in the cases of Metro and Filippa K.

7. Conclusion

In this last section, we will summarize our findings and the most important parts from the analysis. Additionally, suggestions for further research related to this area will be presented.

7.1. Summary

The phenomenon of withdrawal is quite common, and more companies than expected have actually exited one or a number of markets. However, despite this relatively frequent occurrence, there is not much written about it. The lack of research in market exits, and particularly in the process leading to a withdrawal, gave us the idea to study this subject. Hence, the purpose of this thesis was to study what the withdrawal decision-making process of a company looks like. We wanted to make a thorough analysis of the factors influencing a firm to de-internationalize, the possible options, the decisions made, and the outcome.

7.2. Research conclusion

The research question has been answered through our model which explains the withdrawal decision-making process. We have found that the companies followed the reasoning and 'steps' in our model in their respective market exit process. Further, our model shows that it is internal and/or external stimuli factors that influence the company in a way that depend upon the four factors within the firm (decision-maker characteristics, environment and industry, firm characteristics, and exit barriers). Most often, the attention evokers lead to some kind of change within the company. A decision has to be made whether to increase the commitment to the market and perhaps remain present, or to withdraw from the market. Filippa K decided to directly exit the market, without any attempts to increase the commitment in order to stay. Metro, however, made several attempts to preserve its business unit in the specific market. And, as our model displays, these attempts to stay competitive in the market can be repeated frequently. Since the company did not succeed with any of the attempts, it finally decided to fully withdraw.

The model has been created based on scientific theory and the interviews with the two companies. The cases studies support the withdrawal decision-making process model and, as explained below, further research can certainly be made in order to further support our findings.

7.3. Further research

It would be very interesting to apply our model to more companies and see if it can explain their withdrawal decision-making process as well. Also, further research can be made by looking at larger companies, companies originating from other countries, operating in other areas of the world, et cetera. Additionally, the connection between internationalization and de-internationalization, i.e. how the chosen entry mode influence the way in which the company withdraw, can be examined more thoroughly.

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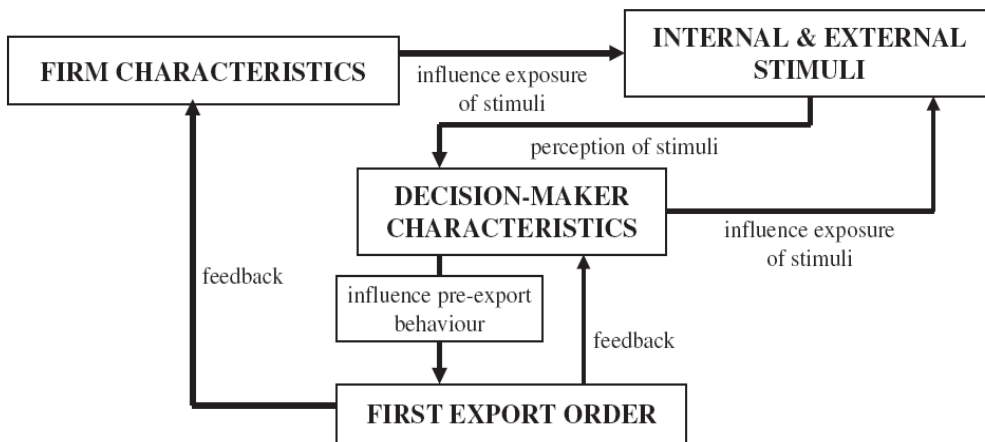
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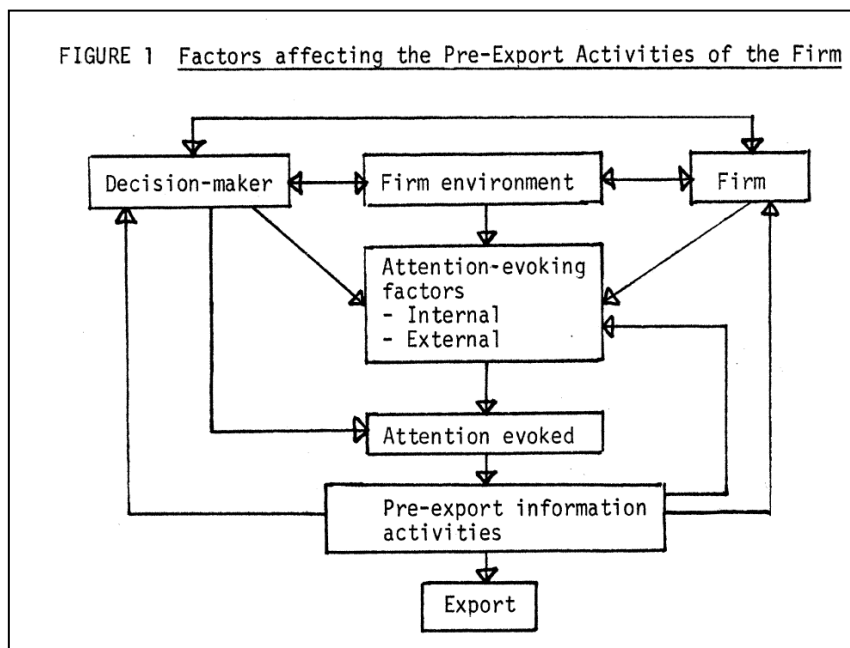
Appendix

Figure 1:



Source: Finn Wiedersheim-Paul, Hans C. Olson, Lawrence S. Welch. 1975. Working paper No. 10. Retrieved from Tan et al., 2007.

Figure 2:



Source: Finn Wiedersheim-Paul, Hans C. Olson, Lawrence S. Welch. 1978. Pre-Export Activity: The First Step in Internationalization.