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The Art of Abandoning Ship

De-internationalization and escalation of commitment in Swedish banking and telecommunication MNEs

by

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Abstract

This study seeks to understand *why* and *how* Swedish MNE:s in the banking and telecommunication sectors decide to de-internationalize from foreign markets. Specifically, this question is addressed by examination of the driving motives behind the decisions, and the relevance of escalation theory to the decision making process. Through a qualitative and exploratory research design, this study examines four companies that have conducted partial de-internationalization, exiting a variety of European and Asian markets. From each firm, two current or previous executives are interviewed.

The contribution of this thesis is threefold. First, the results show that de-internationalization decisions are multifaceted, conceptualized as *dual-motive de-internationalization.* Thus, both the reactive and proactive influences of these decisions should be assessed to form a complete picture. Second, the theory of escalation of commitment is shown to be relevant for the examined decision processes, providing an extension of this theory to the internationalization processes of large MNE:s. Hence, managers are encouraged to consciously implement de-escalation strategies in the decision making processes of their firms. Lastly, a model for the interaction between escalation drivers, de-escalation strategies and de-internationalization motives is suggested.

Keywords: de-internationalization, escalation of commitment, banking, telecommunication, multinational enterprises, internationalization

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Table of Contents

List of Tables

List of Figures

1 Introduction

This thesis aims to contribute to the growing body of literature assessing de-internationalization, which has historically been a neglected topic within international business research. The specific perspective this study employs is to examine *how* and *why* Swedish MNE:s decide to de-internationalize, specifically by applying the lens of escalation of commitment to supplement existing de-internationalization research. This perspective helps international business scholars move towards a holistic approach to internationalization, including nonlinear expansion and bounded rationality.

1.1 Background

International business research has generally been characterized by an outward focus on expansion and growth strategies (Benito & Welch, 1997). Johanson and Vahlne (1977; 2009) set the scene with their foundational conceptualization of the incremental step-by-step model of internationalization, where increasing market commitment is driven by experiential learning. Entry mode choice has also been substantially addressed, notably from the perspective of transaction cost economics (e.g. Anderson & Gatignon, 1986); national culture (e.g. Kogut & Singh, 1988); and ownership, location and internalization advantages (e.g. Dunning, 1979; 1988; Agarwal & Ramaswami, 1992). However, Vissak (2010) critiques the assumptions of linear progression inherent to these foundational studies, arguing that *nonlinear* internationalization processes are the norm and that linear expansion is the deviation from this trend. She defines nonlinear internationalization as "a process characterized by substantial increases and decreases in international activity" (p. 560), with subsequent de- and re-internationalizations to different foreign markets.

De-internationalization is a topic within international business research that has historically received little attention (Benito & Welch, 1997). Welch and Luostarinen (1988) were the first to introduce the concept of de-internationalization, arguing that it can happen at any stage of the internationalization process. They define internationalization as "the process of increasing involvement in international operations" (p. 36), and conceptualize de-internationalization as the reversal of that process. The exclusion of de-internationalization perspectives from scholarly literature has been argued to stem from three factors; the stigma around failure, the fact that firms tend to wipe failed international endeavors from internal records and public memory, and the fact that both personnel and artefacts are often not accessible for researchers to study after the fact (Mellahi, 2003). However, since the turn of the century, there has been a growing interest in de-internationalization with many studies assessing both internal and external antecedents as well as financial impacts (Trąpczyński, 2016).

Simultaneously, de-internationalization is an increasingly relevant topic for multinational firms. Vissak and Francioni (2013) argue that de-internationalization does not automatically imply failure, and that nonlinear internationalization with subsequent de- and re-internationalizations is common not only for projects firms, but for many firms in the contemporary business environment. Similarly, Brauns (2015) shows that the pace of change in the business environment has increased significantly, implying that firms must constantly adapt and that change management is crucial for survival. Recent policy reports also foresee an increased risk for protectionist trade policies around the world (Gunnella & Quaglietti, 2019; Sveriges Riksbank, 2017), increasing the risk for regulatory barriers for multinational enterprises. Finally, the Covid-19 pandemic has been argued to exacerbate this trend, implying that "tomorrow's world is likely less globalized than today's" (UNCTAD, 2020, p. 112). As a result of these trends, multinational enterprises face a less stable and predictable business environment in the future. Thus, efficient de-internationalization processes, both regarding decision making and implementation, represent new strategic considerations for multinational firms. Additionally, scholars have outlined that the reasons and processes of de-internationalization are often more complex than for internationalization (Burt, Dawson & Sparks, 2003). Against this background, it is evident that the topic of de-internationalization deserves increased scholarly attention.

1.2 Problematization

As the preceding section indicates, international business scholars have devoted significantly more attention to internationalization than to de-internationalization. This is clearly evident by searching on the two keywords on Google Scholar, which reveals that internationalization produces over 400 000 hits while de-internationalization merely produces 1318 hits (see Appendix A). While a highly simple and crude measurement tool, this comparison still corroborates the assertion that de-internationalization has received far less attention. Note, however, that this difference implies nothing regarding the *need* for increased attention towards de-internationalization, however this argument is addressed in both the preceding and the following sections. Moreover, dividing the results by time period reveals that 69% of the mentions of de-internationalization come from the last ten years, 24% from the decade before that and only 7% before 2000. In comparison, internationalization receives roughly 41% of its hits from each of the last two decades, respectively, and 18% from before 2000. The relatively large portion of de-internationalization mentions in recent years therefore also serves to indicate the growing scholarly interest in the topic.

Although it was highlighted early on that the subject of de-internationalization has negative connotations which complicates accurate examination (Benito & Welch, 1997), this bias is still evident in some research, and the literature remains focused on de-internationalization as an isolated incident in response to internal or external forces (Trąpczyński, 2016). For example, it has been viewed as a response to crises (Mellahi, 2003), as stemming from failures (Dominguez & Mayrhofer, 2017), and as driven by low profitability (Onkelinx, Manolova & Edelman, 2016). Trąpczyński (2016) concludes that the existing research generally overlooks de-internationalization's connection to overall corporate strategy. Furthermore, he argues that future research should "shift attention from studying failure to studying optimization" (p. 350). This calls for a more holistic view of the phenomenon, conceptualizing de-internationalization as a strategic tool, not just as a response to failed endeavors or external pressures. In this report, these two extremes are henceforth referred to as *reactive* and *proactive* de-internationalization.

Strategy is a broad topic, and de-internationalization as a strategic tool can thus be analyzed from several perspectives. One especially interesting aspect is the decision making process. Recent research has specifically argued for the need to develop theory concerning decision making processes in firms that utilize de-internationalization as a part of their long-term strategy (Młody, 2016). Furthermore, decision making processes regarding investments are especially complicated due to their exposure to *escalation of commitment* risks (Staw, 1976; 1981). This theory predicts that in situations where individuals have initially committed resources to a cause, and received negative results, there are several psychological, social and organizational drivers that potentially cause them to irrationally commit *more* resources instead of less (Staw & Ross, 1989), henceforth referred to as *escalation drivers*. Consequently, there are several proposed *de-escalation strategies* that are argued to decrease this risk (e.g. Simonson & Staw, 1992). Following the theory that internationalization implies sequentially escalating resource commitment (Johanson & Vahlne, 1977; 2009), scholars have proposed escalation of commitment as a relevant theory for analyzing de-internationalization decisions (Benito & Welch, 1997). Subsequent research has shown the relevance of escalation theory for de-internationalization decisions in small and medium-sized enterprises (Matthyssens & Pauwels, 2000; Turcan, 2006) and in laboratory settings (Röber, 2019). However, neither of these studies examine the relevance of escalation of commitment on de-internationalization decisions in large multinational firms.

Furthermore, *agency problems* have been argued to increase the risk for escalating commitment to a failing course of action (Turcan, 2006). Jensen and Meckling (1976) argue that agency problems arise when managers of a firm are merely stewards of external parties' investments, and consequently do not supervise said investments as diligently as they would if it were their own. They argue that these problems stem from misalignment of incentives, where the investors employ managers to maximize the return on their investment, whereas the managers instead maximize their own personal benefits. In the school of escalation of commitment, the sound economic *project* factors collide with psychological, social and organizational forces which increase risk-taking behaviour to satisfy personal goals such as self-justification or saving face (Staw & Ross, 1989). By viewing these forces through the lense of agency theory, it follows that the misalignment of incentives and asymmetric information inherent to public firms increases the strength of the psychological, social and organizational sources of irrationality, further obstructing sound economic analysis, and consequently increases the risk of keeping low performing assets longer than optimal.

The service sector, especially banking and telecommunications, is also particularly interesting to study from this perspective. In general, Johanson and Vahlne (1990) admit that their traditional internationalization process model is less valid when assessing the service sector. Specifically, a case study on telecommunications companies shows that service MNEs from small, open economies deviate significantly from traditional internationalization theories (Laanti, McDougall & Baume, 2009). Moreover, the service sector was early on predicted to be the main internationalization force of the future (Vandermerwe & Chadwick, 1989), with later studies confirming that the service industry was internationalizing rapidly (Javalgi, Griffith & White, 2003), eventually representing the largest share of global FDI (Pla-Barber & Ghauri, 2012). Furthermore, Vandermerwe and Chadwick (1989) categorize service firms by usage of goods and degree of interaction, outlining three clusters which correspond to different preferred entry modes. They situate both banking and telecommunications in the *high interaction-low use of goods* cluster, implying significant need for control, large investments, and FDI as the preferred entry mode. Viewing internationalization as a barrier to de-internationalization (Benito & Welch, 1997), the high international entry barriers for these firms imply that the exit barriers are also significant. Additionally, viewing internationalization as an escalation of commitment situation indicates that the sunk cost fallacy exacerbates this problem (Garland, 1990; Kelly & Milkman, 2013; Staw & Ross 1989). Thus, the drivers that complicate de-internationalization decisions are especially strong within these industries, implying tougher conditions for the managers, and an especially interesting research focus.

1.3 Research Aim and Objectives

Based on the preceding problematization, the overarching aim of this report is to understand *how* and *why* Swedish multinational enterprises in the banking and telecommunication sectors decide to de-internationalize from a foreign market. More specifically, these decisions will be examined by applying two particular theoretical lenses, helping conduct a detailed yet nuanced discussion. Firstly, existing theories on the driving motives behind de-internationalization will be used to analyze *why* the examined firms decide to de-internationalize. Secondly, the theory of escalation of commitment, including the related de-escalation strategies, will be used to examine *how* the decision to de-internationalize is reached. Thus, this study also aims to investigate the relevance of escalation of commitment theory to de-internationalization decisions in multinational enterprises. The final aim of this thesis is to explore the potential relationship between escalation of commitment and the driving motives behind de-internationalization.

To achieve this aim, the objectives of this report can be outlined in three main stages: (1) formulation of a tentative theoretical framework for de-internationalization decision processes in the contemporary MNE by synthesizing theories on de-internationalization and escalation of commitment, (2) collecting applicable data from Swedish MNE:s in the banking and telecommunication sectors, and (3) matching the constructs of the tentative theoretical framework against the patterns in the empirical data, outlining where they coincide and where they differ to develop a new, refined theoretical proposition.

1.4 Research Purpose

As discussed in the problematization, de-internationalization is an increasingly relevant yet understudied topic for multinational enterprises, and a specifically complicated part of this is the decision making process. The general purpose of this study is therefore to bolster understanding of de-internationalization decisions in multinational enterprises. Specifically, the purpose of this report is to reveal the driving motives for de-internationalization, and describe how the decision making process is influenced by escalation drivers and de-escalation strategies.

Fulfillment of this purpose could potentially bring several valuable contributions to academics and professionals. Firstly, revealing the driving motives for de-internationalization contributes to the ongoing discussion regarding reactive and proactive motives. Secondly, describing the impact of escalation drivers and de-escalation strategies extends the application of escalation theory to de-internationalization decisions by large, multinational enterprises. Thus, the goal is to contribute to a novel perspective on de-internationalization, and build a nuanced understanding of the topic. The analysis can therefore also serve as an indication towards different managerial problems and solutions to consider when structuring decision making processes. Additionally, the perspective adopted in this study can contribute to mitigating the negative stigma around de-internationalization decisions, building towards a holistic view of nonlinear internationalization. Following this, a more nuanced understanding of international exit decisions can help accurately discern between failure and portfolio optimization. Lastly, this study can in a more general sense serve as an indication of the growing importance of addressing de-internationalization questions.

In conclusion, in order to fulfill the aim, objectives and purpose of this study, the overarching research question that this thesis addresses is:

How and why do Swedish MNE:s in the banking and telecommunication sectors decide to de-internationalize from a foreign market?

This general research question is, in turn, specified and divided into the following two sub-questions:

1. *What are the driving motives behind de-internationalization by Swedish MNE:s in the banking and telecommunication sectors?*

2. *How are the de-internationalization decisions by Swedish MNE:s in the banking and telecommunication sectors influenced by escalation drivers and de-escalation strategies?*

1.5 Delimitations

The research scope and case selection of this project is consciously delimited in several regards to increase the analytical clarity. The core delimitations concern national origin, time of exit, firm size, internationalization degree, industry, and type of de-internationalization. Each of these delimitations are presented and argued for in this section.

Firstly, this study is restricted to Swedish companies. De-internationalization studies have traditionally been focused on Anglo-Saxon countries (Trąpczyński, 2016), and national culture has been argued to be relevant to escalation of commitment risks (Liang, Kale & Cherian, 2014). In combination with factors such as the nationality of the researchers, the ongoing Covid-19 pandemic, and the limited time frame and scope, this delimitation therefore makes both practical and theoretical sense.

The scope of this study is also restricted regarding time of exit. Two central problems concerning in-depth interviews are *forgetfulness* and the *interviewer effect,* which might lead to measurement errors (Carbonnier, 2020). This means that interviewees often forget facts or events, but potentially still answer the questions, erroneously, to please the interviewer. The forgetfulness factor naturally increases with time, and thus, to increase the validity of the answers, this study is delimited to de-internationalization processes from the last ten years.

Furthermore, Turcan (2011) delineates three types of de-internationalization, divided by a de-internationalization continuum and life continuum; total withdrawal from international activities and yet in business, partial withdrawal from international activities, and total withdrawal from international activities and ceased trading. He suggests researchers limit their studies to one category to ensure comparability across cases. The scope of this study is thus limited to the second category; partial withdrawal from international activities. Beyond this, there are multiple definitions for partial de-internationalization as well, ranging from any decrease of commitment to full cessation of trading with a given country (Trąpczyński, 2016). From this perspective, this study is restricted to complete country exits, since the decreased ambiguity helps accurately outline the unit of analysis.

In order to access a sufficiently large sample, while still examining a relatively homogenous context, the study is restricted to two industries. Based on the discussion in the problematization, the selected industries are banking and telecommunication, chosen both due to their relevance to the topic and since they exhibit certain characteristics that are central to the study. Importantly, there exists several large Swedish MNE:s in both industries, and several of these firms have exited foreign markets during the last decade. This makes it possible to find more than one case company from each industry with suitable interviewees.

Additionally, Turcan (2011) argues that de-internationalization studies are prone to attribution errors, where respondents take credit for positive outcomes and deflect blame of negative outcomes on external factors. To mitigate this, he suggests using homogenous samples, for example firms that face the same external environment. This argument further strengthens the case for limiting the study specifically to large Swedish MNE:s, from the aforementioned industries, at a later stage of the internationalization process. These firms' individual differences are thus more likely to depend on the specific firm instead of external factors.

