Business model configuration view for realising a re-internationalisation strategy

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Business model configuration view for realising a re-internationalisation strategy

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Abstract
In this conceptual paper, we employ business model configuration theoretical lenses to explore how firms can re-internationalise. We put forward a multilevel and multi-context framework to further theoretical, practical and policy understanding and implications of this intersection across global, regional, national, industry, and firm contexts.

Keywords: Business model configuration, de-internationalisation, re-internationalisation

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Introduction

In this conceptual paper, we employ business model configuration theoretical lenses to explore the reasons firms de-internationalise, and suggest how these firms can re-internationalise, kick-start their internationalisation growth strategies again. We study these phenomena within firm, market, industry or sector, political and national contexts. We aim to facilitate theoretical and practical understanding of how re-internationalised firms identify and pursue appropriate international growth trajectories by re-configuring their business models, as a response to their previous de-internationalisation decisions.

Our contribution is threefold building on extant knowledge gap. Undeniably, de-internationalisation and re-internationalisation add to the variance and complexity of the international business field, but have received little consideration from the international business scholars (Turcan, 2003; 2013; 2016). Current research in business model tells us very little on how firms can reinvent themselves in situations such as de/re-internationalisation. Theoretical and empirical research at the de-internationalisation and business model configuration intersection is virtually non-existent. With this paper, we aim to address this knowledge gap by exploring reasons for de-internationalisation, and how firms, learning from this experience can re-configure their business models to develop and pursue appropriate de/re-internationalisation strategies.

Approach

We draw on existing knowledge to develop our proposed framework. First, we discuss the reasons that led firms to de-internationalise (Benito and Welch, 1997; Turcan, 2006), linking these to re-internationalisation theoretical and empirical contexts (Bell *et al*, 2003; Welch and Welch, 2009;). Using business model configuration theory (Foss and Saebi, 2017; Nielsen *et al*. 2019), we then develop and discuss a conceptual framework (Table 1) that explains how firms can learn from their de-internationalisation choices,and reconfigure their business models aiming to re-internationalise.

Context	**Reasons to de-internationalise (partly or fully)** (based on Turcan 2006)	**Configurations to re-internationalise** (configuration categories and numbering based on Taran et al. 2016)
Firm specific	Resource constraints	VP20 - Value added reseller; VP13 Price-reduction bundling; VCo3 Core focused; VN7 Franchising; VN8-Inside-out; VN10 - Outside-in; VCa9 - Leasing
	Quality control and Lead-time constraints	VP7 Full-service provider; VP21 - Value bundling
	Technological advancement	VN1 – Adaptive; VN9 - Integrated

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Market specific	Customer demand to company's offerings decreased	VP14 Quality selling; VP11 No frills; VP13 Price-reduction bundling; VP16 User design; VS2 - Customer focused
	Customer demand more sustainable and longer lasting offerings	VP18 -Trusted operation; VP19 - Trusted product/service leadership; VS2 - Customer focused; VCo1 - Branded reliable commodity; VCo13 - Trash to cash; VN5 - Crowd funding; VN10 - Outside-in; VCa9 - Leasing
Industry specific	Changes in competition density	VS4 - Multi-sided platforms; VCo14 - White label; VCa1 - Bait and hook; VCa5 - Fractionalization
	Supply chain power relations	VCo2 - Channel maximization; VCo4 – Disintermediation; VCo9 -Integrator; VCo6 – Procurement; VP23 – Value chain coordinator
Political and National specific	Cultural constraints	VCo11 - Self-service; VCo12 - Trade show; VN2 - Affinity club; VN5 - Crowd funding
	Uncertainty in country's economic, political and labour market conditions	VP22 - Value chain coordinator; VCo4 – Disintermediation; VCo8 - External sales force; VCo10 Reverse innovation; VCa9 – Leasing; VS5 - Robin Hood; VS6 - Round up buyers; VS7 - Target the poor; VCo10 Reverse innovation; VCa10 - Pay-as-you-go; VCa11 - Pay what you want; VCa14 - Subscription club; VCa15 - The long tail; VCa16 - Upfront payment.
	Increase in trade costs (e.g. import tariffs)	VP11 No frills; VN8- Inside-out

Table 1: Reasons for de-internationalisation, and BM configurations to re-internationalise

Key Insights

The last decade has witnessed a number of global trends that affected in a dramatic way industries and global value chains nationally and internationally. These trends include, but not limited to: rise of nationalist and protectionist policies on trade and economic development in Europe, UK, and US, unfair competition, reorganisation of the global economy, dismantling and reconfiguration of industries, global value chains and global alliances, withdrawal of firms by brining production or other parts of their corporate value chains back home, development of innovative and disruptive technologies, most of the time with negative impact (Turcan, 2020), large scale displacement of labour force and other resources, openness towards intra firm collaborations, and ease of communication, management and cooperation across borders.

The disruption, dismantling and reconfiguration of industries and global value chains are manifest in the erosion of scale and arbitrage advantages, shrinkage of internal trade to 1/3, with external value chains doing the rest; making global value chains more knowledge intensive, service oriented; making industries and

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value chains that tried to globalised work best when national or regional (see e.g. Economist, 2017a; Economist, 2017b). In response to these global trends, firms de-internationalise or withdraw from international markets partially or totally and as a result rethink their business models.

