International Market Exit and Reentry: What are the links between foreign market exits and reentries?

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“ABSTRACT”

The following piece will highlight the correlations found between foreign market exits and reentries. The developed tables, figures and conceptual model will graphically display in details the stages a Multinational Corporation (MNC) would go through during the course of a market exit up until the reentry. Moreover, the paper will elaborate how many firms have failed to understand the magnitude of a well-executed market withdrawal. Furthermore, the paper will indicate the correlations found between underlying reason & quality of exit; quality of exit & ease of reentry, and “time out” & reentry.

Key words: international market reentry, underlying reasons for exit, quality of exit, ease of reentry
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1. Introduction
The continuously transforming global sphere and the current economic downturn have lead to unprecedented events. Many countries, economies and major Multinational Corporations (MNC’s) were hurt due to the magnitude of the turmoil. In several cases companies were forced to downsize, restructure or exit a market in order to eliminate further losses. Managers around the globe are starting to recognize that exit strategies are becoming a vital part of a MNC’s strategic planning process. There are several underlying reasons behind firms’ decisions to leave a foreign market. Market exits appear in response to unfavorable circumstances at the host environment (Porter, 1976). In today’s rapidly changing environment companies cannot afford a poorly executed market withdrawal as large profit potentials will be discarded and in such cases the MNC’s will face difficulties in the reentry process. Delayed market exits and damaged reputations could cause severe harm to the overall performance of firms operating in an international environment which means a deeper understanding of the subject needs to be emphasized. As Liebowitz & Margolis (2000) argues “history matters” and indeed a damaged reputation will not be ignored by foreign market participants. In making the choice of the next strategic move will not only depend on where the MNC is now but also where they have been before (Liebowitz & Margolis 2000). There is a potential link between market withdrawal and reentry and in many cases the quality of exit itself will influence: how the firm is judged; how much of the firm’s international heritage is retained; and the likelihood of the firm’s reentry (Welch & Welch 2009).

MNC’s today are focusing more in depth on their reentry strategies (Javalgi et al. 2010). The reason behind this is most likely because firms are realizing market opportunities and if they have previously been unsuccessful and left the market, some changes needs to be made in order to execute a successful reentry. Much of the international literature focuses on the link between first time entry and reentry, but our research paper would stress the importance of a well executed withdrawal which would ease the reentry process for the MNC. As Palmer (2004) argues that exit barriers are seen as entry barriers which means companies should direct significant attention to the fact that if a withdrawal was poorly executed there will be consequences in the reentry process. By leaving a market in a good quality manner the knowledge acquired and the networks
built would enable a faster take off after the potential return into the foreign market, especially if the market remained unchanged (Welch & Welch 2009)

Our study takes a direct approach to provide a more comprehensive understanding of the correlations between market exits and reentries. The current academic literature mainly focuses on foreign market entries, entry strategies and on how a firm could stay competitive in the foreign environment. The gradual learning model by Johanson and Vahlne (1977) is widely utilized and encounters as the basis of these international expansion strategies. Results from prior studies show that there is a potential link between market entries and the reentry processes of international firms. There are a handful of researchers who have indicated links between market entries and exits but what is less understood is that the strategies applied during the course of a market exit are highly connected to the reentry processes into the same foreign market.

Through our theoretical revisit section the research paper will provide further insights on the potential relationships and interconnectedness between each “steps” an MNC would go through during the period between a market exit and its reentry. Nevertheless, the paper recognizes the importance of time, reason for exit, quality of exit which would facilitate or damage the firms chance in case of a potential reentry.

2. Theoretical Revisit
The following part will build a theoretical background to support and enhance the importance of the topic undertaken.

2.1. Core drivers of Internationalization
Today’s turbulent and transforming global sphere has emerged opportunities for MNC’s to further intensify their operations in foreign environments. Falling trade barriers and knowledge utilization (Javalgi et al. 2010) had brought us to a high level of international
market entries among MNC’s. The gradual learning process model which was developed by Johanson and Vahlne in 1977 explains the increasing involvement of firms in foreign operations and constitutes to the understandings of different entry methods applied by MNC’s when entering international markets. By operating in the foreign environment firms will acquire market-specific knowledge which would gradually increase their commitment to the market (Johanson & Vahlne 1977) and highlight the underexploited potentials, (Johansson & Hadjikhani 1996). The initial entry mode into a new international environment could affect the overall performance of the MNC negatively, (Mata & Portugal 2000) because of barriers such as, psychic distance, political regulations and market knowledge. Internationalization is an interplay between commitment and knowledge development in the foreign environment, (Forsgren, Holm, Johanson 2005). Knowledge, experience, networks, market activities and resource commitment are all driving forces of internationalization, (Welch & Welch 2009) which will raise opportunities for firms to expand its business on a global scale. All firms must keep it in mind that in case of a market withdrawal all these aspects will be either positively or negatively affected. There are several underlying reasons such as foreign market uncertainty, risk, bounded rationality, opportunism and core assets which would drive the firm towards utilizing external actors. The more committed and embedded the firm becomes into the foreign environment the more careful their quality of exit has to be. The global market provides emerging opportunities for the MNC’s to be utilized (Javalgi et al. 2010) especially their firm-specific advantages, (Barry 2009). By keeping the possibility opened, through a well executed withdrawal, and to capture new and lower priced resources the MNCs would be able to reach their growth potentials, (Javalgi et al. 2010).

2.2. Underlying reasons for market exits
In today’s heterogeneous international business environment many organizations decide to leave foreign markets for several reasons. In the following section the underlying reasons for exits have been separated into three different categories which are Controllable, Controllable to some extent, and Forced or Uncontrollable. The reason why we have decided to divide it in such manner is because literature showed that when a decision is made to withdraw a foreign market the level of control
from the subsidiary's point of view, be as the type; mode; quality and available time for the exit, differs and should be grouped differently.

2.2.1 Controllable
Karakaya (2000) argues that competition is a major reason behind MNC's decision to withdraw from a market. As an argument he claims that if the firm cannot stay competitive with its closest rivals sooner or later the firm will lose market share which would eventually yield to market exit. When referring to competition most firms exploit price setting as the main competitive weapon where predatory pricing is a frequent strategy that is implemented by the management to take up price competition against its counterparts. This method involves lowering prices to an unreasonably low level in order to weaken the financial stability among its rivals or completely eliminate them from the market (Guiltinian & Gundlach 1996). Avlonitis (1983) highlights product failure or improper product design as an underlying reason why organizations decide to leave certain markets. Furthermore, Karakaya (2000) also states that organizations exit foreign markets to improve the overall financial stability of the firm or to survive holding on to further losses. As all financial, operational, marketing and controlling processes are in the hand of the firm a falsely implemented strategy is the underlying cause for losses and that is why it is considered as a controllable underlying factor for exit. Controllable exits could surface in cases where companies have no further incentive to stay in the foreign country and decides its time to move forward and withdraw.

2.2.2. Controllable To Some Extent
Dewitt (1993) underlines various other reasons for market exits such as increased foreign competition, corporate raiding and changes in consumer preferences. All these factors increase the pressure of top management to improve the firm's operations during a restructuring process of the company. Market decline in demand is another aspect that motivates firms to decide upon divesting products or leaving foreign markets. Restructuring and divestments of subsidiaries or product segments constitutes to a certain extent controllable but as these decisions would come from the headquarters the subsidiary has limited ability to influence meaning this group should be separated. For example, potentially the subsidiary no longer fits into the strategic perception of the firm; therefore, a strategic reorientation of the parent firm may occur. Another benefit is that there is always a trade off in corporate restructuring, or
otherwise the reforming process would never take place. Furthermore, reorganizations through acquisitions have been identified as means of profit according to Kaplan and Weisbach (1992), however there is no guaranteed success when purchasing another firm. In addition, Heather Barry (2009) argues that another reason behind firms deciding to leave a market is to respond to better opportunities for firm resources in other product and geographic markets. One can argue that lower-cost production and new market opportunities in foreign countries are likely to influence a firm's divestment or withdrawal from certain countries to exploit future opportunities in other markets.