1.6 Research Limitations

There are several limitations that restrict the analysis and conclusions of this report. In general, de-internationalization is a relatively understudied concept, which implies that there are not any dominant models to structure the analysis around. This places increased pressure on the researchers to themselves structure new, sensible theoretical models, which can be difficult since the authors are relatively new to both academic research and the specific topic at hand. Additionally, any personal biases from the researchers, including a desire to produce interesting results, might impact the neutrality by which the conclusions are derived. This problem is exacerbated by the limited time frame and resource constraints of the study, which implies that the researchers might not be able to fully address every nuance of this topic. However, being aware of these limitations, the project is structured to let the focus be driven by theory and data instead of the personal interests or hunches of the authors.

Additionally, the entire analysis is based on four case firms, and such a small sample size significantly decreases the generalizability of the results. Due to the complexity and context dependence of de-internationalization processes, the results are deemed relevant strictly to the specific context of the study, including but not limited to national origin, industry, type of company, and time period. Therefore, while this study might indicate interesting avenues for further research, readers should take caution when applying the findings to contexts other than the one discussed in this study.

1.7 Outline of the Thesis

The thesis is structured into five distinct sections. First, Chapter 1 introduces the overall subject of the thesis and the background, problematization, research question and purpose. Chapter 2 follows, with a literature review and theoretical framework synthesizing the literature on de-internationalization and escalation of commitment. In Chapter 3, the methodology and the motivation for the choice of methodology is described. The findings of the research are presented and analyzed through flexible pattern matching in Chapter 4. In Chapter 5, these findings will be summarized, finishing off with conclusions, implications, and suggestions for future research.

2 Literature Review

A thorough literature review around de-internationalization builds the theoretical foundation on which the analysis rests. The literature review begins by assessing de-internationalization and the main streams of research that have been conducted within this area. Secondly, the perspective of escalation of commitment is reviewed to examine its relevance to de-internationalization decisions. This literature review helps construct a theoretical framework stemming from several disciplines, which will be used to test the collected data against. This will also assist in structuring the analysis and discussion, eventually reaching conclusions about the relevance and implication of the theories when combined with the empirical results.

2.1 De-Internationalization

De-internationalization was first conceptualized as the reverse of internationalization, a development which could occur at any stage of the internationalization process, with increased risk during the early stages (Welch & Luostrainen, 1988). Building on this conceptualization, Benito and Welch (1997) first expanded on the topic, proffering two key theoretical models. They define de-internationalization as "any voluntary or forced actions that reduce a company's engagement in or exposure to current cross-border activities" (p. 9). The authors argue that while de-internationalization is generally seen as undesirable, it still occurs in many firms. They formulate two theoretical models that map the probability of *full* and *partial* de-internationalization, respectively, to the degree of international commitment in the firm. Their first model predicts that the probability of full de-internationalization decreases linearly with the level of international commitment (see Figure 2). They further argue that this decrease stems from barriers to exit which increase as internationalization progresses and in that sense, internationalization itself becomes the barrier to de-internationalization. This suggestion is also supported in management literature regarding escalation of commitment, which is expanded on in section 2.3. Benito and Welch's (1997) second model, however, predicts that the probability for partial de-internationalization rises again once the firm grows sufficiently large (see Figure

3). For global firms, the authors instead envision partial de-internationalization as a strategic device, part of a larger strategy to keep the firm's international operations efficient.

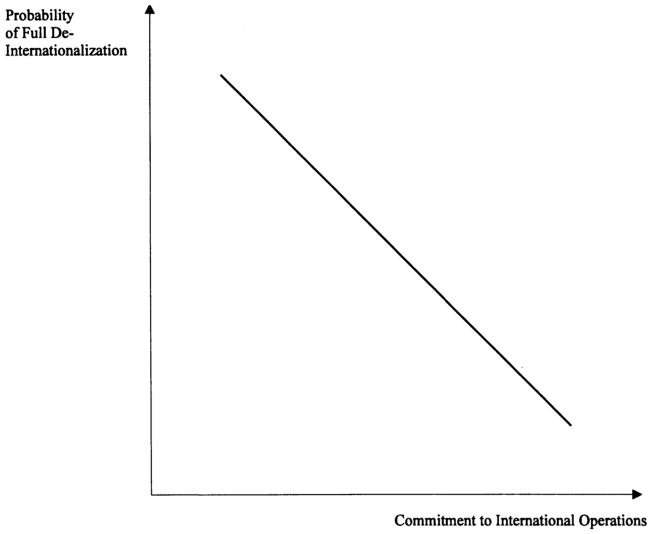

Figure 1 - Complete De-Internationalization and Commitment to International Operations (Benito & Welch, 1997)

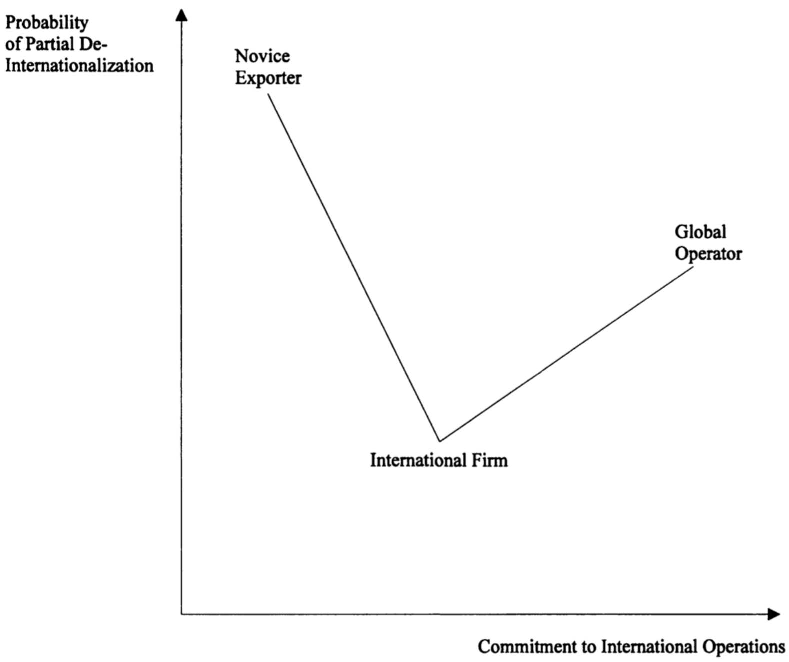

Figure 2 - Partial De-Internationalization and Commitment to International Operations (Benito & Welch, 1997)

Contemporary case study evidence has supported Benito and Welch's (1997) argument that de-internationalization is a common occurrence. Vissak (2010) outlines four types of nonlinear internationalization processes followed by firms, with de- and re-internationalizations as a common occurrence. The author argues that nonlinear internationalization is the norm, refuting the traditional view of linear internationalization expansion. Furthermore, it has been shown that nonlinearity can happen several times in many different types of firms, not just project businesses (Vissak, Francioni & Musso, 2012). From this perspective, de-internationalization is a common occurrence in firms, incentivizing its inclusion in formal strategy and process formulation. However, while in agreement that de-internationalization is a common occurrence, scholars have disagreed on several other aspects of this topic, especially the driving motives and the resulting effects.

Several studies during the last decade have produced contrasting evidence regarding the effects of de-internationalization on firm performance and survival rates. For example, empirical evidence from over 13 000 Belgian companies indicate that full de-internationalization leads to decreased performance, but it does not always lead to firm failure (Onkelinx, Manolova & Edelman, 2016). However, this study purely examines full cessation of international endeavors, ignoring the effects of partial de-internationalization and international restructuring. Additionally, these authors only examine export exit, ignoring other higher-commitment modes of internationalization. To contrast this, research on serial nonlinear internationalizers (SNI:s), with several de- and re-internationalizations have indicated that nonlinear internationalization is not necessarily a sign of failure, and that some exits instead improve performance (Vissak & Francioni, 2013; Vissak, Francioni & Musso, 2012). A potential explanation can be the difference between reactive de-internationalization, forced by internal or external problems, and strategically driven, proactive de-internationalization, driven by managerial efforts.

Some studies have adopted a reactive perspective where de-internationalization is argued to be driven by external factors instead of managerial efforts. Fletcher (2001) conducted a wide-ranging survey on firms' internationalization processes, arguing that the drivers of internationalization do not work in reverse to predict de-internationalization. He concludes that while internationalization is driven by proactive managerial efforts, de-internationalization is instead reactive, stemming from external impediments. A core limitation of this study is the self-reported nature of the survey, which the author admits is vulnerable to self-justification. On this note, Turcan (2011) realizes that de-internationalization studies suffer from attribution errors, where respondents allocate negative outcomes to external factors. However, Swoboda, Olejnik and Morschett (2011) examined international mode changes, concurring with Fletcher (2001) that while mode increases are driven by internal factors like managerial attitudes, mode reductions are driven by the external environment and firm performance.

Furthermore, a similarly reactive perspective can be identified in other studies on de-internationalization as well. A study focusing on internationalization stages of SME:s conclude that while de-internationalization is complex in origins and forms, internationalization processes are often interrupted by failures, whether internal or external (Dominguez & Mayrhofer, 2017). A larger-scale quantitative study further concluded that de-internationalization decisions are preceded by decreasing profitability (Onkelinx, Manolova & Edelman, 2016), indicating that de-internationalization is driven by low performance. Lastly, Mellahi (2003) studied the process of de-internationalization specifically as a result of crises, solidifying a reactive perspective from the outset. The author does however mention that other profit-enhancing motives can also drive these processes under non-crisis conditions. In conclusion, while these studies suggest different drivers of de-internationalization, some internal and some external, they share a reactive perspective where exits are driven by problems, failures and crises, and not by managerial efforts or ideas.

Conversely, some studies have argued for managerial attitudes and strategic motives as key variables in de-internationalization decisions. Reiljan (2004) argues that the driving motives of de-internationalization change as the firm grows, from reactive reasons such as lack of experience and cost increases, to proactive strategic changes (see Figure 4). This coincides with Benito and Welch's (1997) suggestion that global operators are more likely to partially de-internationalize to restructure their portfolio instead of fully de-internationalizing due to inadequate performance. Turcan (2003) presents a contrasting view, outlining strategic change as a key driver for de-internationalization for small firms as well. Similarly, Calof and Beamish (1995) argue that international mode reductions are driven by internal factors, especially highlighting the effect of attitudes within the firm. Recently, Kuiken, Wentrup and Schweizer (2020) expanded on the topic of attitudes, suggesting four categories of attitudinal commitment as vital drivers of de-internationalization processes. They argue that depending on the type of emotional attachment the decision maker has to the project, different motives will drive their decision making. In a more empirical sense, Fratocchi, Ancarani, Barbieri, Di Mauro, Nassimbeni, Sartor, Vignoli, and Zanoni (2015) identify back-reshoring as an emerging and understudied nonlinear internationalization process, whereby firms voluntarily relocate production back to their home countries as part of their corporate strategy. The authors argue that back-reshoring is no longer merely used as a correction mechanism but as a sustained strategy in firms' internationalization processes. Furthermore, de-internationalization has been combined with business model research to suggest a novel perspective in which firms proactively use de-internationalization as a tool to reinvent their business model and later re-internationalize with a stronger value proposition (Sort & Turcan, 2019). However, the authors merely suggest a potential for cross-fertilization, and are yet to conduct empirical research in this area. In conclusion, these studies at least acknowledge the relevance of proactive, strategic perspectives for de-internationalization, with some specifically arguing for psychological factors such as managerial attitudes. Additionally, when contextualizing these academic developments, it is evident that de-internationalization as a strategic tool and its implementation in MNE firms is a frontier topic, with significant potential for further research.

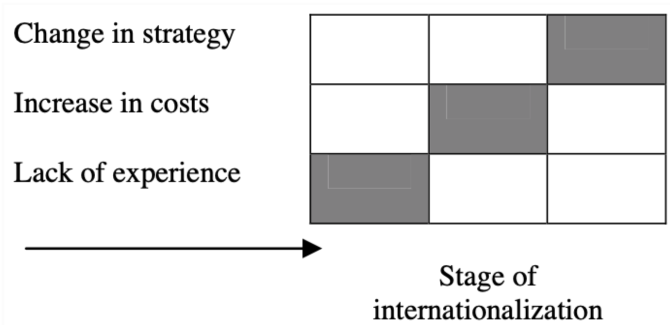

Figure 3 - Relative importance of different groups of de-internationalization motives in the different stages of internationalization: darker area means higher importance (Reiljan, 2004)

In a similar development, some studies have connected the type of de-internationalization and its likelihood to the international strategy adopted by the firm. Turner and Gardiner (2007) focus on interdependence among international subsidiaries, arguing that when interdependence is high, de-internationalization impacts the entire network and is likely part of a bigger strategy of refocusing on core activities. Following that logic, they assert that in multidomestic firms with low interdependence, de-internationalization is instead driven by disappointing individual subsidiary performance. Similarly, Benito (2005) argues that the propensity to divest foreign affiliates differ if firms apply a multidomestic, international, transnational, or global strategy. While the author proposes somewhat different arguments, he reaches a relatively similar conclusion to Turner and Gardiner (2007) in that the most integrated firms are least likely to divest, partly due to the impact on the firm network.

Trąpczyński (2016) conducted a uniquely thorough review of empirical research on de-internationalization, synthesizing the common perspectives and results. He concludes that divestment, reduction in operating modes, and foreign market withdrawals are commonly examined, however he argues that they often adopt a detailed perspective, ignoring holistic perspectives on the entire international presence of the firm. Additionally, he argues that there is inadequate distinction between active and reactive exits in existing research, and that they have different antecedents and performance implications. Generally, he states that a clear definition of the concept is still missing, conflating international reduction with international restructuring. The author concludes that while internal and external variables affecting the likelihood of divestment are widely studied, strategic motives and perspectives for de-internationalization remain relatively overlooked. Therefore, he suggests researching optimization instead of failure, indicating an inclination towards proactive rather than reactive de-internationalization.

In conclusion, de-internationalization is a historically understudied and scattered stream within international business research. A common argument for the exclusion of de-internationalization from scholarly attention is complications stemming from the stigma of failure connected to the topic. As highlighted by Trąpczyński (2016), a similar perspective is evident in empirical research on de-internationalization, as many studies emphasize links to external or internal problems, overlooking strategic objectives as drivers of de-internationalization and expressing a reactive view on the topic (e.g. Dominguez & Mayrhofer, 2017; Fletcher, 2001; Mellahi, 2003; Onkelinx, Manolova & Edelman, 2016; Swoboda, Olejnik & Morschett, 2011). However, some scholarly developments have included strategic and psychological perspectives (e.g. Calof & Beamish, 1995; Kuiken, Wentrup & Schweizer, 2020; Reiljan, 2004; Turcan, 2003), with some conceptualizing de-internationalization as a strategy to refocus on core areas or competencies (Fratocchi et al., 2015; Turner & Gardiner, 2007), or as a tool used to enable re-internationalization with a stronger business model (Sort & Turcan, 2019). These two contrasting research perspectives could be characterized as *reactive* and *proactive* de-internationalization, respectively.

2.2 Escalation of Commitment

Escalation of commitment is a theoretical stream from management literature, first introduced by Staw (1976). He concluded that in investment situations, negative results can make decision makers commit *more* resources, instead of less. The concept was later more formally defined as a situation where an original decision has resulted in a loss, but there is a chance to turn it around by committing more resources (Staw & Ross, 1989). One reason for this is argued to be the fact that people tend to overvalue consistency in decision making, especially in combination with successful results (Staw, 1981). This is believed to be common in situations where multiple sequential decisions form one larger choice of action, such as careers, investments, or political administrations (Staw, 1981). One commonly cited example of the devastating consequences this can bring is British Columbia's decision to host Expo 86 despite projecting significant losses (Ross & Staw, 1986).

Scholarly research on this topic has outlined a plethora of factors driving escalation of commitment, however some are more commonly found than others. Staw and Ross (1989) usefully group the factors into *project*, *psychological*, *social,* and *organizational*. Furthermore, they argue that the importance of these categories changes over time (see Figure 5). Initially, the project factors dominate, which are based on traditional economic reasoning regarding the profitability of the proposal (Staw & Ross, 1989). They further argue that as the project launches, psychological factors start affecting the individual decision makers, distorting their evaluation. As the project matures, social pressures form on top of the psychological factors, according to the authors, and lastly, the project becomes institutionalized within the entire firm and organizational factors drive commitment even further. Through this process, they argue that the risk of ill-advised commitment escalates as the project progresses.