De-internationalisation

De-internationalisation is a relatively young research field with one of the first definitions of the term stated in 1997 by Benito and Welch. The authors describe de- internationalisation as "*any voluntary or forced action that reduce a company`s engagement in or exposure to current cross-border activities*" (Benito and Welch, 1997, p.9). Often times, de-internationalisation is seen as inconvenient, undesirable endeavour as it is perceived as a failure (Turcan, 2003; 2013). Overall, research in international business focuses on positive growth and ignores firms that failed or chose to withdraw from their international activities (Turcan, 2006; 2010). However, de-internationalisation should not always be considered as a forced or un-voluntary retraction. De-internationalisation could also be seen as: "*a voluntary process of decreasing involvement in international operations in response to organizational decline at home or abroad*" (Mellahi, 2003 p.151).

Whether de-internationalisation is either forced or voluntary, de-internationalising firms have at their disposal various strategies to pursue (Buckley and Casson, 1998) to re-organise. De-internationalisation process can be seen as an attempt to correct an error a firm previously made in the process of internationalisation (Turcan, 2011). In this context, the process of cross-border activity of firms could be viewed as a cause-effect link between internationalisation and de-internationalisation (Turcan, 2003). This suggests different reasons are behind the process of de-internationalisation. We side with Turcan (2003; 2006) who maintains that de-internationalisation should not be seen as a failure, but an opportunity to re-grow and re-internationalise with an even stronger value proposition than before.

Re-internationalisation

Current research is telling us very little on re-internationalisation of firms compared to their internationalisation (Bell *et al*, 2003; Welch and Welch, 2009). The choice of a firm to de-internationalise puts this firm in a different position compared to other firms; it needs time, resources, commitments, among other things, before it attempts – hopefully successfully –re-internationalise (Welch and Welch, 2009).

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Re-internationalisation decision by firms is usually based on prior related knowledge and experience form previous failed or partly successful attempts, as well as understanding that a new attempt to internationalise will probably generate more positive outcomes, such as changes in management/ownership structures, gains in new competences and skills, partners, and shifts in own or neighbouring sectors. Re-internationalisation processes can follow three distinctive paths:

- Imitation of the first internationalisation attempt, but assuming that circumstances has changed e.g. economic, political.
- Partial imitation of the first internationalisation attempt, but adding new (or modifying existing) processes, resources and/or activities e.g. new suppliers; new customer segment.
- Selection of completely new entry modes, processes and international target markets, previously unknown to or untried by the firm.

In the pursuit of the first two paths, a firm can learn from its earlier internationalisation 'footprint' (Welch and Welch, 2009), such as knowledge, resources, capabilities, human and social capital, and cultural differences. In the pursuit of the third path, a firm faces more uncertainties and challenges, somewhat similar to the ones faced during their earlier (failed) internationalisation attempt. This nonlinear internationalisation process (Bell *et al*, 2003) brings challenges and opportunities.

Business model configuration

The need for firms to adapt to rapid changing environment (e.g., Massa and Tucci, 2013; Osiyevskyy and Dewald, 2015), and reconfigure their business models on a much more frequent basis than in the past, is considered a relevant practice. Understanding how firms change, and reconfigure their business model patterns or configurations is well established in in the current literature, offering numerous ways of organising and constructing a business model of a given firm that seeks to differentiate (see Gassmann et al., 2014; Taran et al., 2016). However, while the extant of knowledge on de-internationalisation and re-internationalisation strategies are considered limited, their intersection with business model configuration is currently non-present.

Discussion

From business model (BM) configuration perspective, re-internationalisation could be seen as a process of restructuring and generating new ideas within existing business models. In Table 1, we put forward an initial point of departure to understand contexts and reasons of why a company (voluntarily or not) chooses to withdraw from international markets. Furthermore, in

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view of BM configurations literature, Table 1 offers aconfiguration list to consider for a re-internationalisation strategy. It draws from contexts and reasons for de-internationalisation found in e.g. Benito and Welch, 1997; Buckley and Casson, 1998 and Reiljan (2004) and employs BM configurations presented in Taran *et al*. (2016) to align de-internationalisation reasons with re-internationalisation opportunities.

For example, in a "firm specific" *context* where "resource constraints" are one of the *reasons* for de-internationalisation, a firm has different options to reconfigure its business model. If the 'resource constrains' were related e.g., to lack of funds to set up a retail chain to follow a demand, the firm could be inspired by employing "VN7 – Franchising" configuration (examples being McDonalds and Starbucks), enhancing firm's performance within the limited scope of resources currently controlled.

In a 'market specific' *context*, where a firm de-internationalises due to 'market specific' *reasons*, such as 'change in 'supply chain power relations', a firm might face re-sellers and/or distributers that take a large percentage of the value-chain profit, thus diminishing value-added offers. In this situation, a firm could be inspired by VCo4 – Disintermediation configuration (example being Dell), leading to 'by-passing' the resellers and selling directly to its customers via own channels.

Table 1 should not be perceived in a normative context lenses, i.e. "cause and effect", but rather as a practical strategic learning toolkit available for firms to understand both the aftermath of their de-internationalisation experience, and an inspiration list of different avenues available for them to kick-start their future international growth strategies.

Conclusions

This is a first attempt to link "de" and "re" internationalisation challenges and opportunities with BM configuration literature, demonstrating the relevance of BM configuration body of knowledge to decision makers in the international business context. We call for future conceptual and empirical research to further theoretical, practical and policy understanding and implications of this intersection across various global, regional, national, industry, and firm contexts.

This advancement will shed more light on the limitedly explored, but highly relevant phenomenon of re-internationalisation of firms. Future pointers for research could be to learn what the benefits or downsides of de-internationalisation are, what the implications of de-internationalisation on a firm' business model are, which parts

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of firm's business model is affected most by de/re-internationalisation strategies, how value creation, capturing and delivery activities are affected by de-internationalisation and re-internationalisation strategies, what success ratios are of de/re-internationalised firms.

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