### 2.2.3. “Forced” or Uncontrollable

There are several other underlying reasons for market exits which Dewitt (1993) also highlighted such as corporate raiding, government deregulation and wartime which can not be controlled by the firms. In scenarios as such the companies would exit in a less ordinary fashion but their incentive of staying is higher. Karakaya (2000) also argues that a “forced” exit as a strategic option is often caused by factors which are beyond the control of the management team. However, market exits are regularly identified with market failures but as Mata & Portugal (2000) states exits in many circumstances is the best decision for companies to respond to new opportunities which means that exits are not always complete failures. Moreover, in case of extreme market turbulence such as a war situation many firms decide to leave markets for employee safety reasons; however, Johansson and Hadjikhani (1996) undermines an interesting view of firms’ behavior in turbulent foreign market environments as they showed that some major MNC’s applied strategies called “sleeping relationships”. This business strategy means in a way they “faked” their exits but in reality remained continuously in business but with significantly less commitment put into the market.

Based on the aforementioned underlying reasons of market exits, the following propositions have been formed:

**Proposition 1.** There is a connection between underlying reasons of why an MNC exits a market and the quality of exit
Proposition 1.A. Companies with little or no incentive of remaining in the foreign market would have plenty of time to execute a withdrawal in a good quality manner

Proposition 1.B. Companies, who want to remain in the foreign market but were forced out, because of the lack of time, would commit a bad quality exit

2.3. Exit Barriers
As the previous part explained there are different underlying reasons for exit, but in case of a withdrawal there are more aspects to be considered such as the different exit barriers.

International business theories explain that MNC’s exit geographical markets for various reasons and several factors influence the actual withdrawal. These factors, according to Karakaya (2000), are exit barriers that can be defined as major aspects which influences organizations in a way to keep them operating at low profits or even at a loss. Based on the prior information, Porter (1976) concluded that the exit barriers usually result in a costly and timely method of attempting to turnaround the current operating strategies. A deeper understanding of the existing exit barriers should facilitate the process of managers being able to avoid delayed exits, (Porter 1976). He further highlights different exit barriers and has divided them into three main classes: Structural-, Corporate strategy-, and Managerial- exit barriers.

2.3.1. Structural exit barriers have its main source coming from asset specificity and durability, meaning it is tied to a specific firm or industry. One can argue that this aspect is a major obstacle for organizations wanting to leave a market because the more durable and specific the firm’s assets are the more difficult it gets to sell off. Companies try to minimize the costs of exchanging resources with the environment which consequently means that the firm gets highly embedded and exiting the foreign market will be significantly more complicated.
2.3.2. Corporate strategy exit barriers means the level of relationships presented between the company and others in the business network. The key source behind these types of barriers is the more connected or interrelated the firm is to other local businesses the more difficult it will be to detach and exit the market without causing serious damage.

2.3.3. Managerial exit barriers are parts of the company’s decision-making process, which would delay the actual withdrawal. One explanation is that the financial and control data is more general to the international business rather than specific for each business unit. Another managerial exit barrier that would hold up the exit is shared production-, distribution- and assembly- facilities because the interrelatedness of the organization reaches higher levels. Moreover, when a manager’s goals and decisions diverge from the overall economic targets of the firm, can also be seen as a major managerial exit barrier because the manager could be unwilling to cooperate and strive toward the objectives of the firm. Once the exit barriers had been understood different exit strategies should be implemented for different scenarios.

2.4. Exit Strategies
According to Michael Porter (1976) market exits are expected to become a regular strategic decision of firms. He argues that market withdrawals appear in response to unfavorable market circumstances at the host environment. He also highlights that managers should recognize that exit strategies should be a vital part of the strategic planning process of the firm. On the contrary Mark Palmer (2004) states that exits are not a strategic priority in the decision-making process but it should be emphasized. However, one can argue that firms are continually trying to cut costs and when entering a market the firm is there to stay; therefore, no further costs will be invested for planning an exit because that is something the firm does not want to experience. Karakaya (2000) claims that when organizations are moving into the declining stage or face financial problems, the top management decides to design a market-exit strategy that can be implemented later on rather than increasing the commitment to invest in change. Furthermore, Cascio (1993) states that many international firms in today’s globalized and rapidly changing environment are not well prepared for a possible
downsizing because the firms do not emphasize on retraining or redeployment policies. As highlighted some firm’s direct attention to execute a proper withdrawal but in many of the cases the type and mode of exit applied is not appropriate even though the circumstances would have allowed it.

2.4.1. Type and Mode
Mata & Portugal (2000) claims that there are two possible ways to exit: divestiture or firm closure. However, Karakaya (2000) highlight several other types of exits, more specifically phase out, sell out, harvest, or product elimination. These exits would be considered as “full scale” withdrawals. Some of these are similar to the earlier presented exits but what is important to mention is that no matter what type of exit, all market withdrawals are facing common effects on company employees, customers, distributors, and suppliers (Karakaya, 2000). Also, the firms do not successfully anticipate the human resource problems that are develop subsequently during the downsizing period (Cascio 1993). Johansson and Hadjikhani (1996) highlighted an important aspect of sleeping relationships which can be considered “Partial or Fake” exits. Three large Swedish MNC’s, Volvo, Asea, and Atlas Copco, applied the so called “sleeping relationship” for the duration of the turbulent market situation in Iran during 1975-1992. This method involves a strategic direction where the firm reduces its commitment without leaving the market. In case of market turbulence the future development of the situation is highly unpredictable; therefore, the “sleeping relationship” during the Iranian market turbulence turned out to be the most rational strategy as knowledge and relationships were to some extent reserved while the market situation remained more or less the same. Be as a “full scale” sell out or a “partial” withdrawal quality will define how the overall company will be perceived in future business dealings.

2.4.2. Quality
Welch & Welch (2009) establishes an interesting viewpoint between a “beautiful exit” and an “ugly exit”. Consequently we could see these as good and bad quality exits. The bad quality exit is a method where the organization leaves in such negative circumstances that the firm “burns the bridges behind” of making a possible re-entry in the future, and may be slow to respond to possible international opportunities. Harris (2007) argues that it is critical for firms to maintain a good reputation during market
withdrawals which consequently means there is a correct way to exit a market. This in fact contradicts the Contingency Theory that states there is no best way to organize a firm. This was also stated by Crick (2004) as he brings up that many companies exit the international markets inappropriately so that there is strong disinterest in any resumption of any international involvement. He also claims that these firms represent a difficult group to motivate through government internationalization assistance schemes. On the other hand good quality exits are associated with firms that “avoid as much as possible, hurting the disengager, the other party and the connected network”, (Alajoutsijaärvi, Möller, & Tähtinen, 2000). A good exit would leave the doors open for continuous international expansion as well as protect the brand image of the overall firm. There will always be consequences and as Euripedes said: “a bad beginning makes a bad ending”, thus we established the following proposition:

**Proposition 2. Quality of Exit will define the Ease of Reentry**

### 2.5. Consequences and Responsibilities of Market Exits

Consequences are like a “paired couple” to actions, no matter what you commit there will be an end result. Karakaya (2000) enlightens that there are consequences to multinational corporations when the decision of exiting a market has been declared. As “history matters”, the less damage the firm makes the easier it would be to reenter the market, (Liebowitz & Margolis 2000). The consequences that arise throughout the exit process mainly affect customers, employees, competitors, suppliers and distributors. Most of these consequences are usually negative with the exception of the positive effect a market withdrawal has on its competitors. This is of course a pleasant situation for firms remaining in the market as they can increase their market shares. Moreover, Cascio (1993) highlights that surviving employees during a downsizing period become narrow-minded, self-absorbed, and risk averse. He also states that morale drops, productivity sinks, and the distrust of the top management increases during downsizing periods. One could argue that the outcome of these circumstances would not only be a decrease in productivity but also lower quality because there is no change in the way the work is done but the workload is spread out on fewer workers. This whole situation where the surviving employees show negative patterns due to downsizing has been identified as: “survivors’ syndrome”. According to Peter Harris (2007) reputational capital is gained by behaving in a way that treats employees, customers, suppliers,
distributors and the environment with respect which is highly valuable for the company’s brand image. He further emphasizes that companies have large responsibilities to their workers, and also to see long term financial benefits in making sure that downsized employees are well treated. It is the firm’s responsibility to assist current employees in finding new placements, offer relocation counseling services, as well as to provide assistance for retraining and education. Harris also stresses that there is no such thing as “closed doors” in international commerce. This means that when leaving a market, it is critical to maintain one’s reputation so that if the opportunity to return arises, the target market already has a favorable impression of your brand.