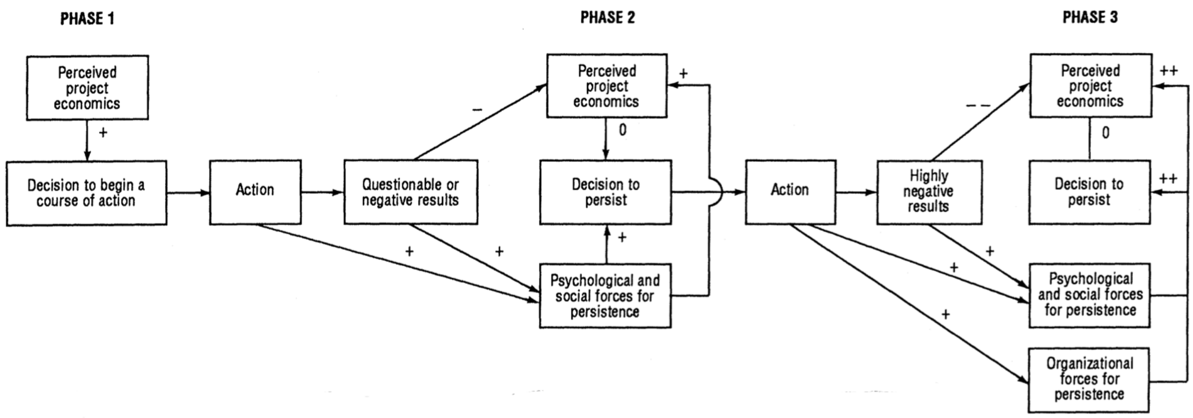

Figure 4 - A three stage model of the escalation process. The +, –, and 0 show positive, negative, and neutral influences, respectively. (Staw & Ross, 1989)

The psychological reasons have traditionally been the main focus of scholarly research (Staw & Ross, 1989), and multiple different perspectives have been suggested. Initial research outlined the *general limited information processing capability of human*s as a relevant factor (Staw, 1981; Staw & Ross, 1989). However, focus then shifted towards *self justification*, arguing that decision makers justify an initial poor decision by committing further resources (Bobocel & Meyer, 1994; Brockner, 1992; Kelly & Milkman, 2013; Ross & Staw, 1986; Staw, 1981; 1989). Another common inclusion is the *sunk cost fallacy,* where decision makers fail to disregard previous investments in decisions about future investments (Garland, 1990; Kelly & Milkman, 2013; Staw & Ross, 1989). Additionally, this is argued to lead to *confirmation bias*, where decision makers seek information which confirms their beliefs, disregarding contradictory evidence (Bazerman, 1998; Kelly & Milkman, 2013; Ross & Staw, 1986; Staw & Ross, 1989). Lastly, some have argued that *loss aversion* increases risk tolerance when mitigating losses compared to seeking gains (Kelly & Milkman, 2013). In validation of these factors' relevance, Staw (1991) argues that psychological theories are useful for explaining organizational behavior when individuals influence organizational action, and internationalization commitment decisions are indeed such a situation.

The social and organizational drivers have received relatively less scholarly attention (Staw & Ross, 1989). Regarding social determinants, some scholars have highlighted external pressures for consistency in decision making (Staw 1981; Staw & Ross, 1989), and appearing competent or *saving face* (Staw & Ross, 1989), while some have grouped these into *impression management* (Kelly & Milkman, 2013). Additionally, not daring to speak against the group consensus, or *group decision thinking*, has also been included in this category (Kelly & Milkman, 2013).

Regarding organizational factors, Staw and Ross (1989) highlight *organizational inertia*, *political forces*, and *institutionalization* as key drivers of escalation. Firstly, they define organizational inertia as the general slow pace of change in organizations, stemming from the loose fit between organizational goals and action. Secondly, they argue that political forces arise when units not directly involved in the project still defend its continuance due to interdependence or political alignment. Thirdly, they characterize institutionalization as when the project becomes so entangled with the identity and values of the entire organization that cancellation becomes unthinkable. Moving beyond the traditional categories, national culture has recently been shown to be a moderating factor in escalation situations, with some cultures more vulnerable than others (Liang, Kale & Cherian, 2014).

The potential for devastating economic consequences in escalation situations (e.g. Ross & Staw, 1986) exemplifies why several authors have formulated de-escalation strategies which are intended to decrease this risk. Several suggested de-escalation strategies concern incentive structures and organizational culture. For example, it has been suggested that performance evaluation and incentives should be structured to not punish inconsistency (Kelly & Milkman, 2013), and assess the decision making process instead of the results of the decision (Simonson & Staw, 1992). Similarly, Staw (1981) argues for resocializing employees to appreciate experimentation instead of consistency. Another common suggestion relates to involving multiple decision makers, for example seeking advice from outsiders (Staw, 1981) or handing off escalating situations to new decision makers (Kelly & Milkman, 2013). Simonson and Staw (1992) also suggest making negative outcomes less threatening and setting minimum target levels that trigger change in policy if not met. Kelly and Milkman (2013) add other strategies, for example seeking disconfirming information, reframing losses as potential gains, ensuring that spent resources are not considered, and reminding decision makers of the true goal of the investment.

To contrast the preceding discussion, there are also authors that critique the dominant thinking on escalation of commitment. Bowen (1987) argues that escalation situations do not necessarily exhibit irrational decision errors as much as naturally difficult decision-making dilemmas. Some experimental evidence has also suggested that sunk costs instead make us *less* likely to spend more, attributing this to the effect of mental accounting and approaching a predetermined mental budget (Chip, 1995). However, it is evident that the majority of evidence lies in support of escalation of commitment, despite the fact that some scholars argue otherwise.

In conclusion, most of the studies on this topic indicate that escalation of commitment to a failing course of action is a relevant risk in investment situations. Generally, the process of escalation can occur in investment situations where negative results are combined with the potential to recuperate the losses by further investment. Lastly, several de-escalation strategies have been proposed to counteract this, commonly concerning involvement of multiple decision makers and shifting focus from consistency and results to experimentation and decision making process.

2.3 Escalation in (De-)Internationalization

Applying the argument that firms' internationalization process follows a sequential step-by-step process with gradually increasing market commitment (Johanson & Vahlne, 1977; 2009), it follows that this process exhibits the characteristics inherent to escalation of commitment situations. Benito & Welch (1997) first suggested the applicability of escalation theory within the topic of de-internationalization, however there has since only been a few studies conducted on their interaction. The main studies in this area have assessed small and medium-sized firms (e.g. Matthyssens & Pauwels, 2000; Turcan, 2006), or tested the theoretical propositions in laboratory settings (Röber, 2019). Thus, the application of escalation theory to de-internationalization processes of multinational enterprises is a relatively understudied avenue within this research stream.

Matthyssens and Pauwels (2000) analyze the international exit decisions of two firms through a psychological perspective, concluding that escalation of commitment is an inhibitor for change processes. They propose that strategic flexibility is the principal de-escalation strategy firms use to counteract continued commitment to failing international operations. A core limitation of their study is that they strictly assess small and medium-sized firms and export withdrawals. Thus, they suggest extending this perspective to larger firms and higher-commitment modes of internationalization.

Furthermore, Turcan (2006) introduces a more nuanced perspective, including both de-internationalization and escalation of commitment to examine how and why small high-tech firms de-internationalize. He proposes that de-internationalization can be conceptualized as "the firm's capacity to reduce tensions in the organizational gestalt before or at the real point of no return" (p.349), with the real point of no return defined as the point at which the firm should exit a market at the latest to avoid becoming run-down. Turcan (2006) further argues that the closer the firm is to the *hype*, defined as the overall sentiment about the future within the firm's environmental context, the harder it is for it to de-internationalize, increasing the risk of failure. This, he states, is driven by the fact that firms closer to hype perceive a false point of return later in time, further away from the real point of no return. His findings imply that escalation of commitment is a relevant behavioral factor that discriminates between success and failure in de-internationalization among small high-tech firms. However, the author hypothesizes that mature firms are likely less affected by the concept of hype, and thus should have a more accurate perception of the real point of no return, making them less susceptible to these problems.

In a study by Röber (2019), escalation of commitment in internationalization processes is tested in a laboratory experiment with 100 subjects. As escalation of commitment was found to be influential in internationalization decisions, he argues that the findings imply that there are shortcomings for the Uppsala model of incremental internationalization, as the limited cognitive ability of decision makers is not accounted for in the original model. He concludes that if managers are affected by escalation of commitment, internationalization decisions could be irrational, pointing to the significance of bounded rationality and the need to include this perspective in future internationalization research.
To conclude, while research in this area is very limited, the previous studies all indicate the relevance of escalation of commitment theory to internationalization processes and de-internationalization decisions. Additionally, a central limitation of the current body of knowledge is the extension of this theoretical stream to large multinational enterprises.

2.4 Tentative Theoretical Framework

Since this study employs a flexible pattern matching procedure (see section 3.4.1) a tentative theoretical framework is developed, synthesizing the research streams that has been discussed in the preceding section (see Figure 6). This framework will be used to match against the emergent patterns from the empirical analysis, either confirming or refuting the validity of the current theoretical propositions.

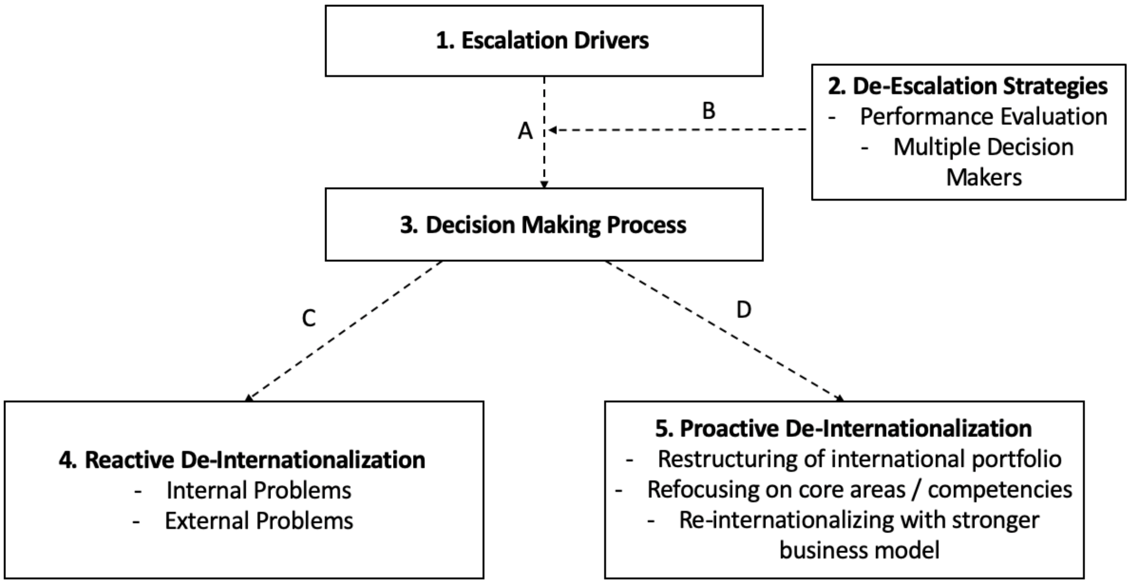

Figure 5 - Tentative Theoretical Framework: The De-Internationalization Decision Process

In the proposed tentative theoretical framework, the psychological, social and organizational drivers of escalation of commitment (1) impact the decision making process within the firm (3), represented by the dotted line marked with (A). This effect, however, is mediated by the de-escalation strategies (2) that the firm applies, represented by the arrow marked (B). Depending on the strength of the escalation drivers (A) and de-escalation strategies (B), the decision makers act more or less rationally when presented with negative feedback from their international operations. This decision making process subsequently results in de-internationalization decisions that are either characterized primarily by reactive (4), or proactive (5) motives, represented by the arrows marked (C) and (D). This represents the two main perspectives on de-internationalization proposed by the preceding literature review. Lastly, the lines in this framework are dotted to indicate the tentativeness of the framework, and the results of this thesis will aim to either confirm or refute each construct of this model.

3 Methodology

The methodology chapter presents the different steps, approaches and initiatives taken in order to obtain and analyze the data which in turn answers the research question presented. First, the research approach of the thesis is presented, and the choice of a research approach with both deductive and inductive influences is argued for. Secondly, the research design is introduced, arguing for the choice of qualitative research and a multiple-case study. Third, the data collection methods of purposeful sampling and semi-structured interviews are presented. Fourth, the data analysis methods are described, centering around flexible pattern matching and data triangulation. The methodology chapter ends with a discussion regarding research validity and limitations.

3.1 Research Approach

The research approach seeks to explain the connection between theory and empirical data, and how the research is conducted in regards to this connection (Bryman & Bell, 2015). The following chapters present the specific combination of deductive and inductive influences, the qualitative strategy, the underlying motivations for the choice of approach, and the implications of using such an approach.

3.1.1 Deductive and Inductive Influences

According to Bryman and Bell (2015) there are three main approaches to scholarly research in business: deductive, inductive and abductive. The authors highlight that a deductive approach is characterized by using established theory to develop hypotheses which are then tested by collecting data. An inductive approach works in reverse, they argue, where the collected data is used to generate theoretical frameworks. Lastly, the abductive approach is instead based on

discovering a surprising fact, or *puzzle*, that the research process then attempts to explain, using tools from both the deductive and inductive approaches (Bryman & Bell, 2015).
The research approach of this study employs both deductive and inductive influences to answer the research question. In general, this thesis aims to cross-fertilize two research streams to build new theoretical understanding of a relatively novel research area, reflecting the inductive basis of the approach. However, the thesis first establishes key theoretical frontiers and frameworks which guide the collection of data, showing the deductive influences. This combination of approaches was selected due to several interrelated, but still distinguishable, reasons. First, the de-internationalization process is far from fully captured in current research and is still a novel subject calling for exploration and formation of new theory. Scholars within the research field are yet to agree on a definition of the concept, and there are not any dominant models that can be tested and developed in order to reinforce the research stream. Hence, the research needs to be responsive to emerging patterns and avoid being unduly limited by previous theories, thus calling for inductive elements. Additionally, decision-making processes are complex matters with many interrelated aspects and nuances, bolstering the reasoning for inductive elements. However, since the cross fertilization of topics builds a lens to analyze the data through, and the focus topics thus stem from previous research, the approach is not purely inductive. Therefore, this study employs a combination of inductive and deductive strategies, drawing from both schools of thought to reach the most relevant conclusions.

3.1.2 Qualitative Research

The research strategy is the general orientation to the research conducted (Bryman & Bell, 2015) and can according to Creswell (2014) be divided into two opposite ends of a spectrum; quantitative and qualitative research. While, according to Bryman and Bell (2015), quantitative research emphasizes quantification in the analysis and collection of data, qualitative research instead emphasizes words and the ways in which individuals interpret the world. They further argue that a qualitative strategy enables researchers to examine topics in depth.

A qualitative research strategy was chosen for this study, in order to fully capture the complexity and nuance inherent to the research topic and research question. This coincides with Trąpczyński's (2016) suggestion that de-internationalization studies need more qualitative first-hand data, examining several interrelated and normative aspects. In addition, the decision-making process is carried out by individuals, and thus these individuals have first-hand experience of the process. Hence, in order to answer the research question, the research is best conducted by applying an exhaustive method that investigates managers' and decision makers' perceptions and experiences, as they ought to possess extensive knowledge about this process. The novelty and breadth of the research gap further motivates a qualitative study that fully explores emerging aspects and nuances.

