Chapter 24
Explaining the Firm's De-Internationalization Process by Using Resource-Based View

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ABSTRACT

The main purpose of this chapter is to analyze why some firms fail in their international operation either right after their exposure or after a certain period of time. Resource-Based View (RBV), which deals with firms' competitive advantage and their superior performance, is used to predict the underlying reasons of firms' failure of internationalization process. In international marketing, RBV basically states that the firm internationally expands its territory when it decides to exploit its resources and capabilities in other markets. This chapter extends RBV literature by applying it to de-internationalization process of the firm. It also provides a framework that shows the actions that need to be taken when firms are faced with a failure in their international operation.

INTRODUCTION

Resource-based view (RBV) deals with the very fundamentals of the existence of organizations by analyzing the question of how companies can obtain and sustain their competitive advantage (Srivastava et al., 2001). In other words, RBV helps us explain and predict the foundation of firms' competitive advantages and their superior performances. The very basic idea of RBV puts forth that the specific resources and capabilities of a firm are its main sources regarding their competitive advantage (Barney et al., 2001 and 2011), both of which lead to a superior kind of performance. (Fahy & Smithee, 1999). RBV analyzes the firms through the resource point of view, rather than that of the product (Wernerfelt, 1984). In addition, it takes an "inside-out" approach where the main focus lies on the firm's dynamic (Dicksen, 1996) rather than its external market.

Although the term RBV was first coined by Bridger Wernerfelt in 1984 (Fahy & Smithee, 1999), the study of untraditional resources (labor, capital and land) goes back to Penrose's (1959) work concerning the theory of the growth of the firm (Wernerfelt, 1984). Dating back to early

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works of industrial economists (Fahy & Smithee, 1999), RBV has reached its maturity stage as a theory (Barney et al., 2011). It is widely used in the domain of strategy. In their study, Kozlenova et al. (2014) set froth that the use of RBV in marketing literature has increased more than five times in the past decade. They have also analyzed each RBV article in the marketing field and come up with three major domains, which are marketing strategy, marketing innovation as well as international marketing (Kozlenova et al., 2014).

RBV in international marketing basically states that a firm expands its territory internationally when it decides to exploit its resources and capabilities in other markets. MNE's choose to use their own distinctive resources through entering into new markets rather than resorting to leasing or licensing (Luo, 2001). Bloodgood et al. (1996) state that distinctive resources are the main factors playing a role in the internationalization of firms, in which firms with these resources have a greater chance of internationalization. However, existing international literature mainly focuses on the exploitation aspect of these resources and capabilities while failing to pay attention to the exploration aspect (Kozlenkova et al., 2014). Firms must acknowledge the dynamic nature of the market and the importance of the need to adapt and improve their existing resources (Kogut & Singh, 1988; Luo, 2001 and Prange & Verdier, 2011).

Although studies examining the success of the firm and the internationalization process of the firm by using RBV are available, studies on the failure of the firm and de-internationalization process seem to be limited in number. Simply saying that failure is the opposite of success would not prove to be adequate to explain the reason why firms fail or choose to de-internationalize. In literature, internationalization refers to the process where firm increases its level of involvement in its operation to other markets (Welch & Luostarinen, 1988), whereas de-internationalization refers to the process of 'any voluntary or forced actions that reduce a company's engagement in or exposure to current cross-border activities' (Benito & Welch, 1997, p.9). There is a lack of interest in the failure of the firm's internationalization process, which also refers to de-internationalization process (Boddewyn, 1983; Benito & Welch, 1997; Benito, 1997 and 2005; Mata & Portugal 2000; Matthyssens & Pauwels, 2000; Turcan, 2003 and Turner, 2012). Therefore, the main purpose of this article is to analyze why some firms fail in their international operation, either right after from their exposure or after a certain period of time. It will also provide a framework, which guidelines the actions that need to be taken whenever a firm faces a failure in its international operations.

BACKGROUND

Resource-Based View (RBV)

In their article, Fahy and Smithee (1999) provide a very detailed historical background of RBV. Since it is not a part of this article, only a brief summary of Fahy and Smithee's (1999) work about history of RBV is provided here. RBV originates from the early work of economics model of imperfect competition and the work of evolutionary economist. Early prominent contribution includes: (1) Chamberlin (1933) where he identifies some key intangible resources of firms such as technological know-how, reputation, brand awareness, patents and managerial skills and (2) Penrose's (1959) highly citied work of the theory of the growth of the firm where some of the untraditional resources (other than labor, capital and land) (Wernerfelt, 1984) are identified as well. The term RBV was first coined by Wernerfelt (1984) who analyzes the strategy of the firm by using a resource perspective rather than that of the product. In addition, it informs the reader about the wide scope of RBV (Wernerfelt, 1984).

RBV helps us explain and predict the foundation of firms' competitive advantages and their superior performance. The basic idea of RBV is

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