Once a market was exited time becomes a favourable or damaging factor which could either ease or withhold the future reentry.

2.6. Time
In order to understand the concept of time we need to identify which of the following characteristics of time we will be focusing on. The section below will explain the different aspects of time and highlight the most relevant to our study.

2.6.1. Timing, Time out and Decay
Entering and especially reentering a market at the correct time is often critical to future success, (Javalgi et al. 2010). The idea behind the “time out period” (Welch & Welch 2009), which the MNC experiences during the course of the foreign market abandonments, would define the success of the new reentry. Optimal timing of the entry and especially the reentry could help with and type of investment to be made by the corporation, (Black & Scholes 1973). Nurturing the “sleeping relationships” could also encounter as a success factor after a firm has withdrawn from a foreign market, (Hadjikhani 1996). As the drop out rates had increased for companies in the international sphere (Welch & Welch 2009) firms who are not pursuing the conservative way of internationalization has a higher risk of failure.

Reentry could be executed when the volatile conditions had been removed from the previously exited market and the level of attractiveness reached the expectations by the MNC. In case of a bad quality exit time will be a positive aspect because as time passes
the foreign market participants will decay bad memories and forget. As exits effect and disrupts relationships within the foreign market the longer the time out period the more aspects of the international heritage will disperse as not only the host but also the local environment is transforming. In this meaning for our study time would be expressed as the longevity of the time out period.

Time is a crucial aspect in our research. It is said that time will heal everything. In contrast if a company waits long with their reentry their relationships and knowledge with the local environment could disperse. The reason behind this is that the foreign environment is transforming and the decay in relationships or knowledge over time increases. Strategic timing for both the exit and the reentry is essential in order to continue the process of conducting business.

Time not only makes locals to forget but it also transforms the foreign environment which means that even though a company maintained good relationships the strategy previously applied in the entry, in case of the reentry, will need to be adjusted or changed. Thus, we suggested the subsequent proposition:

**Proposition 3. The “time out” period constitutes as a crucial aspect in the reentry process**

### 2.6.2. International heritage
Knowledge and networks which constitutes to the international heritage of the MNC would enable a more rapid take off after the reentry has taken place. Previous market presence and relationships if well maintained could be utilized in the reentry process. Experimental knowledge, managerial skill sets, and international networks constitutes for the international heritage of the firm. Heritage is not only shaped by resource commitment but also by the longevity and the geographic spread of the MNC, (Welch & Welch 2009).
2.7. Ease of Reentry

2.7.1. Previous knowledge

Companies tend to spend significant amounts of resources into their expansion strategies but a previously exited market would make them hesitate. MNC’s leave markets because of an unpleasant experience which had occurred within or outside of the organization, (Javalgi et al. 2010). There are several underlying reasons for the unwillingness of the MNC that could be observed as barriers of reentry. Unless there was continuous learning by the MNC of the foreign market, the firm will face potential “question marks”, especially if the experience encountered previously was negative regarding the market. Companies gain understanding and knowledge by being present in a foreign environment. This experience could be seen as a positive attribute as firms could use the already acquired knowledge to facilitate the reentry process, (Javalgi et al. 2010). Previous experience will determine and define the direction and routes the MNC would take when reentering into the same market. Path dependency theory also argues that making the decision of a reentry would not only be decided upon the current stage of the firm but also on the companies’ history with the previously exited market, (Liebowitz & Margolis 2000). In contrary the concept of unlearning and forgetting previous explicit or tacit knowledge could be the success factor of the new entry, (Forsgren, Holm, Johanson 2005). The probability of a market withdrawal seems to decline by experience learnt from previous conducts in the foreign market environment, (Mata & Portugal 2000). On the other hand, Mark Palmer argues that knowledge which was acquired or was previously learnt may not be reflected in the future business conduct of the MNC’s and they will fall into the same trap it previously encountered. Chang (1996) claims, that all firms accumulate additional knowledge base on top of their existing knowledge by every single entry.

As it was stated in previous parts business networks, company assets and foreign market relationships are extremely important in case the firm decides to reenter but it could also be encountered as entry barriers.
2.7.2. Entry Barriers
According to Michael E. Porter the most attractive market segments have high entry but low exit barriers. Porter’s 5 forces model describes the underlying drivers of competitiveness within an industry structure. One of the most important entry barriers is the initial capital investment. The resources committed to a new international market would enable a firm to expand but in case of failure the sunk costs would be extraordinary. Already existing high competition with predatory pricings, resource control and customer “lock ins” would also negatively affect the new entrant to the foreign environment. As uncertainty of local suppliers, networks and governments interactions the MNC would have a difficult time as an outsider to enter a market and gain potential market share, (Black & Scholes 1973). Exit barriers are ultimately viewed as entry barriers which could mean that pressure of exit might arise during the course of entry, (Palmer 2004). The level of attractiveness of a market could be seen as an incentive for entry meaning if the market is “hot” the entry/reentry could be easier to execute. Market attractiveness in this manner could be seen as one aspect which breaks down barriers to entry.

2.7.2. Objectives of reentry
All firms are striving to reduce the risks undertaken as much as possible when entering a market. As sunk cost is one of the main exit barriers that the firm accumulates during the course of a market withdrawal (Karakaya 2000), it is an essential objective for an MNC to regain the amounts that has been previously lost. The level of attractiveness and the growth potentials of foreign markets could also influence the reentry decisions of firms. Moreover, recapturing opportunities that were lost and increase diversity through detaining new resources at lower prices also encounters as a major objective to be fulfilled for the reentry strategy of the MNC, (Javalgi et al. 2010). Furthermore, decisions under uncertainty are more difficult to make and investing a large sum into strategies within an unfamiliar market could be difficult for a firm. Having a more proactive strategy such as completing more due diligence on companies the MNC will acquire to embed themselves deeper into the foreign environment which would most likely yield positive outcomes of the reentry process, (Welch & Welch, 2009)
3. Methodology
The following section describes how our research question and propositions drawn from existing theory and literature would be tested.

In order to establish a potential link between market exits and reentries different design approaches should be implemented. As part of the explanatory research design the following part would try to highlight correlations between independent and dependent variables to show there is a potential causation and link between market exits and reentries.