3.2 Research Design

The research design applied is defined by multiple scholars as the holistic structure of the research, including the execution of the research method and analysis of collected data (Bryman & Bell, 2015; Durrheim, 2006; Vogt, Gardner & Haeffele, 2012), and has the purpose of describing how the answers to the chosen research questions are acquired (Kerlinger, 1986). In the following sections, the research design of this thesis is presented, and the methodological choices are argued for.

3.2.1 Case Study

The most commonly used research designs include experimental design, longitudinal design, cross-sectional design, comparative design, and case study design (Bryman & Bell, 2015). In qualitative research, the case study design is a customarily used design of research, in which the case studied becomes the basis of the thorough exploration of a topic (Kumar, 2019). According to Yin (2003), the case study design can have several different shapes; explanatory, descriptive, and exploratory. While the explanatory study often aims to explain the *why* of a particular phenomenon and the descriptive study seeks to *define* a phenomenon, the exploratory case study explores a fairly novel stream to *lay the land* of the research (Yin, 2003).

The case study research design has several advantages; Yin (2003) conceptualizes the case study research design as fulfilling the desire to understand complex social phenomena and concludes that a case study is preferable when questions regarding *how* and *why* is being asked about modern events over which the researcher has little to no control. Furthermore, theory stemming from case study research may be novel, testable, and hold empirical validity, resulting from the connection between empirical evidence and the theory (Eisenhardt, 1989). Kumar

(2019) further highlights that a case study is useful when wanting to gain a holistic understanding of a phenomenon and that a case study design thus is beneficial when researching relatively unexplored topics.

An exploratory case study design was chosen for this thesis for multiple reasons. The aforementioned complexity and novelty of the research topic of de-internationalization calls for a deep dive into firms employing de-internationalization, which a case study could accurately address. In addition, the thesis seeks to explain *why* firms decide to de-internationalize and *how* the decisions are affected by de-escalation strategies, which coincides with Yin's (2003) suggestion of situations where case studies are relevant. The social and humanistic nature of the selected research question, specifically delimiting the study to examine decision making, coincides particularly well with the case study design since it is applicable to studies where perceptions of individuals are examined. Lastly, the novelty of the research stream calls for an exploratory case study that helps build theory regarding de-internationalization processes in the examined context.

3.2.2 Multiple Case Study

A case study is, as concluded in the previous section, an adequate method of providing in-depth information about a single case. However, analyzing multiple firms instead of a single case can limit the risk of individual outliers distorting the results. As described by Yin (2003), the chances of producing robust results increase already with a two-case study, compared to analyzing a single case. The multiple case study further provides the researcher with a better position to establish the conditions under which a theory holds (Eisenhardt, 1989; Yin, 2003), and allows researchers to contrast and compare results, resulting in improved theory building and potentially new suggestions of concepts relevant to the emerging theory (Bryman & Bell, 2015).

With the aforementioned information in consideration, a multiple case study design was chosen for this study. In consideration of the complexity of a de-internationalization decision, the motives and decisions are naturally somewhat unique to each examined firm and their situation. However, through a multiple case study design, it is possible to capture the factors that are generalizable across the cases, indicating which aspects of the process are unique to each situation and which are likely to be common issues across different firms. Therefore, a multiple case study design is best suited to address the research topic this thesis aims to examine. However, the limited scope of the report also facilitates a need to limit the number of cases in order to retain the depth and quality of the research. Therefore, to satisfy both the need for generalizable trends and depth of analysis, this thesis examines two cases from each industry, for a total of four cases.

3.3 Data Collection Method

The data collection method is the procedure of collecting empirical data and involves creating a strategy for sampling, data source selection, and collection method (Bryman & Bell, 2015). In the following chapter, the purposeful sampling method, the case selection, and the semi-structured interview design will be presented and motivated.

3.3.1 Purposeful Sampling

There are several potential sampling methods to use when conducting research on a population. Marshall (1996) proposes three strategies for sampling in qualitative research; convenience sampling, judgement sampling, also called purposeful sampling, and theoretical sampling. According to the author, convenience sampling is the practice of sampling purely based on what is most accessible to the researchers, theoretical sampling involves selecting a second sample based on the new theory built from the emerging data of a study, and purposeful sampling involves selecting the most appropriate and productive sample in order to answer the research question. An advantageous purposeful sampling may involve studying subjects that have specific experiences or specific expertise (Marshall, 1996).

A purposeful sampling method was selected for this study due to multiple reasons. First, the focus of the study towards de-internationalization processes implies that there are a limited number of relevant firms, and there are no complete lists of the population to draw samples from. Secondly, the delimitation to the Swedish banking and telecommunication industries, and the temporal limitation to the last ten years, further narrows down the population that could be studied. Third, the fact that firms generally prefer to not spread information regarding their failures or exits, combined with the aim to reach upper level executives in multinational enterprises who likely have full schedules, implies that accessing relevant interviewees was a difficult task. Lastly, not all de-internationalization processes are the same, and this report specifically aims at partial de-internationalization by complete exit of one or several countries by MNEs of sufficient size and internationalization degree. Thus, the delimitations, scope and aim of the study implies that the sampling process is best conducted by purposefully searching for the cases that best fit the established criteria.

3.3.2 Case Selection

The case selection is described by Seawright and Gerring (2008, p. 294) as "the primordial task of the case study researcher". Following the discussion regarding problematization and delimitations in Chapter 1, several criteria were determined for case company selection, ensuring that the cases were relevant to the topic of strategic de-internationalization. First, the selection was limited to companies that have had operations in at least 5 countries other than their home market. Secondly, all companies selected were required to have had international operations for at least 10 years. Consequently, the selected companies were all deemed to be in a later stage of their internationalization process. Lastly, the selection was restricted to firms that were publicly traded.

The negative connotation of de-internationalization implies that companies often make silent international exits and are less outspoken about their withdrawals (Mellahi, 2003). In order to find companies relevant to the criteria, and most importantly, who had conducted de-internationalization, both Business Sweden and 25 Swedish Chambers of Commerce across the world were contacted and asked for help. Simultaneously, an overview of the largest Swedish multinational corporations was made, categorizing them into different industries. A search for information regarding these firms' de-internationalization was then made. The advice from Business Sweden and the chambers of commerce regarding companies that had de-internationalized was combined with the independent information search to identify companies that fulfilled the outlined criteria.

3.3.3 Interviewee Selection

After establishing potential companies to examine in the study, criteria were formed in regards to the selection of interviewees. The central criterion was that the interviewee previously or currently held a position within the company in which they had either influence on the decision-making process regarding de-internationalization, or insight into it, during the time of an exit. Having significant influence on the decision-making process was the preferred case since several of the questions concerned reasoning, motivations, and interpersonal discussion leading up to the decisions. These criteria were, in general, fulfilled, as at least one C-level executive was interviewed for each case company.

In order to find potential interviewees, an information search online was conducted to establish which people had been involved in the decision-making process surrounding the de-internationalization. Furthermore, representatives at a few of the companies were contacted and asked if they could direct the researchers to the right person. When there was a selection of possible subjects to contact, they were contacted via email or via LinkedIn depending on the available information. In addition, after the interview with the subjects, a *snowball technique* was applied by asking the interviewee to provide advice or contact information about other potential interviewees that had been relevant or influential to the exit process, and thus fit the criteria previously established.

This led to contacts with several second interview subjects, resulting in a total of 8 interviewees (see Appendix B). In total, the interviewees were all either former or current C-level Executives or Vice Presidents. Specifically, the interviewees were three former Chief Executive Officers, one former Chief Financial Officer, one former Executive Vice President, two current Vice Presidents, and one C-level executive whose position will not be specified further in order to ensure anonymity. For each company there were two interview subjects and at least one interviewee from each company was or had been a C-level executive. This ensured both that the study was not unduly influenced by the bias of a single individual's recollection of the decision-making process, and that strictly individuals with relevant first-hand experience were interviewed.

3.3.4 Interview Design

In the following section, the general design of the interview and the development of the questionnaire is presented, with a short review of which theoretical frameworks the interview questions are based on. Bryman and Bell (2015) distinguish between unstructured and semi-structured interviews, where the unstructured is more akin to a conversation whereas the semi-structured follows a certain predetermined interview guide, set by the interviewer. They further argue that semi-structured interviews are preferable when conducting research with a fairly clear focus, when more than one person is conducting the interviews, and when assessing multiple cases. The study conducted in this paper exhibits all the three preceding characteristics as the paper has a fairly clear focus on examining de-internationalization decisions through specific lenses, the interviews are conducted by more than one person, and the study assesses multiple cases. Based on this reasoning, semi-structured interviewing is evidently the most relevant method to conduct this study through.

Before the questionnaire was developed, a thorough review of relevant research had been conducted and each question was formulated based on either one or several research papers, coinciding with Trąpczyński's (2016) suggestion that de-internationalization studies need stronger theoretical background. The questions were divided into three categories: general information, de-internationalization, and escalation of commitment. The de-internationalization questions aim to examine the underlying context, key events, and driving motives behind the exit decisions. The escalation and de-escalation questions aim to uncover indications of escalating commitment as well as the impact of certain de-escalation strategies. The specific order of the questions was chosen so the interview would begin with the broader entry and exit questions, narrowing down throughout the interview, ending up with the most detailed decision process questions. Establishing rapport in the beginning of the interview is a common technique to decrease the risk of the interviewee leaving the interview or refusing to answer sensitive questions (Bryman & Bell, 2015; Carbonnier, 2020). Therefore, the questions deemed most sensitive were placed later during the interview, as not to discourage the interviewee early in the process. Within each category of questions, a few open ended central questions were formulated. Open-ended questions allow the subject to formulate answers freely, reducing the risk that the researcher's personal preconceptions influence the data (Bryman & Bell, 2015). This coincides with the qualitative and inductive elements of this study. However, most of these core questions were supported by several underlying sub-questions that were sometimes used to dissect the answers further, depending on the exhaustiveness of the initial answers. For an overview of the central questions and sub-questions, see Appendix C.

The questions correspond to each category according to the following table:

Table 1 - Questionnaire Legend

Category	Questions
General Information	1-3
De-Internationalization	4-8
Escalation & De-Escalation	9-10

Before each interview, the respondents were given information regarding the interview's structure, length, and language, as well as a brief background of the topic. The interviewees were also asked for consent to record the interviews and given the opportunity to anonymize their names and the company prior to the start of the interview. The interviews were between 30 and 50 minutes long depending on the richness of the interviewees' responses, and held via the video meeting platform zoom with the exception of two cases where Microsoft Teams was used due to the wish of the interviewee. Each interview was recorded via the Zoom recording function or via iPhone's voice memo application, as this allowed the researchers to get a full account of the interviewees' answers in retrospect. The full transcript and selected quotes from each interview were sent to the corresponding interviewee for approval. In three cases, clarifying follow-up questions were also sent to the respondent via email. All respondents gave permission to record the interviews and all but one respondent gave permission to utilize their name in the study. To anonymize this respondent, they were given a fictional name. Information about their position within the company and details from the interview that could be connected to the particular person were also removed and not included in any presented data. All respondents approved the final transcripts and selected quotes, sometimes with a few minor modifications for clarity and structure.

3.4 Data Analysis

The process of analyzing data in qualitative research is generally considered complex (Grbich, 2012; Sinkovics, 2018), and has been characterized as "intense, engaging, challenging, nonlinear, contextual, and highly variable" (Bazeley, 2013, p. 3). This complexity potentially results in different researchers drawing different conclusions from the same data set (Sinkovics, 2018). Bryman and Bell (2015) highlight that when analyzing qualitative data, a potential pitfall is failing to see a wider picture due to the richness of the data. Therefore, a sophisticated method for analyzing the data is paramount to derive valid conclusions. For this thesis, a flexible pattern matching method for data analysis is used, which is presented and argued for in the following section.

3.4.1 Flexible Pattern Matching

Donald T. Campbell is commonly referred to as the inventor of the term pattern matching in the context of knowledge development (Sinkovics, 2018). Campbell (1966) argues that all knowledge stems from a process of matching internal mental models of reality with externally observed patterns, which either confirms or refutes our preconceptions of the world. This theory has been expanded and developed into a distinct research method within several academic disciplines, and adequate knowledge of pattern matching is helpful for researchers regardless if applying a deductive, inductive, or abductive research approach (Sinkovics, 2018). Pearse (2019) specifically argues that pattern matching can be used in a qualitative context to complement deductive thematic analysis. According to him, deductive thematic analysis refers to different techniques for identifying patterns within data sets, often with both deductive and inductive influences. The author argues that at its most deductive, this approach entails *theoretically driven coding*, where theory is used to formulate a code manual that is used to identify "hits" in the data set. However, the inductive elements of the study at hand implies that a less rigid manual for identifying patterns is suitable for our purposes. Additionally, Pearse (2019) specifically recommends pattern matching for case studies since the structured process increases the internal validity, and consequently the credibility, of the study.

Sinkovics (2018) outlines that pattern matching is based in two main *realms*. First, he highlights that ideas and theories from the *theoretical realm* are compiled into patterns, with the goal of externalizing the internal mental model. Secondly, he describes that data from the *observational realm* is collected and organized into patterns. Following this, he outlines three distinct methods of pattern matching; full pattern matching, partial pattern matching, and flexible pattern matching. The author asserts that full pattern matching includes developing a complete theoretical framework to match the data against, suitable for explanatory studies. He further describes that in flexible pattern matching, a tentative theoretical model is instead formulated, and its dimensions and constructs are then expanded with the help of the patterns emerging from the data set. This strategy is argued by the author to be suitable for exploratory case studies. Lastly, he explains that partial pattern matching involves formulating a bibliometric concept map to locate interesting deviations from the researcher's mental model, and letting this guide the focus of the study.

Due to the exploratory nature of this study, a flexible pattern matching process is applied to analyze the data. The literature review in Chapter 2 forms a tentative theoretical framework, centered around the distinction between reactive and proactive de-internationalization, and the moderating effect of escalation drivers and de-escalation strategies. The data analysis is then structured into three steps: within-case analysis, where patterns in each case is discussed; cross-case analysis, where generalizable pattern across the cases are identified; and lastly pattern matching, where the tentative theoretical framework is compared to the emerging patterns in the data to develop a new, refined theoretical model.

3.5 Validity and Reliability

According to Bryman and Bell (2015), there are three criteria of evaluation of business research commonly used by scholars; reliability, replicability, and validity. However, scholars have argued that since these criteria are sprung from quantitative research, the relevance for using these to discuss qualitative research is limited (Golafshani, 2003), and can even be misleading (Stenbacka, 2001). While the terms reliability and validity are used in quantitative paradigms (Golafshani, 2003), qualitative research is according to Lincoln and Guba (1985) best described through the alternative criterion *trustworthiness*. They further argue that in light of trustworthiness, the following criteria parallel the classic quantitative criteria; *credibility*, *applicability*, *consistency* and *neutrality*. According to the authors, credibility concerns the truth value of the findings from a particular subject, applicability concerns the extent to which findings can be applied to other cases, consistency concerns whether the findings would repeat in a replication of the study, and neutrality concerns if the findings are a result of the biases of the researcher or an unbiased account of the respondents and conditions.

Lincoln and Guba (1985) suggest data triangulation as a technique to ensure credibility, using second-hand data sources to validate the respondents' information. In data triangulation, several reference points are compiled to assess the true location of the unit of analysis (Bryman & Bell, 2015). Since de-internationalization is a sensitive topic, prone to attribution errors, data triangulation has been specifically suggested as a strategy to mitigate this particular risk (Turcan, 2011). Additionally, the problems of *forgetfulness* and the *interviewer effect* mentioned in section 1.5 solidifies the reasoning for data triangulation (Carbonnier, 2020). Therefore, data triangulation was utilized to increase the credibility of the data.

As de-internationalization studies are likely to suffer from attribution errors (Turcan, 2011), a critical lens must be applied to get an accurate understanding of the results. Having multiple interviewees from each company and synthesizing their accounts thus improves the credibility of the findings of this study since they are not solely based on one individual's perceptions. The interviewees selected were also knowledgeable about the decision-making process, ensuring that the findings are not based on second-hand perspectives. Furthermore, two companies from two different industries were selected, limiting the risk of outliers skewing the results. Lastly, the interview transcripts were sent to each interviewee, to ensure there are no errors.

Lincoln and Guba (1985) suggest researchers provide thick descriptions of the research to ensure the context is considered, which increases applicability. In this study, both the particular context and characteristics of the case and the process of the research has been accounted for in the methodology chapter in a precise and detailed manner, ensuring that following researchers can assess whether the case study can be applicable in other contexts. Furthermore, the introduction chapter expands on the context surrounding the case firms and clearly defines the scope, ensuring that the findings are strictly applied to relevant cases.

Due to the level of flexibility and lack of control, researchers' biases are harder to account for and mitigate in qualitative research (Kumar, 2019). Lincoln and Guba (1985) highlight the criterion of neutrality as the need to acknowledge and prevent researchers' biases and viewpoints from influencing the interpretations of the findings. In order to effectively achieve this neutrality in this study, the interpretation of results is grounded in data, the delimitation and scope bound by theory, and the questions in interviews sprung from a cross-fertilization of two theoretical streams. Lastly, there are explicit records of the methodology through each step of the process of the thesis, ensuring transparency of the ways the researchers have conducted the study. This is, according to Lincoln and Guba (1985), necessary to meet the criterion of consistency.

3.6 Methodological Limitations

This study has several limitations in regards to the employed methodology. Firstly, there is a possibility of the scientific rigor being compromised since the chosen research approach and design is of a less structured nature, and the research is conducted by undergraduate authors. However, it should be noted that qualitative research may not fit the concept of rigor, which is sprung from quantitative research. Additionally, the chosen approach and design open up for exploring novel topics and capturing unexpected dimensions. Hence, the methods used are the most appropriate for this particular study, while it still carries certain limitations.

Secondly, utilizing purposeful sampling instead of random sampling from a population increases the risk of the findings being biased and the researcher not being able to draw inferences about the population (Etikan, Musa, & Alkassim, 2016). The sample may also suffer from self-selection bias; the sample may not accurately represent the population as it may be influenced by the willingness of respondents to participate, and the findings may be influenced by their hidden motives of participating (Lavrakas, 2008). However, there is no access to the entirety of the population, and its scope and characteristics are yet to be defined. Random sampling would thus require extensive resources and time, and therefore be outside the scope for this thesis.

Thirdly, there are limitations to the interview design. Conducting the interviews in English when neither the respondents nor the interviewers are native English speakers increases the risk of a language barrier affecting data collection, leading to less credible information from the subjects and a risk of misinterpretation by the researchers. However, this reduces translation errors. Further, having had such high level positions in large multinational companies, the interviewees are assumed to be sufficiently proficient in English, mitigating this risk.

Lastly, Alvesson (2003) critiques the idea of qualitative interviews as a vehicle for data collection, arguing that the richness and complexity of the accounts bear an inherent risk of the findings resting on a shaky ground. To mitigate this, he suggests using a reflexive pragmatic approach, including working with alternative interpretations and vocabularies. Thus, the interview transcripts were discussed extensively by the researchers to uncover the most plausible interpolation of each statement.

Another limitation of conducting interviews is the self-reporting of data and the resulting threat of there being an error of validity of the interviewee's accounts, as highlighted by Moskowitz (1986). Although using data triangulation, some of the information received cannot be verified within the limited time frame and scope as there are no public records. However, as the study mainly seeks to examine the experiences and opinions of individuals involved in the decision-making process of de-internationalization, this method of data collection is the most appropriate. In addition, with most subjects giving consent to utilize their names in the study, they may have incentives to provide as truthful answers as possible.

4 Analysis and Discussion

In this chapter, the findings of the data collection and pattern matching analysis are presented and discussed. The chapter follows a flexible pattern matching design, and thus consists of three main parts; within-case analysis, cross-case analysis, and pattern matching analysis. The first part presents the key findings of each case, the second part synthesizes the preceding cases into a few common patterns, and the third part aims to match these patterns from the observational realm to the patterns found in the theoretical realm in Chapter 2. It shall be duly noted that all following statements from the respondents are strictly representative of the respondents' views and opinions, and do not represent the official views or opinions of the companies discussed.

4.1 Within-Case Analysis

In this section, the results from each case are presented in two steps. First, the case companies are presented through a brief overview of their history and background. Secondly, the findings from the interviews are synthesized and discussed to form a nuanced understanding of each case. The focus of the data presentation will be guided by the key aspects of each case which relate to the tentative theoretical framework of de-internationalization and escalation of commitment.

The interview findings are further structured in three sections. First, the events preceding the exit are discussed to form an understanding of the underlying context. Secondly, the factors directly related to the exit decision are discussed, focusing on key events, motives, and attitudes. Lastly, the evaluation of decision makers within the firm is presented, discussing potential escalation drivers not covered by the previous sections.

4.1.1 Swedbank

Swedbank is one of the leading banking groups in the Nordic region and the Baltics and was created through a merger between Sparbanken Sverige AB and Föreningsbanken AB in 1997 (Nationalencyklopedin, n.d.b), however it has roots dating back to 1820 (Swedbank, n.d.a). Swedbank employs approximately 16 000 people and serves four home markets; Sweden, Estonia, Lithuania, and Latvia (Swedbank, 2020). Although not considered home markets, Swedbank also has operations in the remaining Nordic countries (Swedbank, 2020).

In 2007, Swedbank entered Russia and Ukraine. Ukraine was entered through the acquisition of TAS-Kommerzbank (Swedbank, 2007). Russia was entered through Swedbank's purchase of all shares in Hansabank, which had entered Russia in 2005 through an acquisition of the bank OAO Kvest bank (Swedbank, n.d.b). Swedbank announced in April 2013 that they would divest their operations in the two countries (Swedbank, 2013)

Michael Wolf, hereafter referred to as Wolf, was the Chief Executive Officer of Swedbank between 2009 and 2016. In this role, Wolf had the overall responsibility for implementing the strategy and monitoring the operations of the company. Göran Bronner, hereafter referred to as Bronner, was the Chief Risk Officer of Swedbank between 2009 and 2011, and the Chief Financial Officer between 2011 and 2016. In these roles, he had the overall responsibility of the financial statements of Swedbank and for setting up the exit strategy from Russia and Ukraine. Both Wolf and Bronner, together with the rest of the management team, were responsible for proposing strategic choices to the board of Swedbank, such as those regarding investments and divestments. The ultimate decision making was, as in most larger companies, up to the board.

4.1.1.1 Preceding the Exit

Regarding the initial decision to enter Russia and Ukraine, Wolf and Bronner hedge that they were not part of the decision making and thus can not elaborate. However, they both express the opinion that the original entry decision was influenced by optimism concerning the entered markets and an expansionary desire from shareholders and managers alike. Further, they both express the opinion that this initial decision was problematic.

“It was not really [...] coherent with its strategy. It was more of a macro trend that many thought would play out to the benefits of the bank. […] I think it was a bull market decision that proved to be wrong in hindsight.” - Wolf

“I think they were influenced by the stock market's appreciation for growth and all bank CEOs and boards at the time in 2004-2007 were led by bringing [a] growth story to the stock market and the shareholders, and that’s what made them enter.” - Bronner

The financial crisis of 2008 significantly increased default rates in Russia and Ukraine, uncovering the weak underlying institutional structure of these markets. As a result, this part of the portfolio became especially hard to handle, and Bronner argues that there was no other sensible response than to reduce the exposure to these markets.

“What happened in Russia and Ukraine after the crisis was that their legal systems and their processes around bankruptcies proved to not be at the standards of the European Union, which made the risks elevated.” - Wolf

“The crisis made this whole strategy blow up in their face. It was no other way out than to reduce and stop lending and abandon their previous strategy to grow in these countries.” – Bronner

4.1.1.2 The Exit Decision

Bronner and Wolf both highlight risk reduction as a primary motive for the decision to exit Russia and Ukraine. The necessity for the risk reduction is argued to be understood by the management team immediately when entering the firm.

“[The exit] was a huge de-risking of the entire balance sheet.” - Wolf

“It was a life threatening situation for the bank to continue to be perceived to be very riskful. So the strategy from day one was to reduce the exposure that we had in Russia and Ukraine and try to have as little losses as possible.”- Bronner

However, reducing this problematic part of the portfolio also contributed to Swedbank's operations by allowing a shift of time and effort to the core Nordic and Baltic markets.

"Russia and Ukraine stole an unproportional, massive amount of management time. By not having them as part of the company, we could put the entire management resource into the four home markets." - Wolf

Apart from the financial crisis and its inherent risks, the concurrent change in top management is also seen as a catalyst for the exit decision. Shortly after the management change, the strategic evaluation which ultimately led to the withdrawal from Russia and Ukraine was initiated.

"It was basically in conjunction with me stepping on, and stepping into that chair [of CEO], that we started to review this and started to plan for how to exit."- Wolf

Bronner expands on this topic, arguing that the new management's status as newcomers was an aid in assessing the situation clearly. He expresses that the absence of involvement in past decisions enabled reaching necessary conclusions, instituting the restructuring process in a timely manner.

"We came in as a new management team, it was much easier for us to accept that these losses were there [...] than it was for some of the board members who've been actively pursuing this strategy. [...] We had not been part of that, so we had nothing to defend."- Bronner

"It was really important to get the change of course in action, both internally and the perception of it externally, very quickly. And you cannot achieve that with the same management."- Bronner

Regarding the timing of the exit, both Wolf and Bronner express concern regarding a hypothetical exit later in time, arguing that it would have impacted the organization negatively. They seemingly disagree about whether an earlier exit would be beneficial or not, however their answers are potentially based on different assumptions. While Wolf argues that an earlier reduction of these operations would be beneficial, Bronner argues that given the situation they were handed, they could not have exited earlier without risking excessive default rates. Therefore their answers can be interpreted as not conflicting in spite of the optics.

"I think earlier would not have been wrong. We would have avoided a lot of losses that we made in the exit processes. [...] Later, the risk would be that we would have lost even more money."- Wolf

"Earlier, I think we would have lost more money, so it would have been bad for shareholders because they would have had a lower operating profit. And I think that could have created a scared environment around the bank. [...] If we had exited too long out in the time frame, I think it would have been the same actually, because it would have been difficult for us to make these operations profitable."- Bronner

4.1.1.3 Performance Evaluation

In terms of the evaluation of decision makers within Swedbank, Bronner and Wolf express that the organization employed a result oriented performance evaluation, illustrated by the focus on key performance indicators, hereafter referred to as KPIs, and value creation for stakeholders. A number of KPIs and stakeholders are highlighted, with specific emphasis on return on equity, indicating the bank's primary profit responsibility towards its shareholders.

"There were a number of KPIs that were critical - but the ultimate financial KPI was return on equity [...] at the end of the day, the company's profitability is the best safeguard for being around tomorrow."- Wolf

[When asked if they were evaluated on the result of their decisions or the process by which they reach those decisions] "*The result completely. I think we were rewarded by what we achieved for the shareholders and all the parties that have an interest in such a big bank, which are regulators, shareholders, customers"- Bronner*

Expanding on the influence of shareholder perception on decision making in the firm, communicated through fluctuations in the stock price, Bronner highlights that this is potentially problematic.

"The shareholders can be a dangerous bunch of people" - Bronner

Lastly, when asked about the tradeoff between consistency and experimentation, both interviewees share a view of the importance of consistency, although with different interpretations. While Wolf highlights the importance of consistency in performance, Bronner instead points to the necessity to stay consistent in terms of strategy, sticking to a specific course.

"I think consistency is really, really important. And if you have a lot of consistency, you build up buffers which allows you to also experiment. You can't experiment your way to success, but you can create room for experiments by being consistent in your performance."- Wolf

"In all bigger corporations like this I think it's important to stick to a course. I don't think on that level that you experiment a lot on the strategy front."- Bronner

4.1.2 Handelsbanken

Handelsbanken, otherwise known as Svenska Handelsbanken, is one of the largest banking groups in Scandinavia and was founded in 1871 (Nationalencyklopedin, n.d.a). Handelsbanken employs approximately 12.000 people (Handelsbanken, n.d.a) and their six home markets are Sweden, Denmark, Norway, Finland, The Netherlands and the United Kingdom, however the bank has some operations in France, Germany, Luxembourg, Poland, Spain, the United States, Singapore and Greater China as well (Handelsbanken, n.d.b).

Handelsbanken has entered and exited several markets historically. For example, Handelsbanken acquired a banking license in China in 2005 and opened a branch in Shanghai (Handelsbanken, 2005), but have had operations in Asia for 45 years according to their Vice President of International IT Operations, Stefan Evholt (Interview, 14 May 2021). In October 2019, Handelsbanken announced that it would gradually wind down and discontinue operations in Asia and Germany. It had previously announced that it would discontinue operations in Estonia, Latvia, Lithuania and Poland (Handelsbanken, 2019).

John Smith, hereafter referred to as Smith, has had a C-level management position within Handelsbanken for several years, whose responsibilities will not be specified further in order to ensure anonymity. Stefan Evholt, hereafter referred to as Evholt, is the Vice President of International IT Operations of Handelsbanken since 2017. In this position he is responsible for the IT operations outside of the Swedish market and assessing the technical perspective in potential market entries and exits.

4.1.2.1 Preceding the Exit

When asked about the motives for entry into Asia, there is an indication of a general trend of banks expanding to the region affecting the entry decision. However, the interviewees share the opinion that the main motive for international expansion was customer centered, primarily through following existing customers to serve their needs in foreign markets.

“ The driver behind Asia was all banks needed to be there. It was, well, who wasn't present in Asia, [...] why not?”- Evholt

“The reason was to follow customers outside of Sweden to support them outside of Sweden. [...] and I think that remained to be the case for a long period of time.” - Smith

Preceding the exit, Handelsbanken’s international operations suffered from decreased profitability, partly stemming from an increasingly complex and diverse regulatory environment. Therefore, it became increasingly costly to sustain the original vision of a universal bank in all international markets. Evholt highlights that eventually, Handelsbanken felt they were too small to compete in said markets, decreasing the incentive to have such a diversified portfolio.

“We have aimed to be a universal bank in all the countries that we have been present in, offering all types of financial solutions to our customers. And that ambition, the last 10 years, has become too expensive”- Evholt

“Declining business volumes, increased costs for doing business, increased capital and liquidity requirements, and increased costs for running the business related to regulations - that made it not very profitable to run these operations internationally.”- Smith

“You need to be one of the big ones, CBS or HSBC, or one of the big international banks to actually be able to compete on these markets nowadays”- Evholt

4.1.2.2 The Exit Decision

Both interviewees draw connections between the change of management in 2019 and the decision to exit. Evholt argues that the exit might have been further delayed without the management change, to the detriment of the bank.

“We started looking into this when Carina stepped in as a new CEO.”- Evholt

[When asked if the exits would have happened without the change of management] *No, not at that time and perhaps not that quick. [...] probably it had been later in time and I think that had had a rather bad negative impact on the result for Handelsbanken. I think it was in due time, perhaps even a couple of years earlier.”- Evholt*

Smith puts increased emphasis on the gradual deterioration of revenue and increasing costs, arguing that this was well known within the bank. However, Smith still agrees that the management change sparked the review process that eventually led to the exit decision.