3.1. Research Design and Approach
This study has been conducted by using the triangulation method as different data collection techniques has been approached to establish a possible correlation between foreign market exits and reentries. Gathering data about market exits appeared quite difficult as most firms claimed that their company mainly focuses on expansions and not withdrawals. Both primary and secondary information were collected to further understand whether the type & quality of an exit will aid or harm the reentry over time. In this qualitative paper we have developed a conceptual Model 1 which was based on our findings, literature and theory mentioned in the previous sections. Several international MNC’s, shown in Table 1, 2, 3, and 4, ranging from retail- through construction- to automotive firms, which have previously experienced market exits were approached. The reason behind the diversity of firms in our study is to show that our findings are general and could be applied to any company within the international arena. We targeted firms who we knew had previously experienced some type of a market exit. The firms, mentioned in Table 1, 2, 3, and 4, are well established with high reputation in the global environment. These firms are well embedded in their foreign business networks and possess a large number of employees, suppliers and customers. Besides the common grounds there are several different underlying reasons why these firms had withdrawn or exited a foreign market. By targeting the top management, our primary findings were generated from whom were involved and/or had retained information regarding the firm’s exit and reentry strategies. In order to carry out a longitudinal data
collection method we would have needed substantially more information which we were unable to obtain. As the time frame was different for nearly every firm a cross sectional data collection method was applied. To further strengthen our conceptual Model 1, extensive secondary data was gathered from existing publications, websites, data bases and case studies.

3.2. Data Collection

3.2.1. Sample
The sample for our research paper was obtained for the purpose of meeting and answering our research question and the previously stated Proposition 1, 1A, 1B, 2 and 3. In approaching approximately 50 international firms less than 10 responded positively to cooperate and participate in our study. Furthermore, another dilemma emerged at this stage because the firms who did choose to cooperate with us kept avoiding sharing information claiming it was confidential. The non-responding firms were quite high and secondary data gathering methods were also applied. The multinationals which we were able to obtain information, and convinced to share their knowledge acquired from previous exits and reentries, were truly useful to support our conceptual Model 1.

3.2.2. Interviews
Our initial intention of gathering data through conducting medium length (thirty minute to one hour interviews) were mainly rejected by the managers approached as their time was limited and they were more willing to answer our questionnaire with open-ended questions. With companies we managed to hold an interview with were highly beneficial for the collection of data. The semi-structured interviews which allowed additional questions to be asked from the respondents were highly supportive to gather our empirical findings. In some cases because of time constraints we have felt that the answers given by the managers were not fully satisfying. To avoid losing information we have sent the developed questionnaire to the managers after the interview in case they have some additional information to share.
3.2.3. Questionnaires
Twenty questions were asked from the respondents. The questionnaire was built in English as the firms studied in this paper are highly international. We have structured the questionnaire through open ended questions which would provide a more extensive and developmental answer from our respondents. The reason behind the open-ended questions was to enable us to facilitate the process of linking our findings and to draw connections to the existing theory in the field and to construct Model 1.

At the beginning the questions are quite simple to build a confidence level with the respondents. The second part was developed to focus on the market exit processes undertaken by the firms in the foreign market withdrawals. Later on questions were asked regarding the foreign network business context and how the shareholders, suppliers, governments and company assets were affected. Finally towards the end of the questionnaire, further questions were asked more specifically from the firms which had reentered the previously exited markets.

As our open-ended questionnaire does not generate a specific outline of answers, our findings could be generalized as the potential link between market exits and reentries comes from a variety of respondents. By giving the managers the freedom to fill out the questionnaire on their own some questions were left unanswered or very briefly filled. We have followed up with the respondents to fill the blank answers and most of them stated they do not possess the information as the exit was executed a long time ago. Further on we tried to contact the managers, even though some of them had already left the firm or retired, who were involved to have the information which they have only retained. In these cases we have further researched the company through websites, publications and databases.

3.2.4. Websites, Publications, Databases
Large part of the secondary research data collection: websites, publications and databases were used to find information on firms who had exited markets and potentially had already reentered. The problems we could encounter are the reliability of the source or the biased perspective as usually the most famous and talked about cases will be represented in the media. By going deeper and collecting the data from different
respected sources simultaneously would build a substantial base in understanding Model 1, to see the potential correlations in answering not only the aforementioned thesis question but the stated propositions.

3.2.5. Case studies
Secondary data case studies were also used to enrich our findings to support our conceptual Model 1, and the propositions stated above. In many cases, such as the Bofors scandal in India, a lot of information has been written regarding their poorly executed withdrawal and the encountered difficulties they have faced during the reentry into the same region. The downside of a case study is that it is very specific and can not be generalized, but as the scale between the industries mentioned in Table 1,2,3, and 4 is widely spread, we were able to apply these case studies and fit it into our Model 1. This model was built from a great variety of sources which means it could potentially be applied and used by a broad range of organizations in the future.

3.3. Variables
Even though we have chosen a qualitative research approach, both dependent and independent variables were used to further help the understanding of the interrelations and correlations between exits and reentries. Figure 1 was built to show the potential connections between independent and dependent variables. In our research we have established that reason for exit, quality of exit and time are independent variables affecting the dependent variable which is the ease of reentry.

Figure 1. Variables
As Figure 1 indicates there is a link between reason for exit and quality of exit. The explanation behind this is that if a company is forced out of a market they might not have the proper quality of exit, as time is a crucial aspect, the company will be lacking of proper exit strategy preparation and conduct. The reason why we have not established a direct connection between time and the other two independent variables is because we do not believe a firm could foresee and plan the “time out” period by executing different quality exits. Figure 1 also shows that all three independent variables individually and collectively are affecting the dependent variable. Figure 1 also helps to visually support Proposition 1, 1A, 1B, 2 and 3, and also to understand the correlations between foreign market exits and reentries.

3.4. Reliability
Companies, who had been approached and experienced market exits, did not necessarily in every occasions retain all the information which would have been beneficial to our study. Finding the correct personnel was also a difficulty as this knowledge is limited to the people who had lived through and experienced it at first hand. One negative aspect regarding the knowledgeable managers is that most often it is the senior managers that are in charge of the firm’s operational strategies, which means that in most cases the decisions are taken by people that are in the end of their career. This is of course a major drawback as significant time had to be put into the allocation of these managers that are still employed and retain valuable information to our study. The positive side of our gathered primary data is that the information received by the senior managers and corporate representatives had been a substantial base in building Table 1, 2, 3, 4 and later on constructing the conceptual Model 1.
4. Empirical Findings
The following part will present the empirical findings we have gathered throughout our research process.

As our findings show the most common underlying reason for exit is falling into the group of controllable exits. Companies are withdrawing from markets because of unsatisfactory sales. One would think that because it is controllable by top management it should not be the case but as it is indicated negative sales in app. 30% of the total cases constitutes as the main reason for leaving a foreign market.

Chart 1. Underlying reasons for exits

As it was found many academic articles claim that if the initial entry strategy is executed properly there should be no problem of making substantial profits. What we have found is that companies divert significant attention to their entry strategies but are lacking in explaining their exit strategies. From the interviews and questionnaires it was also indicated that many of these firms do not possess any exit strategies.

When we started our research we were confident that a firm would only leave a market if they in a way were forced out or in situations which they were unable to control but as it turns out firms do loose interest in markets and exit to avoid further losses or wait until the markets become “hot” and attractive again for the firm to reenter.
Table 1 presents all the data that was collected from different MNC’s from diverse countries. Table 1 will go in depth of understanding the way a firm exits a market and the consequences followed by their actions. It is evident that there are various reasons behind market exits and reentries. As Table 1 shows, market exits would differ in many of the cases regardless of their industry. The reason why we have built Table 1 in such a way is to show that foreign market exits had been appearing for decades, and that it could happen to a great variety of firms in basically any foreign country.

The resourcefulness of Table 1 provides a very clear picture on the fact that a withdrawal strategy should be included in the strategic planning process of the firm. Table 1 highlights the countries which the MNC’s had exited and indicates the year of exit. As it was shown in previously in the Theoretical Revisit part, the underlying reasons for exits mainly fall into the categories which we previously established. As an example: BAUHAUS, the German Retailer exited the French market in 2004 because of unsatisfactory sales which by our understanding falls under the umbrella of the “Controllable” group as it was previously explained. As another highlight let us examine Wal-Mart, the U.S. retail giant who had to exit Indonesia in 1998 because of riots, which by our understanding falls into the group of “Forced” exits. It was evident from our data collected that each firm had executed different types of exits which yielded into different consequences. The reason why we decided to include the aforementioned is because it is supporting the theoretical findings but also provides fruitful information to construct Table 2, 3 and 4 and further on create Model 1.

Table 1 is self explanatory and all data included could be easily interpreted. The empirical results were formed and translated into Table 1 but in order to ease the translation of data summarized in Table 1, the analysis part will later on demonstrate Table 2, 3 and 4.
<table>
<thead>
<tr>
<th>Company name</th>
<th>1st or 2nd hand data</th>
<th>Industry</th>
<th>Global Presence</th>
<th>EXIT (Year and Location)</th>
<th>Reason for EXIT</th>
<th>Type of Exit (Full-scale or Partial)</th>
<th>Consequences</th>
<th>“Time out” period in Years</th>
<th>Ease or Difficulty of Reentry</th>
<th>Reentry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bauhaus</td>
<td>1st</td>
<td>Retail</td>
<td>13</td>
<td>France, 2004</td>
<td>Unsatisfactory Results, Sales</td>
<td>Partial- Sold assets, resting out buildings, and cut national suppliers</td>
<td>Unhappy stakeholders</td>
<td>Not applicable</td>
<td>X</td>
<td>Not yet</td>
</tr>
<tr>
<td>BMW</td>
<td>1st</td>
<td>Automotive</td>
<td>150</td>
<td>India, 1996</td>
<td>Unsuccessful foray</td>
<td>Partial - Divestment Motorcycle</td>
<td>Rivals as Honda, Suzuki, and Yamaha gained market share</td>
<td>15</td>
<td>Difficult</td>
<td>Yes, facing problems</td>
</tr>
<tr>
<td>Bofors</td>
<td>2nd</td>
<td>Iron/Weapon</td>
<td>24</td>
<td>India 1980’s</td>
<td>Bribery scandal with Indian Army</td>
<td>Full-scale – Left market completely</td>
<td>Destroyed brand image, acquired by BAE Systems Ltd</td>
<td>App. 30</td>
<td>Easy</td>
<td>YES 1979</td>
</tr>
<tr>
<td>Coca Cola</td>
<td>2nd</td>
<td>Beverage</td>
<td>200</td>
<td>China 1949</td>
<td>Restrictive policies, Government</td>
<td>Full-scale - Shut down operations and its plants were nationalized by the government</td>
<td>Decreased profits but did not hurt the brand since all foreign firms were forced out by PRC.</td>
<td>30</td>
<td>Easy</td>
<td>YES 2010</td>
</tr>
<tr>
<td>Dunkin Donuts</td>
<td>2nd</td>
<td>Food and Beverage</td>
<td>30</td>
<td>Russia 1999</td>
<td>Unsatisfactory Sales, Suffering losses</td>
<td>Full-scale - Closed stores</td>
<td>Brand image was hurt, market conditions has changed around completely</td>
<td>11</td>
<td>Easy</td>
<td>YES 2010</td>
</tr>
<tr>
<td>Electrolux</td>
<td>1st</td>
<td>Manufacturing</td>
<td>150</td>
<td>India 2005</td>
<td>Unsatisfactory Results</td>
<td>Full scale – Sold assets and left market</td>
<td>Shareholder problems</td>
<td>Not applicable</td>
<td>X</td>
<td>Not Yet</td>
</tr>
<tr>
<td>Excon Mobile</td>
<td>1st</td>
<td>Oil and Gas</td>
<td>41</td>
<td>Libya 1980’s</td>
<td>Forced, Libyan Oil Politics</td>
<td>Full-scale - Stopped trading oil, SOC took over Exxon’s petroleum assets</td>
<td>Decreased profits and threatened by Libya to lose its oil fields</td>
<td>App. 20</td>
<td>Difficult</td>
<td>YES 2004, Failed in 2011</td>
</tr>
<tr>
<td>Ford</td>
<td>Both</td>
<td>Automotive</td>
<td>100</td>
<td>South Africa 2008</td>
<td>Unsatisfactory sales of product KA</td>
<td>Partial - Divested car model</td>
<td>Lost market share in small car segment</td>
<td>2</td>
<td>Easy</td>
<td>YES 2010</td>
</tr>
<tr>
<td>IBM</td>
<td>2nd</td>
<td>IT</td>
<td>200</td>
<td>India 1978</td>
<td>Forced out by foreign exchange regulation act</td>
<td>Partial - Ceased its operations but still continued to conduct business as an offshore entity</td>
<td>Business operations changed into an offshore entity</td>
<td>14</td>
<td>Easy</td>
<td>YES 1992</td>
</tr>
<tr>
<td>IKEA</td>
<td>Both</td>
<td>Retail</td>
<td>38</td>
<td>Japan 1986</td>
<td>Unsatisfactory Rea/Its, Lack of customization to local market</td>
<td>Full-scale - Disconnected the joint venture contract and exited.</td>
<td>Decreased profits, increased investments in market research, then successful entry</td>
<td>20</td>
<td>Easy</td>
<td>YES 2006</td>
</tr>
<tr>
<td>Nokia</td>
<td>2nd</td>
<td>Telecom</td>
<td>160</td>
<td>South Korea 2001</td>
<td>Hard to take market share from local firms as LG and Samsung</td>
<td>Full-scale – Sold off assets and left market</td>
<td>High sunk costs and reorganized operational strategy</td>
<td>8</td>
<td>Easy</td>
<td>YES 2009</td>
</tr>
<tr>
<td>P&amp;G</td>
<td>2nd</td>
<td>Cons. Goods</td>
<td>140</td>
<td>South Africa 1980’s</td>
<td>Restructuring</td>
<td>Partial - Sold to Premark International</td>
<td>Business continued with little change as its main products are still sold</td>
<td>App. 14</td>
<td>Easy</td>
<td>YES 1994</td>
</tr>
<tr>
<td>Peugeot</td>
<td>2nd</td>
<td>Automotive</td>
<td>150</td>
<td>India 1994</td>
<td>Failed Alliances, Labor force, product failure</td>
<td>Full-scale - Sold production plant and left</td>
<td>Financial losses</td>
<td>16</td>
<td>Difficult</td>
<td>Yes 2010</td>
</tr>
<tr>
<td>Sandvik</td>
<td>1st</td>
<td>Engineering</td>
<td>130</td>
<td>Europe, 1999</td>
<td>Divest Saws &amp; Toobs 1999</td>
<td>Firm restructuring and Fierce competition</td>
<td>Decreased sales and more focused on main products</td>
<td>Not applicable</td>
<td>X</td>
<td>Not yet</td>
</tr>
<tr>
<td>Schenker</td>
<td>1st</td>
<td>Logistics</td>
<td>130</td>
<td>Iraq, 1980’s</td>
<td>Turbulent Environment and War</td>
<td>Full-scale - Forced due to employee safety reasons</td>
<td>Problems with customer contracts</td>
<td>App. 30</td>
<td>Difficult</td>
<td>Trying</td>
</tr>
<tr>
<td>Skanska</td>
<td>1st</td>
<td>Construction</td>
<td>19</td>
<td>India, HK, Middle East, 2004</td>
<td>Firm restructuring, Focus on core market</td>
<td>Full-scale - Sold or transferred assets, cut suppliers, and completed contracts properly</td>
<td>Not noticed any negative effects. Understanding stakeholders.</td>
<td>Not applicable</td>
<td>X</td>
<td>Not yet</td>
</tr>
<tr>
<td>Swedish Match</td>
<td>Both</td>
<td>Tobacco</td>
<td>10</td>
<td>South Africa, 2009</td>
<td>Overlapping businesses, restructuring</td>
<td>Partial - joint venture partner remained in SA</td>
<td>Only positive outcomes as everything was transferred to JV partner</td>
<td>Not applicable</td>
<td>X</td>
<td>Not Yet</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>1st</td>
<td>Retail</td>
<td>15</td>
<td>Indonesia 1998</td>
<td>FORCED out, Riots</td>
<td>Full-scale – Employee safety reasons</td>
<td>Was sued of 200 million USD by Indonesian JV partner due to mismanagement</td>
<td>App. 13</td>
<td>Difficult</td>
<td>In progress</td>
</tr>
<tr>
<td>Xerox</td>
<td>2nd</td>
<td>Document Services and Color Images</td>
<td>160</td>
<td>Uganda, 2001</td>
<td>Inefficiency and financial strain</td>
<td>Full-scale Closed operations and sold production plants</td>
<td>Brand collapse at first but 7 years after exit a analysis concluded history was &quot;gone&quot;</td>
<td>7</td>
<td>Easy</td>
<td>YES in 2008</td>
</tr>
</tbody>
</table>
Table 2, 3 and 4 is a summarized overview of Table 1’s nineteen different MNC’s that has either experienced a market exit, or a market exit followed by a reentry into the same foreign market. As mentioned previously the collected data is both primary and secondary. Table 2, 3 and 4 will be used to highlight correlations and will also be utilized as the ground for answering our research question, which is to show the potential links between market exits and reentries. Another great benefit with Table 1, 2, 3 and 4 is that it has been used as the building blocks of our Model 1, which will show each and every stage the firm would go through from the underlying reason for exit until their reentry. Furthermore, Table 1, 2, 3 and 4 supports our arguments which we have built in answering the stated propositions in the previous sections. The last part of Table 1 highlights whether the firm has reentered into the earlier exited market and also if the previous knowledge or remaining networks had harmed or helped to facilitate the reentry process. Table 1 also provides further insights on the changes of strategy for companies who reentered the previously exited markets. In the case of IKEA the lessons had been learnt and instead of a Joint Venture the reentry was conducted through a greenfield investment. Peugeot also learnt its lessons and after the failed alliances applied the same strategy at the reentry like IKEA. Retail giant Wal-Mart failed to embed into the local Indonesian market even though they had a Joint Venture partner and was forced out through unstable local situations and riots. During the reentry Wal-Mart decided to acquire local hypermarkets and work more cooperatively with the locals. As it shows MNCs do learn from previous experiences and adapt their strategies accordingly. It is also evident that companies in case a forced exit had occurred a long time had passed until the reentry had taken place which means that the companies did wait to “weather the storm”. As it was shown in many scenarios companies are unable to compete with local competition and the strategy they had planned for a market was not properly executed. From our interviews and questionnaires we also found out that companies do not disclose their exit strategies and many is not directing high attention to it when they enter a new market. As data shows nearly all the exits had occurred for westernized firms in Asia and Africa. Significant amount of primary and secondary data was collected to form Table 1, but in order to fully be able to answer our research question and stated propositions the analysis part will further include Table 2, 3 and 4 for a more clear interpretation of our empirical finding.
5. Analysis
For the ease of the analysis section we have re-stated our thesis question and propositions:

<table>
<thead>
<tr>
<th>Thesis Question: What are the links between foreign market exits and reentries?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 1: There is a connection between underlying reasons of why an MNC exits a market and the quality of exit</td>
</tr>
<tr>
<td>Proposition 1 A: Companies with little or no incentive of remaining in the foreign market would have plenty of time to execute a withdrawal in a good quality manner</td>
</tr>
<tr>
<td>Proposition 1 B: Companies, who want to remain in the foreign market but were forced out, because of the lack of time, would commit a bad quality exit</td>
</tr>
<tr>
<td>Proposition 2: Quality of exit will define the ease of reentry</td>
</tr>
<tr>
<td>Proposition 3: The “time out” period constitutes as a crucial aspect in the reentry process</td>
</tr>
</tbody>
</table>

In order to investigate our stated propositions and analyze the data presented through Table 1 in our empirical findings we have created Table 2, 3 and 4 which would provide further help to highlight correlations we believe are highly indicative. Table 2, 3 and 4 were built and developed to analyze the empirical finding summarized in Table 1. Table 2, 3, and 4 also demonstrates the underlying reasons behind organizations executed withdrawal strategies that could influence not only the quality of exit but also the type of exit a firm will decide to take.

Quality has been divided into two separate groups such as good and bad. Exits in many ways could harm the internal or external environment of the MNC. We have considered the quality of exit bad if any damages were done internally to the reputation, brand, financial stability, stake holders and employees of the firm, or externally towards supplier relationships, local customers, local distributors or networks.

Time as we have established plays an important role in the reentry process of the MNC which means we have decided to include it in Table 2, 3 and 4. Time, as we have stated in previous sections, represent the “time out” period between the exits and reentries.
Table 2 includes the firms which were fallen into the group of forced exits, meaning the underlying reason for their exit was uncontrollable from their perspective. As we have found and literature supported, scenarios as such occurs in cases a war breaks out, nationalization begins or some problem arises between the MNC and the foreign government, which consequently forces the firm out immediately. We need to take into account that firms included in Table 2 has no incentive of leaving the foreign market but because of the external force they were not able to remain in the foreign environment. Interestingly enough we could show, from the listed companies in Table 2, that Proposition 1 B, in case a forced exit had taken place, indicates correlation. Out of the 6 companies 4, which is more than 60 percent, had executed a bad quality withdrawal. 60 percent of the cases the companies mentioned in Table 2 had executed a bad quality withdrawal after they were forced out of the foreign environment. We could state that Proposition 1 is supported in the case of forced exits due to the fact that a forced exit made the companies exit but because of the lack of time and preparation committed in more than 60% of the cases a bad quality exit.

Using the same samples from Table 2, we could build an argument and show that Proposition 2 in case of a forced exit had occurred would also show correlation. In case a bad quality exit had taken place the reentry process became difficult for the firms in Table 2. This raises an interesting point because companies who were forced out of a foreign market would have no intention of leaving and in all scenarios have reentered the same foreign market. Even though only in the cases of IBM and Coca-Cola made it clear to us that the quality of exit eased the way to reentry, but in contrary the other 4 firms who executed a bad quality withdrawal had difficulties to reenter. Furthermore, Table 2 does not support Proposition 3, as we could clearly see that a long time out period, more than ten years, had passed and the companies with bad quality exits, still encountered difficulties in the reentry. We could clearly see that Schenker,
Wal-Mart, Exxon mobile and Bofors, after a long period of time had passed, still faced difficulties to reenter the market which they have previously exited. We could draw further correlations from Table 2, such as when a firm is forced out and exits the market more than 80 percent of the cases yields into full-scale exit, leaving immediately. We could also further establish that even though these firms were forced out their incentive of staying was high and no matter what the reentries had taken place even though the firms had an easy or a difficult way to reenter.

Table 3 includes firms which to some extent were able to control their withdrawal from the foreign market. Literature and our empirical findings showed that in many of the cases the reason for an exit as such is part of the restructuring processes of the firms. The reason why we believe it is controllable to some extent is because the time frame of planning the exit would be much broader than if a forced exit would appear. It is also clear that these firms had some incentives of staying in the market but as part of the headquarters strategy the subsidiary had to follow through to restructure or divest from the foreign environment.

As it is shown in the table Sandvik exited globally which can easily be misinterpreted by a complete bankruptcy where Sandvik left every country of its presence. However, the fact is that Sandvik left a particular sub unit namely saw and tools division, which was highly interconnected in their global business network. Obviously firms are restructuring themselves to focus on their core markets or close down subsidiaries which are unprofitable and pulling down the overall performance of the firm.

Divesting from an industry segment could also be included in this case, because divesting a product segment means the company withdraws from those markets but in 50 percent of the cases with other product segments retains operations in the foreign environment. Table 3, is a special case as firms who divested from a product segment
may decide to never return and focus on other parts of the business which means that Proposition 2 could only be applied to the P&G case where the company had partially exited from the market but within a short period of time they have reentered successfully.