“The understanding was there all the time. But the situation deteriorated [...] and then at some point the bank came to the conclusion that we have to take care of our cost situation and return on equity situation and make this call and make a change.”- Smith

“I think the spark was that during 2019, there was a change. A new CEO was appointed, and then we clarified our strategy and decided to focus more clearly on our core business.”- Smith

Although several factors influencing the decision to exit are mentioned, both Evholt and Smith characterize the foreign market exit as a strategic refocusing on their core customer segments, forming a new vision regarding which customers Handelsbanken should serve. This strategic refocusing led to increased commitment to markets where these customers were prevalent.

“To support home market customers, private individuals and focus on the savings business, and mortgage business. And to also focus on corporate banking with owner led companies”- Smith

“That's the market where we have the customer that we want to focus on, and of course we increase the investment in this market instead of being in the Asian countries.”- Evholt

Regarding the timing of the exit, Evholt contends that a later exit would be detrimental to the bank. Conversely, Evholt and Smith both hypothesize that an earlier withdrawal from said markets could have prompted some positive effects. Evholt further expresses a view that the exit should ideally have been made earlier in some cases. However, Smith presents a contrasting argument, asserting that the long run effects would be largely unaffected by a differently timed exit decision.

“If we had chosen to exit at a later stage, I would like to say that we would have had totally unacceptable costs for the market [...] I think that we, in some countries, should have taken the decision a little bit earlier and probably had saved some money there [...] for example the Baltic countries, that could probably have been closed down 5 to 10 years ago”- Evholt

“Of course, yes, then the cost savings would have kicked in at an earlier stage, obviously, but in the long run I don't think it would have made a difference in the longer term earnings capability, meaning that I don't think we would have lost more customers or less customers”- Smith

4.1.2.3 Performance Evaluation

Both the interviewees contend that decision makers within Handelsbanken are evaluated by the result of their decision. Evholt further argues that processes for making decisions are inherently rigid due to the formalized structure of the organization. Smith further explains that although financial performance is key, decision-makers are evaluated by the long term contribution which holds a broader connotation than financial performance.

[When asked whether decision-makers are evaluated by process or result] *"I would like to say that probably the result, because I guess the way you reach your decisions, the bank is strictly formalized into processes."- Evholt*

"It's your contribution to the bank and the long term goal of the bank, and that is also very much based on how you live the culture and apply that in a way, so it's much broader than just producing good profit data, so of course, I mean it's a commercial enterprise so that is of course a key thing, but it has to be sustainable and it should be in accordance with the values and standards that are set in the bank."- Smith

Following up on the conservative nature of the banking industry, Evholt asserts that consistency is the norm for the organization.

"We don't have that much experimentation in our soul and body within Handelsbanken."- Evholt

Smith, however, presents a contrasting view, expressing that Handelsbanken's organizational culture has a focus on autonomy among decision makers and thus allows experimentation to some extent.

"You must allow people to sometimes fail and to try and to find new ways. And that's deeply embedded in the culture and[...] one of the basic ideas about how Handelsbanken is being run. So I would say that to experiment and to find new ways[...] is encouraged, but it's deeply tied to the culture and a really strong focus on personal responsibility and accountability."- Smith

4.1.3 Tele2

Tele2 is one of the leading telecommunication operators in Europe and was founded in 1993, but has roots dating back to 1986 (Nationalencykopledin, n.d.c). The company employs about 4.300 people (Tele2, n.d.a) and has operations in Sweden and the Baltics (Tele2, n.d.b).

Tele2 announced it would enter Kazakhstan through the purchase of a majority of the shares of NEO, a Kazakhstani mobile operator, in 2009 (Tele2, 2009). An acquisition of Millicom's Russian assets in 2001 granted its entry into Russia (Carnegie, 2001), Tele2 announced they gained a mobile license in Croatia in 2004 (Tele2, 2004b), and the announcement of the acquisition of UTA, a leading Austrian telecommunications operator, was made in 2004 (Tele2, 2004a). The equity share of Tele2 in its Kazakhstan joint venture was sold in 2019 (Tele2, 2019), Tele2 Croatia was sold in 2020 (Tele2, 2020), and the Austrian branch was sold in 2017 (Tele2, 2017), and Tele2 announced the sales of Tele2 Russia in 2013 (Tele2, 2013).

Guillaume van Gaver, hereafter referred to as van Gaver, was the Executive Vice President International of Tele2 between 2016 and 2019. He was recruited partially to reduce the international footprint of Tele2, and had some influence over the decision-making surrounding the exits. Mats Granryd was the Chief Executive Officer of Tele2 between 2010 and 2015. In this position, he had the responsibility of the overall management of the company and setting the strategic direction.

4.1.3.1 Preceding the Exit

Regarding the decision to enter the markets that Tele2 later exited, Granryd expresses that identified market opportunities was a central driving motive. Van Gaver further presents a similar view, adding that growth seeking trends within the industry was influential in the decision making as well.

"There were many other companies like Vodafone, Orange, Telenor. They wanted to go into international expansion, and it was a very strong success. So they drove a lot of growth, and a lot of appetite for very significant growth from launching in new countries"- van Gaver

"It's an opportunistic approach, I believe. That was before my time. You know, sometimes you have an opportunity to acquire spectrum. Sometimes the market has very high prices and

poor competition and you feel that you know what we can actually come in and offer a better quality of service, better prices to the consumers and therefore make it a success." - Granryd

Van Gaver further contends that the growth in the markets eventually stalled. Granryd argues that in some markets, the product offering would eventually become outdated if no further investments were made. Their opportunity to update their offering was limited, however, partly due to the lack of a local partner. This led to a situation where the best strategy for realizing the value of these business units was deemed to be divestment.

"That growth started to reduce. And again; it was a good opportunity to monetize the value that had been created."- van Gaver

"We were very successful, but we were only present in 2G. [...] The issue with 2G is that it has a shelf life ...] we were bidding [...] for 3G spectrum, and we were never successful. And the reason, I believe, why we were never successful was we did not have a local Russian partner [...] since we did not have any urge of getting a Russian partner with our business, we started to look into the possibilities to divest." - Granryd

4.1.3.2 The Exit Decision

As highlighted by Granryd, the different exit decisions were all related to a general strategy of focusing on mobile and mobile technology. Van Gaver argues that the trigger that initiated the market exit procedure was the attractive offers to divest the operations that Tele2 received. Furthermore, van Gaver was given the responsibility to execute the de-internationalization strategy that had been defined.

"Certainly I emphasized that strategy. I'm a big believer in mobile and mobile technology. So for me it was quite simple actually to try to avoid everything that has to do with fixed telephony and fixed connectivity." - Granryd

"What I think triggered, in my humble opinion, the reduction of the international footprint would be that they were given very attractive offers to sell their successful countries."- van Gaver

"I was partially recruited to reduce the international footprint with the exception of the Baltics. So it was a part of my role to actually execute the strategy that had been defined."- van Gaver

From a strategic standpoint, the decision to exit was driven by a desire to refocus their investments towards markets where Tele2 had more potential to become a market leader. This specifically implied increasing efforts in their core Nordic and Baltic markets.

"We decided as a leadership team with the board that we will exit non-relevant countries such as Kazakhstan, Croatia, Austria, Netherlands, to build The Baltic Sea diamond."- van Gaver

"We invested in the markets where we were already successful just to solidify that leadership, solidify that the ability to make money long term and provide quality of service to our consumers." - Granryd

Van Gaver concludes that the refocusing effort was necessary to ensure successful continuation of the company's operations, indicating the necessity of an explicit plan after making such a decision.

"You cannot drive a company if you're not going somewhere. You cannot sell countries and stand still. Why would people go to the office?"- van Gaver

Both interviewees share a view that the timing of exit was appropriate, with Granryd highlighting that the exit was executed when the business was approaching a perceived ceiling in regards to their valuation.

"I think that that divestment was absolutely perfect in time. [...] Just as we saw that we were not able to get more valuation, we would not be able to get that much more money from an increased perspective" - Granryd

van Gaver elaborates on the connection between timing and valuation of the divested business units, contending that selling them at a price below the sum-of-the parts calculation would be negatively perceived by the shareholders. This, in turn, incentivized a diligent divestment procedure to ensure sufficient value was achieved for the shareholders.

"The company Tele2 has an enterprise value which is linked to its market capitalization, and this is what we call the sum of the parts. [...] they all have an evaluation of each of the different country values that contributes to the group value. And so exiting a country below the sum of the parts-calculation would be seen by the shareholders as a bad decision."- van Gaver

4.1.3.3 Performance Evaluation

On the topic of performance evaluation, van Gaver proposes several quantitative performance metrics as important variables. Granryd expands on the topic to argue that the process of making decisions is also important to evaluate in order to avoid excessive result focus.

"At Tele2 we were incentivized by the performance of the companies [...] metrics of revenue growth, every day free cash flow, customer satisfaction, employee engagement."- van Gaver

[When asked whether decision makers are evaluated based on results of decisions or the process of reaching them] *"I think it's a combination of both. You don't want to… You cannot just look at the end game because many times things go wrong, right? So you need to have a solid process." - Granryd*

Lastly, Granryd emphasized the importance of consistent decision making regarding strategic direction. He argues that frequent changes in direction causes confusion, to the detriment of the operations of the company.

"Having a strategy that is flip flopping [...] is detrimentally horrible for the organization. No one really knows where you're heading [...] So you need to have the strategy, it has to be very firm and be fully understood by the organization." - Granryd

4.1.4 Telia

Telia Company, hereafter referred to as Telia, is a leading telecommunications company that merged with Sonera Oyj in 2002 (Nationalencyklopedin, n.d.d), but has roots dating back to 1853 (Telia Company, n.d.). Telia employs 20.800 people and are present in Denmark, Estonia, Finland, Latvia, Lithuania, Norway and Sweden (Telia Company, n.d.).

Telia has both entered and exited multiple markets during its many years of operations. Notable for this study is Telia's recent entry into and subsequent exit from the Eurasia region. Telia entered Uzbekistan, Tajikistan and Afghanistan in 2007 through an acquisition of 100% of the shares in MCT (Telia Company, 2007). In 2008, Telia entered Nepal and Cambodia (Telia Company, 2008b) and Azerbaijan (Telia Company, 2008a). Through its ownership in Fintur, Telia also had operations in Moldova and Georgia (Telia Company, 2003). In 2015, the company announced it would wind down its Eurasian operations and over time leave fully (Telia Company, 2015a). This was realized through the divestment of the holdings in Nepal in 2015 (Telia Company, 2015b), the sales of holdings in Tajikistan in 2017 (Telia Company, 2017), the divestment of interest in Azerbaijan in 2018 (Telia Company, 2018a), the divestment of interest of its holdings in Georgia in 2018 (Telia Company, 2018b), the divestment of interests in Uzbekistan in 2018 (Telia Company, 2018c), the sales of its Moldova unit in 2020 (Telia Company, 2020a), and lastly the divestment of interests in Afghanistan in 2020 (Telia Company, 2020b).

Johan Dennelind, hereafter referred to as Dennelind, was the CEO of Telia between 2013 and 2019. In this position, he was responsible for the execution of the company's strategy, reputation, and performance. Emil Nilsson, hereafter referred to as Nilsson, is a Senior Vice President of Telia since 2015. In his role, he is the head of the international markets of Telia including Eurasia, Lithuania, Estonia, and Denmark.

4.1.4.1 Preceding the Exit

Although Dennelind and Nilsson state they were not part of any market entry decision, Dennelind argues that the market entry processes into Eurasia were not done properly and were primarily motivated by an underlying motivation to achieve growth.

"Telia was looking for growth, emerging market growth. But in my opinion [Telia] was not thorough enough in how it created the pathway into these countries and how they struck partnerships"- Dennelind

Dennelind elaborates, stating that as a result of the entry process and subsequent governance of these operations, an unsustainable situation had risen for Telia in the Eurasian market. Thus, Dennelind argues that the primary problem originated from the headquarters, not the international operations.

"It was around two things really, how you entered these markets when you bought into the seven different countries in Eurasia, and how it was governed pre, during, and after the acquisition"- Dennelind

The Eurasian market was demanding a disproportionate share of time and effort from Telia and its external stakeholders, affecting the company's investability. This furthermore inhibited its performance in the home markets as the focus on the issues in the Eurasian market was overshadowing other operations.

"When we speak to investors we normally do that for about an hour every quarter [...]. My first couple of years at Telia, 45 minutes of that hour we had to spend on explaining the past, the problems, and the risk [...] So we were not an investable company"- Dennelind

4.1.4.2 The Exit Decision

At the time of Dennelind's entry into Telia as CEO, the company was facing a serious crisis which primarily stemmed from corruption allegations towards their Uzbek operations. As a consequence of this, there was a significant shift of top management and board.

"I entered in 2013, the company had ended up in a bit of a crisis and trouble in one of the countries in Eurasia - Uzbekistan. [...] the CEO left and actually almost the entire board was changed"- Dennelind

Switching out substantial parts of the management team of Telia was necessary due to the connections to and involvement in past events among the previous management team, according to Dennelind. This change also facilitated the exit process since it mitigated the emotional attachments to the Eurasian operations within the management team. Similarly, Nilsson was recruited in conjunction with the exit decision and was responsible for the execution of the divestments. Although hesitant to comment, Nilsson acknowledges his potential contribution of a fresh perspective as a newcomer to the firm.

"During the first six months I had to change pretty much the whole team because of involvements in the previous decisions to enter these markets and governance and culture also as well as performance related issues. So there were no people around my table that had any problems looking forward. There were no kind of emotional attachments to the old portfolio."- Dennelind

"I think I may have come in with some different perspectives, but that's for others to judge"- Nilsson

Dennelind further argues that the divestment process provided dual contributions to Telia. First, a separate governance structure was established which could efficiently handle the Eurasian difficulties. Second, increased management effort and investments could be directed towards the home markets, which Dennelind argues was of crucial importance. Nilsson generally agrees; however, he argues that the primary motive concerned increasing effort in the home markets rather than decreasing commitment in the Eurasian markets.

"They came together nicely: we'll fix one problem which is the corruption and the governance issues and spreading ourselves thin, and we fix the focus issue that we can reinvest in a region where we really need to invest for the future"- Dennelind

"It was that we were not successful enough in our home markets, i.e the Nordics and Baltics, and therefore it was a decision to focus, not primarily a decision to leave something. [...] It was a conscious decision to focus on the home markets." - Nilsson

While both interviewees are hesitant to speculate on the outcome of Telia de-internationalizing at an earlier stage, Dennelind hypothesizes that a later exit would have been detrimental to the performance of the company.

"If we would have done it later, I think we would have been even more defocused. [...] I think it would have been worse off."- Dennelind

4.1.4.3 Performance Evaluation

Both interview subjects similarly express that the evaluation of decision makers within Telia is primarily focused on performance and results. Several financial targets that decision makers are expected to meet are mentioned, although Dennelind also emphasizes long term value creation, attributed to their responsibility towards their shareholders. Additionally, while Dennelind stresses the importance of efficient decision processes, he argues that once the decision is made the focus should shift to proper implementation of the designated course.

"Two different answers: yes it's super important to get to a decision quickly, but then take your time to divest properly to protect the value of the shareholders"- Dennelind

"We have a very performance focused culture [...] My team, we had targets on revenue, EBITDA, and cash flow. That's short term. The longer term incentives, of course we talk about building value for shareholders."- Dennelind

[regarding whether a decision is evaluated by the result of it or the process of making it] *"It's more the result of the decision."- Nilsson*

Lastly, Dennelind argues for the inherent value in including diverse viewpoints in the decision making process. However, he also contends that once the decision is made, there is a reduced possibility for alterations.

"I'm very much for innovation and try to look at decisions differently, but only up until you make the decision, then we execute."- Dennelind

4.2 Cross-Case Analysis

Through categorizing and synthesizing the empirical data, cross-case patterns emerged regarding each of the examined constructs. The four identified patterns are: de-internationalization preceded by growing internal or external problems, de-internationalization conceptualized as strategic refocusing, exit decision facilitated by management change, and external pressures for result and consistency. Each of these patterns are discussed in the following section, starting off with a summary of the results, followed by a more detailed discussion of similarities and differences between the cases.