The quality of exit in this case eased their way during reentry. Interestingly enough Proposition 1 A could be supported as these subsidiaries had little incentive of remaining in the market and also even though they had little more time to prepare, because of the intention of a potential return all committed a good quality exit. One could see this as part of the restructuring plan. Companies do not want to “burn the bridges” behind them or harm other parts of the company meaning they execute a careful withdrawal. In Table 3, Sandvik, Skanska and Swedish Match have not yet decided to reenter the market after their withdrawal.

Proposition 3, cannot be fully supported as only in the case of P&G showed correlation. The time out period could be seen as a long term strategy of these firms waiting until the circumstances will be attractive for them to reenter the same foreign market. On the other hand for Proposition 1, we could clearly state that from our findings is supported in the occurrence of a controllable to some extent exit as a divesting or the restructuring processes of firms are carefully planned and these firms would keep all doors opened for future business dealings. All of the above cases showed that the restructuring of the firm does not mean that the firms try to withdraw in a manner which could later harm the reentry process. Firm restructuring is major part of the strategic planning process of the firm in which each and every step is planned in details. This could be one of the reasons why firms who decide to restructure are cautious in every aspect of their business conducts and perform good quality exits.
Table 4 - Controllable Exits

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Type/Mode</th>
<th>Quality</th>
<th>Time</th>
<th>Easy</th>
<th>Difficult</th>
<th>Not yet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bauhaus</td>
<td>France</td>
<td>Partial</td>
<td>Bad</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Electrolux</td>
<td>India</td>
<td>Full-Scale</td>
<td>Bad</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Peugeot</td>
<td>India</td>
<td>Full-Scale</td>
<td>Bad</td>
<td>Long</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>IKEA</td>
<td>Japan</td>
<td>Full-Scale</td>
<td>Good</td>
<td>Long</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Ford</td>
<td>South Africa</td>
<td>Partial</td>
<td>Good</td>
<td>Short</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Nokia</td>
<td>South Korea</td>
<td>Full-Scale</td>
<td>Good</td>
<td>Short</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Xerox</td>
<td>Uganda</td>
<td>Full-Scale</td>
<td>Bad</td>
<td>Short</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Dunkin donuts</td>
<td>Russia</td>
<td>Full-Scale</td>
<td>Bad</td>
<td>Long</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>BMW</td>
<td>India</td>
<td>Partial</td>
<td>Good</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

Table 4 represents the firms which decided to exit their foreign market because of unsatisfactory sales. As our empirical findings showed and literature supports, unsatisfactory sales, would be fallen into the group of controllable exits because in many cases the level of sales and profits could be influenced by the MNC's if their strategies are well implemented. Many of the firms which we have interviewed claimed that they had no further intentions of remaining in a market which is unprofitable and can not generate substantial profits. In case subsidiaries abroad do not deliver or perform accordingly, the firm decides to withdraw. Unprofitable businesses could be carried on the shoulder through "rough" times by other profitable parts of the MNC but continuous losses will cause market exits. As company management decides the time of exit, it could be controlled and executed in manners which could avoid harming the foreign environment. Many of the firms mentioned in Table 4 had mainly exited their foreign markets due to losses.

A very interesting finding occurred by looking at Table 4. Proposition 1 A, which in fact should be supported as the companies have a long period of time to find the best alternative strategy to exit, but as it is indicated companies who have no or little incentive of staying commit in more than 50 percent of the cases bad quality exits. Our interviews also indicated that companies divert little attention to the exit once they have lost interest in the market. The way how these multinationals think is that if their international strategy has failed it is most probably the fault of the market which was either not ready or "hot" enough to accommodate their products or services.

Proposition 1 in Table 4, shows correlation from a twisted angle because, even though companies had control and time to prepare in most of the cases committed a bad quality exit.
As literature claims companies who failed in the foreign environments lose their interest in the market which consequently yield towards a bad quality exit. As it appears they tend not to divert high emphasis on the quality of their exit as they might not be planning the reentry in the close future. We could establish that our findings show that Proposition 1 has indicated correlation between the underlying reason and the quality of exit. Many of the cases show a bad quality exit which maybe could be linked to the disappointment in the market and the lack of care by the MNC after disappointing results. Proposition 2 in Table 4 also showed interesting results. In the cases where companies exited in a good quality manner showed that their reentry was easier. Interestingly enough in the cases of Xerox and Dunkin Donuts the companies exited in a bad way but still managed to reenter easily. We could say that the quality of exit in Table 4 shows a correlation but it further needs support from Proposition 3.

Companies who decided to reenter and committed a good quality exit either waited during their time out period until they were ready to come back with a new product or waited until the market became ready to be reentered. In the case of Xerox an analysis made 7 years after their badly executed market exit, which really hurt its brand image, the results showed that only 7 years after was enough for the market to forget and forgive the previous unsatisfactory manners when leaving the market. In this manner Proposition 3 can not be supported as the reentry took place in a short period of time and the company did not encounter any problems due to their former bad quality exit.

On the other hand Dunkin Donuts also exited in bad manners since every store was closed down and suppliers and employees were left with nothing. Here one could argue that Proposition 3 is supported since Dunkin Donuts brand image was hurt due to its bad market withdrawal but after a long “time out” period of being away from the Russian market the management team at Dunkin Donuts reentered into the Russian market easily in 2010. However, there were other underlying aspects besides the long period of time as the market has changed dramatically with low rivalry and growing middle class, which had caused a strong increase in demand for Dunkin Donut’s products in response to a larger customer base.
6. Results
Model 1 was developed to support our research and to graphically display the potential relationships and interconnectedness between each and every stage an MNC would go through during the period between a market exit and the reentry.

Model 1. Market Exit and Reentry

As it was shown in our empirical findings and supported by theory MNC's leave foreign markets for different reasons. Our findings and theoretical framework establishes a very clear understanding of the three different general “groupings” of underlying reasons for exits which are shown in Model 1 as controllable, controllable to some extent and forced. Exits could be differentiated by type, mode and quality. As theory indicated and our empirical findings supported there are two different type & mode of exits. “Full scale” exits occur when a company shuts down operations, sell all assets and leave the country entirely. In many cases the unsatisfactory sales had lead to “full scale” exits for firms who decided to leave the foreign market and sell off or transfer entire production plants. On the other hand “partial or fake exits” occur when a firm does not exit a market in a full scale and some operation will remain within the foreign market network.

“Sleeping Relationships” is by definition a relationship which is kept open during the course of a market exit and the reentry. By retaining local connections with for example Joint Venture members, or keep some part of the operation running, the firm will have an advantage when time comes for the reentry. “Fake” exits take place in cases where companies argue that they have left a country but in reality they still remained in business in the foreign market. It is a rare occasion but can not be ignored as this also constitutes to a type of “sleeping relationships”. 
Through our findings we established the quality of exit to be good or bad. Our study showed that companies either pay significant attention to their exits or rush out as soon as possible by “burning the bridges” behind. The explanation why this occurs is that a forced exit would take place at an immediate manner in which a company would not be able to react or apply a well executed withdrawal strategy. All firms are striving to minimize losses so in many cases the exit has to take place as soon as the firm decides to shut operations which consequently could mean their attention to quality might lack causing a bad exit.

Our empirical findings and analyses revealed that there is a correlation between quality of exit and reentry. What we have also found is that companies who were forced out had initiatives of staying and in all cases had reentered the previously exited market. The indication is clear even in the cases of controllable exits in which more than 50 percent of the exits were badly executed which meant that even though these firms had time to prepare their exit because of lack of confidence and attractiveness towards the market executed a bad quality withdrawal. In case a firm withdraws in a bad quality manner from a market they will face difficulties in the reentry process. On the contrary a good quality exit would facilitate and ease the reentry process in most of the cases presented in Table 2, 3 and 4.

Time is a crucial “ingredient” in our Model 1, and we defined the time which in our study represents the “time out” period. The reason why we have decided to differentiate it into 2 groups, short and long, is to show if the company diverts less care to the exit time would not heal all the problems. One to ten years constitutes as short but anything above 10 years represents in our Model 1 a long time period.
We found that in some cases it would be ideal for a company to wait, especially if the exit was a bad quality exit. On the other hand we also found that time does not help in some occasions the firms in the reentry process if the previous withdrawal was badly executed. In the case of a good quality exit we have found that in many cases it is easier for these firms to reenter. Time could be a negative aspect also as the “sleeping relationships” or the knowledge of the market could be affected over a long period of time.

We have found clear indication that the reason why a firm would exit a market would highly influence the quality of exit they will perform. In the cases of forced exits it was clear that companies who are forced out of a country were unable to direct significant attention to their withdrawal and committed mainly bad quality exits. We also found that in the case of corporate restructuring or divesting firms divert high attention to details and execute good quality exits. Finally we also showed that when companies lose interest in a market because of unsatisfactory sales their quality of exits in more than 50 percent of the cases would constitute as bad.

In order to be able to interpret our results we have included the below summary of propositions and indicated whether these propositions were supported, partially supported or not supported in Table 5.

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Table 2- Forced</th>
<th>Table 3-Controllable to some extent</th>
<th>Table 4-Controllable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 1</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Proposition 1A</td>
<td>n.a.</td>
<td>YES</td>
<td>YES (Opposite)</td>
</tr>
<tr>
<td>Proposition 1B</td>
<td>YES</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Proposition 2</td>
<td>YES</td>
<td>PARTIAL</td>
<td>PARTIAL</td>
</tr>
<tr>
<td>Proposition 3</td>
<td>-</td>
<td>NO</td>
<td>NO</td>
</tr>
</tbody>
</table>
6. Conclusion

The global economy is continuously transforming and in order to stay on “top of the wave” multinational corporations (MNCs) have to consider exit strategies with high priority in their strategic planning processes. The ones who fail to direct significant attention to the withdrawal process might in the long run be negatively affected. The lack of consideration towards type, mode and quality of exit would emerge difficulties during the course of a reentry.

Our research which aimed to establish and show the links between foreign market exits and reentries indicated a missing piece in academic literature. The process of internationalization has been introduced by previous researchers reasoning why companies go abroad and utilize the potentials offered by foreign markets. Besides a handful of researchers not many had introduced in depth the significance of a well executed exit strategy and none had indicated a correlation or link between foreign market exits and reentries.

Our study had shown that there are existing links between foreign market exits and reentries and through the stated propositions we have established a clear understanding on which of these are highly evident.

There is a correlation between the underlying reason for exit and the quality of exit which means we could clearly state that from the data collected throughout this research Proposition 1 was supported through Proposition 1A and Proposition 1B. Interestingly enough our initial thoughts on companies who had time and control to prepare a decent exit was proven to be the opposite because it showed that companies who have lost their intention to stay would divert less care for withdrawals.

As it was previously stated this study is a general piece which was gathered from diverse international organizations from a variety of industry segments meaning it could be applied and utilized by a broad range of firms who would be facing similar events during their foreign market presence.
The conceptual model which was built throughout the research displays the steps the MNC would experience once the idea or a reason for market exit surfaced up until the stage the reentry occurred. This general conceptual model would benefit organizations as they could place themselves into the “shoes” of former firms who had experienced the events which they will be facing with.

It is difficult to say whether the quality of exit will ease or damage the future potential for a firm to reenter the market but as our research showed we could partially support Proposition 2, which means there is a correlation but only in the cases of a “forced” exit was clearly indicated.

Furthermore we were expecting the “time out” period to be crucial aspect in the reentry process of the MNCs but as it surfaced Proposition 3 can not be supported only partially in the cases when the underlying reason for exit was “controllable” by the organizations.

In conclusion we could state that there are links between foreign market exits and reentries, especially between the underlying reason for exit and the quality of exit. Furthermore with less confidence we could also establish that the quality of exit would ease the reentry process for MNCs especially when these firms were forced out of a foreign market. Whether the “time out” constitutes a crucial aspect during the reentry process or not a more substantial study needs to be conducted as we only found partial indication in cases where the underlying reason for exit was “controllable”. 
7. Limitation and Further research

In conducting our research we have found that carrying out a study of this magnitude would require a more substantial study. We have gathered information on approximately 20 multinational firms but in order to have real evidence a deeper and broader method of collecting and analyzing data needs to be established. The main reason for expanding this area of research is to enable the process of testing not only our propositions to convincing statements but also question marks and developed thoughts the reader may face while reading our research. Somehow we feel that time should have had a larger impact to ease the reentry but unfortunately we were only partially able to show this with our gathered data; however, we believe that time does have a positive effect on bad market exits. Therefore, we suggest that further research within this field could draw conclusions that prove the importance of time and timing in regards to bad market exits. It is also important to mention that in the case of a difficult market reentry, market change, also plays an important factor as previous knowledge and networks might actually worsen or confuse the management team during the reentry process. The explanation to this is that the old knowledge of previous presence may mislead the management to make the same mistakes as before. Also, the positive knowledge and networks from earlier experience may not anymore remain as the most rational choices as the longer time out period the more time the market has to grow and shift apart from the original market. Another interesting research that could be made in the future is whether the firm’s exit strategy affects the quality of exit. Reflecting this topic one could argue that a firm which plans for not returning implies an exit strategy that is not as good as if the firm would like to keep the doors open for a possible reentry. However, it is important to mention that for large MNC’s a bad quality exit could harm the overall brand image which could affect other markets negatively than the exited one.

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**Xerox**
Electronic source:

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Electronic source:
Appendix

*Questionnaire/ Interview questions*

1. What is your name?
   *Answer:*

2. What is your position within the firm?
   *Answer:*

3. How long have you been employed at your current position?
   *Answer:*

4. How many countries is your firm currently operating in?
   *Answer:*

5. Has your firm withdrawn or exited any markets in the past?
   - If yes, from what market and when?
     *Answer:*

6. What were the underlying reasons behind the market exit?
   *Answer:*

7. Did you face any difficulties regarding the exit?
   - If yes, please give examples of occurred problems!
     *Answer:*

8. What did the company do to secure their position in case of a potential future re-entry? Please give any examples!
   *Answer:*

9. Does your overall strategy also include a market exit strategy?
   - If yes, what are the factors that your organization takes into account?
     *Answer:*
   - If no, what is the reason for not having one?
     *Answer:*
   - Do you think it would be vital to include exit strategies in the operating and strategic planning of the organization?
     *Answer:*

10. How were the host employees treated when leaving the market?
    *Answer:
11. How did the stakeholders of the firm respond?
   \textit{Answer:}

12. What happened with the supplier relationships?
   \textit{Answer:}

13. Were there any political or governmental problems?
   \textit{Answer:}

14. What happened with the company assets?
   \textit{Answer:}

15. How did the exit affect the overall firm image/reputation?
   \textit{Answer:}

\textit{Only applicable if the re-entry has already taken place.}

16. Why did you choose to return to a market that was previously exited?
   \textit{Answer:}

17. Did your previous knowledge, which you had acquired from being in the market before, help the re-entry process?
   \textit{Answer:}

   ◆ If yes, in what ways?
   \textit{Answer:}

18. Was there a different strategy implemented for the reentry process or was it the same as the first time?
   \textit{Answer:}

   ◆ If yes, for what reason?

19. Did your firm find the reentry process difficult or easy in regards to the previous entry?
   \textit{Answer:}

20. If there is any other information that you think would help us in conducting our research, please write your comments below!

   ◆

   ◆

   ◆

\textit{Adam Balla & Alexander Lantz - International Market Exit and Reentry}