4.2.1 De-Internationalization Preceded by Growing Internal or External Problems

Through examination of the events preceding the exit decision, it is evident that different internal and external problems were driving the de-internationalization decision in several of the cases. The identified problems range from problematic internal decisions and governance, to declining growth and business volume, to external regulatory changes and financial crises. While details of the problems differ between the cases, they still indicate a certain amount of pressure on the firms to solve them, exemplifying a reactive influence on the subsequent decision making processes.

In the cases of Swedbank and Telia, the interviewees contend that the original entry process into the foreign markets was problematic, which caused subsequent problems that incentivized the exit decisions. Interviewees discussing both firms argue that the expansion was influenced by a growth mindset, partly stemming from the desire to satisfy the shareholders. Regarding Telia, the interviewees also maintain that the problematic entry process was exacerbated by inadequate governance procedures, which further complicated the situation. In the case of Swedbank, however, the problematic entry process was instead exacerbated by external factors, centrally stemming from the 2008 financial crisis and the relatively weak underlying regulatory environment of the Russian and Ukrainian markets. In both cases, it is argued that these problems were clearly visible for the parties involved in the decision process, creating a unified vision that some degree of change was necessary.

For Handelsbanken and Tele2, the indications point more towards external, gradually developing issues. Regarding Handelsbanken, the interviewees partly attribute the problems to increased regulatory diversity as well as increased liquidity and capital requirements. Combined with declining business volume, the increased costs led to a decrease in profitability which the interviewees argue led the management to begin reviewing the business portfolio. In the case of Tele2, the entry process is characterized by one interviewee as driven by a general growth mindset in the market, similarly to Swedbank and Telia. The interviewees, however, do not outline any specific problems stemming from this entry process. Instead, one interviewee argues that the growth was declining in these markets, whereas the other highlights that the services they offered would eventually become redundant through technological development. This influence of emergent external problems on the decision making process exemplifies how a reactive influence is displayed also in these cases, albeit to a lesser extent.

Lastly, six out of the eight interviewees believe that a delayed exit would have a detrimental effect on the performance of the firm, with the remaining two either refusing to speculate or arguing that it would have no long-term effect. In the case of Handelsbanken and Swedbank, there is also a view among three out of four interviewees that an earlier exit would have been beneficial in terms of cost savings. This trend, of a generally negative perception of a delayed exit, indicates that the emergent problems the case firms faced were escalating over time.

4.2.2 De-Internationalization Conceptualized as Strategic Refocusing

The second identified pattern concerns the proactive or strategic aspects of the examined cases. In all four cases, the de-internationalization decision was conceptualized as a strategic refocusing on some form of core, either regarding geographic markets, customer segments or product offerings. Therefore, the de-internationalization process was not purely driven by decreasing efforts in less profitable areas, but also by increasing effort in areas where superior future potential was identified. While the international footprint of the case firms was generally reduced from a total perspective, the refocusing effort can also be viewed as a form of international restructuring, moving from diversification towards coherence. This line of reasoning can thus be argued to follow the concept of optimization of the business portfolio.

For Telia, Swedbank, and Tele2, the refocusing primarily meant shifting towards geographical areas concerned to be *home markets*. For example, Telia's exit meant that they could increase investments in their Nordic home markets, which the interviewees believe was demanded to perform at the desired level. Additionally, one interviewee expressed that the exit decision was driven more by assessing which markets to *be* in, instead of which markets *not* to be in. This indicates that the exit decision was driven not purely by reaction, but also by realization of other, more attractive business opportunities. In the case of Swedbank and Telia, the interviewees further explain that the markets they exited demanded a disproportionate amount of management time, which could through the exit instead be applied to other, more valuable areas. This further indicates their desire to shift resources *to* high value-areas, not only *away* from problematic areas. Regarding Tele2, both interviewees express a similar viewpoint, asserting that the exit decision meant that they could focus on the markets where they were most successful, to solidify that leadership. One interviewee also notes that the need for strategic coherence among the assets was included in the exit decision, indicating a clear strategic and proactive perspective on the de-internationalization process.

For Handelsbanken, the refocus concerned core customer segments instead of geographical markets, following a similarly strategic perspective. The interviewees explain that by reviewing their entire portfolio, they identified which high-potential customer segments to shift focus towards. Their exit was thus much like the other cases driven by proactively capturing identified opportunities, and not simply reacting to emerging problems.

4.2.3 Exit Decision Facilitated by Management Change

In three out of four cases the decision to exit the international markets was made in conjunction with management change, or as a result of a review process that was sparked by management change. In two of these three cases, the interviewees specifically underscore their status as newcomers to the firm as beneficial in the de-internationalization process. In the third case, the interviewees were not themselves part of the management shift, limiting their ability to determine this effect. The outlier in this regard is Tele2, where a direct connection between management change and the decision to exit was not observed.

In the cases of Telia, Swedbank, and Handelsbanken, there was some form of management shift before the exit decisions were made. There was an almost entirely new board and top management team at Telia, a new top management team at Swedbank, and a newly appointed CEO at Handelsbanken. Despite the differences in magnitude, interviewees from each of these firms contend that the management change sparked the strategic review that eventually led to the realization that the markets in question should be exited. The underlying issues were different regarding each case, as discussed in the first identified pattern, but the process of acting on them was initiated by the management change in all three cases. For example, one interviewee argues that the decision to exit would likely have come later for Handelsbanken if there had not been a change of CEO. Regarding Swedbank and Telia, interviewees further argue that their status as newcomers helped them assess the situation with clarity. In the case of Swedbank, it is explicitly argued that it would be harder to accept the losses if they had been part of making the previous decisions. Thus, their status as newcomers helped them make rational and quick decisions. Concerning Telia, one interviewee similarly calls attention to the fact that the new management team had no emotional connections to the parts of the portfolio that were divested. In that sense, they had no problems looking forward.

In the case of Tele2, the situation is described differently, however. As discussed, one interviewee argues that the services offered in some markets would eventually become outdated, which is something that was long anticipated. Thus, the decision was more related to *when* and not *if* these markets should be exited. The spark is instead argued by one interviewee to had come from receiving attractive offers to divest certain assets, which was followed by a full strategic refocusing of the portfolio.

4.2.4 External Pressures for Result and Consistency

The last identified pattern concerns two tradeoffs; if decision makers within the firm are evaluated more on the results of their decisions or the process by which they make them, and if consistency or experimentation in decision making is most valued within the firm. All the examined cases display, to some degree, that the evaluation of decision makers focuses more on result and consistency than on process and experimentation. The decision making process is addressed by some interviewees, however generally from a compliance and integrity perspective, with less focus on the economic rationale. Additionally, it is argued that firms of this magnitude cannot afford to experiment significantly with their strategy, commonly attributed to managing shareholder perception of the firm. Furthermore, several interviewees highlight quantitative, often financial, performance metrics. This indicates that as long as decision makers adhere to the rules, regulations, values and norms within and around their firm, the result of their decision making is ultimately what their evaluation will be based on. However, two interviewees depart from this trend to highlight the importance of trial-and-error and innovation.

In the cases of Swedbank, Handelsbanken, and Telia, at least one interview respondent explicitly states that the result of a decision is more emphasized than the process of reaching it. In the case of Tele2, a similar but distinct viewpoint is expressed, characterized as the performance of the underlying assets. Exemplifying how this result evaluation takes place, several financial performance metrics are highlighted by the interviewees, including ROE, revenue growth, EBITDA and free cash flow. Concerning Swedbank and Telia, the interviewees explicitly connect these result-oriented metrics to the responsibility that these firms have towards their shareholders. Regarding both Swedbank and Tele2, interviewees make a similar argument that firms of their size cannot experiment or "flip-flop" on strategy, partly attributed to their need to communicate a coherent message to external parties, including shareholders. This is argued to imply that consistency is vital for these firms, more so than experimentation. On this note, one interviewee specifically argues for the danger inherent to excessive influence from shareholders. Additionally, in the case of Handelsbanken, one interviewee underscores that the strict formalization of the decision making in such a heavily regulated industry limits the extent to which the decision making processes can differ, further bolstering the demand for consistency. In general, these factors indicate that result and consistency often take precedence over process and experimentation, commonly due to external factors such a shareholder perception management or regulatory constraints.

There were also some opinions offered that deviated from this pattern. In the cases of Swedbank, Handelsbanken and Telia, the interviewees specifically underscore the importance of building *long term* value to the organization. While this could be argued to be the result of the decisions, long term value could be argued to imply adequate decision making processes as well. Additionally, one interviewee maintains that culture, values and standards also influence the decision making process at Handelsbanken. The high level of autonomy at Handelsbanken is further argued to foster a culture where trial and error is allowed, encouraging experimentation. Lastly, one interviewee asserts that innovation is central to decision making at Telia, however once the decision is made there is less room to experiment. In conclusion, while there are arguments raised in favor of result, process, consistency, and experimentation alike, the overarching trend indicates that there are external pressures on the case firms for result and consistency.

4.3 Pattern Matching Analysis

In this section, the patterns identified in the cross-case analysis are matched against the theoretical patterns derived in Chapter 2 to confirm or refute the tentative theoretical model. The first two patterns primarily relate to the first research question, and the last two patterns primarily relate to the second research question. This order was chosen to increase the analytical clarity and assist the reader in comprehending the relationship between the observed patterns

4.3.1 De-Internationalization Preceded by Growing Internal or External Problems

The first observed pattern from the empirical data is that the de-internationalization was preceded by growing internal and external problems regarding the case firms' international operations. This pattern mainly coincides with de-internationalization theory which emphasizes its reactive aspects.

Fletcher (2001) presents the argument that de-internationalization is of a reactive nature, asserting that de-internationalization decisions stem from external factors. Swoboda, Olejnik and Morschett (2011) confirms this view and further introduces firm performance into the equation. An observed pattern present in all case firms was de-internationalization emerging as a result of market-related challenges. Increased regulatory requirements, leading to decreased profitability, was observed in one firm. Another case firm displayed an external crisis as a driver of de-internationalization, as it brought underlying market-related issues to light, leading to decreased performance. In a third case, there were inherent risks in some international markets, affecting the company's investability. In the fourth and last case, the development of the market was incompatible with the company's offerings and profile. However, in this case, it shall be noted that the market incompatibility is rather described as a potential future problem, rather than a current problem. The fact that several of the firms experienced decreased performance in some way also coincides with the notions by Onkelinx, Manolova and Edelman (2016), who contend that de-internationalization is driven by decreased profitability. Dominguez and Mayrhofer (2017) further present the argument that de-internationalization decisions are preceded by failures in international markets, which can also be observed in some of the case firms, as the preceding discussion shows.

However, Dominguez and Mayrhofer (2017) mention both internal and external factors as causes for de-internationalization. Meneses and Pinho (2019) further argue for internal impediments as primary causes of de-internationalization, highlighting problematic internationalization processes as a key determinant for subsequent de-internationalization. In the observed case firms, several internal factors could be identified as influential in de-internationalization decisions, especially inadequate internationalization processes. For example, in one case, insufficient risk analysis preceding the internationalization was connected to the de-internationalization decision. In another, inadequate governance of the entry process was described as a major cause of the market exit. This coincides well with Meneses and Pinho's (2019) assertion that problematic internationalization is a key driver of de-internationalization. Furthermore, two out of four cases displayed an entry process influenced by general market optimism in the external environment around the firm. This can be applied to Turcan's (2006) concept of hype, and although coinciding with his predictions that firms may be susceptible to this influence in internationalization, it somewhat contradicts his proposition that more mature firms are less vulnerable to this risk.

4.3.2 De-Internationalization Conceptualized as Strategic Refocusing

The second pattern emerging from the cross-case analysis was de-internationalization conceptualized as strategic refocusing, which coincides well with the predictions of certain de-internationalization theories, however it also contradicts a few theoretical propositions.

Several scholars have argued that de-internationalization processes can have proactive drivers. Benito and Welch (1997) argued that strategic motives would dominate within global firms. Reiljan (2004) elaborates on this, stating that the driving motives of de-internationalization change as the firm grows from reactive reasons to proactive strategic changes. Strategic motives have also been argued to drive de-internationalization for small firms by Turcan (2003). Other studies have found that back-reshoring, a particular mode of de-internationalization, can be seen as a sustained part of the internationalization strategy of firms (Fratocchi et al., 2015). This theoretical pattern was found to coincide with an empirical pattern found in all case firms, with every firm displaying strategic refocusing motives to some extent. While three out of four firms highlighted the refocusing efforts as geographically oriented, one case firm instead highlighted a customer centered approach. Regardless, all firms confirm the theoretical proposition that mature firms include strategic motives for their de-internationalization processes. Importantly, this pattern corresponds particularly well with the notions by Turner and Gardiner (2007), who predict that for heavily interdependent late stage internationalizers, de-internationalization decisions are likely to concern a refocus on core activities. From a general perspective, these proactive influences remind of Calof and Beamish (1995) argument that managerial attitudes are important variables regarding international mode reductions.

The empirical findings, however, do not coincide with Sort and Turcan (2019) who conceptualize de-internationalization as a tool to reinvent the business model and later re-internationalize with a stronger value proposition. None of the examined firms expressed that there existed plans to re-internationalize again in a foreseeable future, and interviewees did not acknowledge this as a motive for the exit decision. While Sort and Turcan (2019) merely suggested the possibility of this motive, our finding still provides an example that other motives might be more prevalent.

Another deviation from theory is that the smallest firm in the sample, Tele2, displays the most significant strategic influences in their de-internationalization process. Following the reasoning of Reiljan (2004) regarding proactive influences correlating with firm size, this firm should instead express the least strategic influence. Instead, the observed pattern coincides more with

Turcan’s (2003) proposition that strategic motives are prevalent in small firms' de-internationalization decisions.

4.3.3 Exit Decision Facilitated by Management Change

The third observed pattern, exit decision facilitated by management change, coincides well with the theoretical predictions of escalation of commitment. Specifically, this coincides with the suggestion that management rotation is an effective de-escalation strategy. Additionally, the statements of the interviewees specifically indicate the existence of psychological and social escalation drivers within the firm, and thus indicate their relevance to the internationalization process.

Staw (1981) argues that seeking advice from outsiders, and thus including several parties in the decision making process, is an effective strategy to counteract the psychological factors that can cause escalating commitment to a failing course of action. Later developments expanded on this, suggesting that the entire situation should be handed off to new decision makers in escalation situations (Kelly & Milkman, 2013). Through conceptualizing the internationalization process as a potential escalation situation, it is evident that the third observed pattern coincides closely with the predictions of Staw (1981) and Kelly and Milkman (2013). As observed in the first pattern, the case firms experienced different emerging problems regarding their international commitment, and following the rotation of decision makers, the decision was made to exit the course of action instead of conducting further investments. Thus, this sequence of events closely reminds of an escalation situation that was successfully counteracted by handing it off to new decision makers. Additionally, several of the interviewees specifically mention their position as newcomers as beneficial, highlighting their decreased attachment to the previous decisions as an assistance in accepting the situation. This is an indication that for the new managers, psychological escalation drivers such as *self-justification*, as theorized by Bobocel and Meyer (1994) and Brockner (1992) among others, were reduced. Additionally, the assertion that the new management team had “nothing to defend” clearly indicates a reduction in social escalation drivers such as *saving face,* as theorized by Staw and Ross (1989).

4.3.4 External Pressures for Result and Consistency

The fourth observed pattern, external pressures for result and consistency, indicates a distinct source of escalation drivers within the examined decision making processes. Generally, this pattern confirms the theoretical predictions that individuals prefer consistency over experimentation, and that individuals usually emphasize the results of decisions rather than the process by which the decision was reached. Furthermore, the reasoning of the interviewees regarding this pattern indicates that these escalation drivers are specifically increased by the need to manage shareholder perception. In this sense, this pattern can be argued to contradict Turcan's (2006) proposition that mature firms are *less* susceptible to escalation risks.

Staw (1981) theorized that norms for consistency makes individuals overvalue decision makers that stick to their initial course of action, especially if they are undeterred by negative results and eventually succeed. The author argues that this incentivizes decision makers to overemphasize consistency in order to be perceived positively by others. A similar pattern was evident in the observed case firms, as most interviewees stress the value of consistency, specifically emphasizing the need to display that consistency towards external parties such as shareholders. For example, this is clearly expressed in the assertion that all large firms must stick to a course, and that they cannot experiment on the strategy front. Another example of this is the notion that firms of their size cannot "flip-flop" on strategy, indicating the negative connotations inherent to changing course of action. The observed pattern can be argued to indicate decreased strategic flexibility, which Röber (1989) proposes as the principal de-escalation strategy for firms. Lastly, the suggestion of Staw and Ross (1989) to resocialize employees to appreciate experimentation instead of consistency to mitigate this risk is not applicable in this case since the pressure for consistency stems from external parties. Thus, the existence of shareholders can be argued to create pressures for consistency, and escalation, that are difficult to counteract. Finally, the preceding argument that large firms have less opportunity to change course compared to small firms indicates that these firms are *more* susceptible to escalation risks, which contradicts Turcan's (2006) suggestion that mature firms are less susceptible to escalation risks.

Furthermore, Staw (1981) contends that consistency is even more valued when combined with successful results, regardless of the process by which the result was reached. Simonson and Staw (1992) thus suggest that performance evaluation should focus on the process by which decisions are made instead of the result of the decisions, to de-incentivize taking on excessive risk. However, it is evident from the examined cases that performance evaluation generally values results more than process, partly attributed to the profitability responsibility that the firm has towards their shareholders. For example, several of the interviewees highlight financial performance metrics, commonly arguing that the most important metric concerns profitability.

In conclusion, the observed demands for result and consistency generally confirm the predictions of theory, providing a new perspective on how the need to manage shareholder expectation can be a contributing factor to increased escalation of commitment risks. The management of shareholder perception can be argued to represent a form of *impression management*, where the impression of the individual decision maker is exchanged for the impression of the entire firm. Finally, this can be conceptualized as a type of organizational escalation driver, which arguably increases as the firm grows and becomes further detached from its shareholders.

5 Conclusion

This section aims to conclude the thesis, presenting the findings of the thesis from a broader perspective. First, it is discussed how the preceding results fulfill the research aims and objectives. Second, theoretical contributions are outlined and suggestions for future research are derived, assisting future scholars in finding research gaps within the topic of de-internationalization. Lastly, practical implications are discussed, highlighting the relevance of the findings of the study from a managerial perspective.

5.1 Research Aim and Objectives

The aim that this thesis set out to fulfill was to address a research gap in existing de-internationalization literature, seeking to cross-fertilize theories of de-internationalization and escalation of commitment by investigating the de-internationalization decisions of large multinational firms. This was aimed to be conducted through answering the question regarding *why* and *how* Swedish multinational enterprises in the banking and telecommunication sector decide to de-internationalize from a foreign market, specifically looking at motives of de-internationalization through the lens of escalation theory.

The aim and objectives of this research were generally fulfilled, with findings displaying reactive de-internationalization, proactive de-internationalization, and the impact of escalation drivers and de-escalation strategies to the case firms. These results are used to develop an updated theoretical framework, displaying a connection between the findings of the two research questions (see Figure 6). The fulfillment of the aforementioned aims and answers to the research questions are discussed in the following section.

5.1.1 From Reactive and Proactive to Dual-Motive De-Internationalization

The first subquestion to the overarching research question in this report was defined as:

What are the driving motives behind de-internationalization by Swedish MNE:s in the banking and telecommunication sectors?

Stemming from the emerging data and resulting analysis, several conclusions can be drawn regarding the answer to this question. Firstly, the results indicate that de-internationalization stems from reactive motives, comprising a variety of internal and external influential factors. Firms displayed both internal issues, such as problematic entry processes, as well as external challenges, such as increasingly arduous markets. Secondly, the findings also show that the case firms simultaneously display a proactive motive for de-internationalization, conceptualized as strategically refocusing from lower potential areas to higher potential areas. With firms displaying dual motives for de-internationalization, the answer to the research question can thus be summarized as follows: the driving motives behind the observed de-internationalization processes are both reactive, responding to emerging problems, *and* proactive, seeking superior business opportunities.

This finding regarding dual-motive de-internationalization establishes that there is an overlap between the perspectives, demonstrating that the two types of motives are not mutually exclusive. It can be hypothesized that each given market exit likely will display a unique combination of reactive and proactive influences. This displays an incentive for researchers to supplement examinations of *what* motives there are for de-internationalization, with examining *to what extent* different motives are present in de-internationalization decisions, which would generate a more complete analysis and increased understanding of why firms choose to de-internationalize. It is thus evident that de-internationalization is in need of holistic examinations that put less emphasis on categorizing motives, instead recognizing dual-motive or even multiple-motive de-internationalization to create a comprehensive understanding of the phenomenon.

From a general standpoint, the findings further highlight the need for researchers to beware of resorting to unnecessary dichotomies and categorizations. Scholars have previously highlighted that studies within social sciences may suffer from false or superfluous dichotomies (e.g. O'Leary, 2007; Christensen & Dahl, 2009; Collinson, 2014), leading to oversimplification (Collinson, 2014). As there is commonly a categorization of de-internationalization motives, and several authors distinguish between or argue for either of the two types being more or less relevant, there is an indication of the research stream displaying dichotomous characteristics. Due to the novelty, and inherent complexity of the topic, research would benefit from attaining a more holistic view. Hence, the findings and conclusions of the study underscores the need to understand the multifaceted phenomenon of de-internationalization, and how the different motives *interact*.

5.1.2 Relevance of Escalation of Commitment

The second sub-question this thesis addresses is:

How are the de-internationalization decisions by Swedish MNE:s in the banking and telecommunication sectors influenced by escalation drivers and de-escalation strategies?

In general, the results indicate both a distinct source of escalation drivers and the influence of a specific de-escalation strategy. Firstly, the empirical patterns display that these firms are exposed to external pressures for results and consistency, which primarily stem from shareholders. This can be understood to result in a form of impression management, where decision makers stick to a specific course to manage the external perception of the firm. Thus, these firms have a decreased possibility to reverse previous decisions, and instead risk doubling down on previous commitments. This finding implies a source of escalation drivers that is specifically relevant for mature, public firms. Therefore, this finding critiques Turcan's (2006) assertion that mature firms are *less* exposed to escalation risks.

Secondly, the empirical patterns show that the decision to change course was often made in conjunction with management change. While the management change might result from the same reasons that incentivize the de-internationalization decision, this pattern still indicates that the previous management did not come to the same conclusions as the new management. Thus, individuals closer to the initial decisions seem less eager to reverse course, confirming several predictions of escalation theory, primarily that the previous decision makers are influenced by psychological and social escalation drivers in their decision making process. Rotation of decision makers is specifically suggested as a de-escalation strategy by Kelly and Milkman (2013), and the empirical results of this project indicate the validity of this suggestion.

Apart from the escalation drivers previously suggested by scholars such as Staw and Ross (1989), these two patterns combined can be argued to indicate that the new management has an increased *mandate* to change course without causing disturbance among the shareholders. In fact, since the new management is still consistent in *their* decision making, rotation of decision makers can be seen as a strategy to facilitate reversing course without appearing strategically inconsistent. Therefore, it can be argued that the consistency demands that large, public MNE:s experience sometimes require management change in order to de-escalate the existing situation and create a mandate to significantly reverse course in the overall strategy. To conclude the preceding discussion, the patterns derived from the data indicate that the observed decision processes are indeed influenced by escalation of commitment drivers and de-escalation strategies, however for somewhat different reasons than what previous authors such as Turcan (2006) suggests.

On a more abstract theoretical level, the psychological and social influences on organizational decision making that the results of this thesis indicate serves as an example of bounded rationality in economic agents as described by Simon (1972), among others. Evidently, decision making regarding de-internationalization is commonly not driven by purely economic factors, but also by humanistic factors and interpersonal relationships. Hence, this result indicates the relevance of Röber's (2019) suggestion that internationalization processes should be analyzed from the perspective of bounded rationality and not from a purely economic standpoint. Consequently, studies of de-internationalization that purely attempt to connect the decisions to economic factors omit important variables that impact the examined processes.

5.1.3 Refined Theoretical Framework

Based on the preceding answers to the research questions, a new, refined theoretical framework is developed. In general, several constructs of the tentative theoretical framework are confirmed by the results, however some alterations are also derived. Firstly, the results confirm the relevance of escalation drivers to the decision process, especially the psychological and social factors. Secondly, the results also confirm the impact of proposed de-escalation strategies on the removal of escalation drivers and the subsequent decrease of commitment to the initial course of action. Thirdly, the results indicate that the resulting de-internationalization process carries both reactive and proactive influences, albeit to different degrees.

Stemming from these results, it can be argued that management change assists firms in acting proactively, shifting assets away from problematic areas to optimize their portfolio. Conversely, internal and external problems will likely continue to increase if the decision process is not initiated by management change or other successful de-escalation strategies. In that case, the decision will likely be made at a later stage, as several interviewees of this report have argued. Therefore, the decision will be less proactive and more driven by reactive influences when failing to de-escalate the situation. Consequently, the de-internationalization decision process is arguably more efficiently characterized as a gradual scale, with purely proactive decisions and purely reactive decisions at opposite ends as theoretical extreme points (see Figure 6). In this framework, the forces of escalation and de-escalation work in conflict, and the more efficiently the firm counteracts escalation drivers, the more proactive the management team will act. Conversely, in the absence of adequate handling of escalation drivers, the decisions of the firm will instead be primarily driven by reacting to emerging problems.

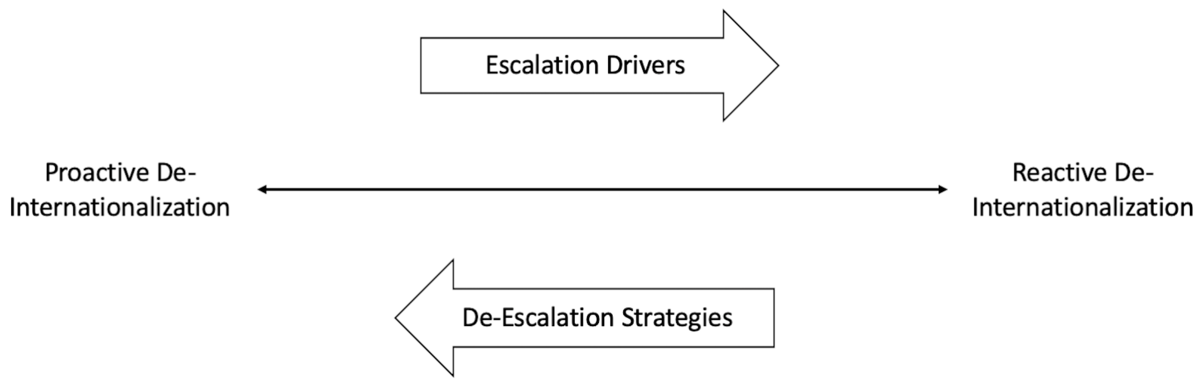

Figure 6 - Refined Theoretical Framework: The De-Internationalization Spectrum

5.2 Theoretical Contributions and Suggestions for Future Research

The main theoretical contributions of this thesis are threefold. Firstly, by proffering the concept of dual-motive de-internationalization, this thesis contributes to the ongoing theoretical discussion regarding the driving motives behind the emerging trend of de-internationalization. This thesis argues that future researchers should assess de-internationalization by applying both reactive and proactive perspectives, instead of categorizing the decisions as driven by specific reasons. Through that lens, a more holistic perspective can be adopted which recognizes both the positive and negative aspects of the phenomenon. Secondly, this thesis extends the application of escalation theory within internationalization to large multinational enterprises, arguing for its relevance also in this arena. Hence, this thesis argues that future research must include the perspective of bounded rationality and psychological biases to fully understand the processes that eventually lead to de-internationalization decisions. Thirdly, this thesis proffers a theoretical model explaining how these two concepts interact. This theoretical model can serve as a starting point for future research into the area, and rigorous testing of the inherent assumptions is encouraged.

Additionally, through the process of analyzing the empirical data, two additional suggestions for further inquiry emerged which were deemed outside the scope of this project. Within the observed case firms, the exact timing of communicating the exit decision varied, with different opinions expressed regarding the positive or negative impact of the announcement. Thus, future research can examine effects resulting from the timing of the announcement, for example from the perspective of employee morale or investor perception. Furthermore, the governance of the exit procedure was handled differently, with some firms containing the divested business units in separate governance structures. Thus, future research can examine the effects of different governance models towards de-internationalization processes, and how these fulfill different internal or external demands.

5.3 Practical Implications

As previously mentioned, there are several practical implications of this study, confirming its relevance from a managerial perspective. Firstly, the evident relevance of escalation of commitment theories to internationalization processes implies that de-escalation strategies can and should be implemented by multinational enterprises to mitigate the related escalation risks. This thesis can thus provide decision-makers with practical examples of potential strategies to counteract escalating commitment and therefore reduce their risk exposure. Hence, these insights may assist firms in ensuring rationality within their internationalization decisions, accurately assessing potential de-internationalization decisions. Through increasingly rational assessment of available options and the opportunity costs of current activities, firms can more effectively optimize their business portfolio and increase their strategic flexibility.

Additionally, the findings regarding de-internationalization contribute to a more holistic understanding of the phenomenon, helping to refute negative connotations around de-internationalization by highlighting the prevalence and significance of strategic motives. This, in turn, potentially contributes to decreasing the general stigma around de-internationalization, which might make external parties less prone to misinterpret strategic de-internationalization as international failures.

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Appendix A – Google Scholar Hits

Time period / Keyword	Internationalization	De-Internationalization
Before 2000	75 600	92
2000 - 2010	166 000	311
2010 - 2020	168 000	915
Total	409 600	1 318

Table 2 - Google Scholar hits on keywords, divided by time period

Appendix B – Interview Subjects

Wolf, Michael; Chief Executive Officer of Swedbank 2009-2016

Bronner, Göran; Chief Risk Officer of Swedbank 2009-2011 and Chief Financial Officer of Swedbank 2011-2016

Evholt, Stefan; Senior Vice President at Handelsbanken 2017-present

Smith, John; former C-level executive at Handelsbanken

Granryd, Mats; Chief Executive Officer of Tele2 2010-2015

Van Gaver, Guillaume; Executive Vice President at Tele2 2016-2019

Dennelind, Johan; Chief Executive Officer of Telia 2013-2019

Nilsson, Emil; Senior Vice President at Telia 2015-present

Appendix C – Questionnaire Outline

1. What was your position at Company X?

2. During which time period were you in that position?

3. What are/were your main responsibilities?

4. How does/did Company X generally decide which markets to compete in?

5. What were the main driving motives behind the entry into Market Y?

6. What were the main driving motives behind the exit from Market Y?
    a. Is/was there a certain event that initiated the exit considerations?

7. What connection does/did the exit decision have to the overall strategy of Company X?
    a. Is/was there an increase of commitment to another market instead?
    b. Is/was there a possibility for re-internationalizing into the exited markets at a later time?

8. What do you think the result would have been if Company X would have exited Market Y earlier or later?

9. Who presides/presided over the decision to increase or decrease resource commitment to an international market, generally?

10. How are/were decision makers evaluated within Company X?
    a. Are/were decisions evaluated based on the outcome of their decisions or the process by which they make their decisions?
    b. What is/was most valued within Company X; consistency in decision making or experimentation in decision making?