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Tiia Vissak [a] , Barbara Francioni [b] & Fabio Musso [b]

[a] Department of International Business and Innovation, Faculty of Economics and Business Administration, University of Tartu, Tartu, Estonia

[b] Department of Economics, Society and Politics, Faculty of Economics, University of Urbino "Carlo Bo", Urbino, Italy

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MVM's Nonlinear Internationalization: A Case Study

TIIA VISSAK
Department of International Business and Innovation, Faculty of Economics and Business Administration, University of Tartu, Tartu, Estonia

BARBARA FRANCIONI and FABIO MUSSO
Department of Economics, Society and Politics, Faculty of Economics, University of Urbino "Carlo Bo," Urbino, Italy

This article aims to contribute to the international and East-West business literature by discussing the nature of nonlinear internationalization based on a case study of an Italian firm, Meccanica Valle Metauro S.r.l., that had activities in Central and Eastern Europe and other countries and by identifying causes of nonlinearities. The study concludes that nonlinear internationalization may be caused by different internal and external factors and actors; that it can occur once or several times; that foreign market exit may be temporary (followed by re-entry) and permanent; and that de-internationalization does not always mean a failure for the firm.

KEYWORDS internationalization, de-internationalization, re-internationalization, case study

INTRODUCTION

This article aims to contribute to the international and East-West business literature by discussing the nature of nonlinear internationalization based on a case study of an Italian firm Meccanica Valle Metauro S.r.l. (MVM) and identifying causes of nonlinearities. Nonlinear internationalization is

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Address correspondence to Tiia Vissak, Department of International Business and Innovation, Faculty of Economics and Business Administration, University of Tartu, Narva Road 4-A308, 51009 Tartu, Estonia. E-mail: tiia.vissak@ut.ee

defined according to Vissak (2010a, 560) as "a process characterized by substantial increases and decreases in internationalization activity."

This topic was chosen because of the following three reasons. First, although internationalization processes have been actively studied since the 1970s, most attention has been paid to two types of firms: those internationalizing gradually, starting from a few closest countries and simpler foreign operation modes (see, for example, Bilkey 1978; Johanson and Vahlne 1977), and those that enter several markets—some very distant—and use more complicated modes since establishment (Crick 2009; Oviatt and McDougall 1994; Zahra 2005). Several authors, for instance, Axinn and Matthyssens (2002), Javalgi et al. (2011), Jones (1999), Sheppard and McNaughton (2012), Turner (2012), Vissak (2010a), and Welch and Welch (2009), have emphasized the need of studying other internationalization patterns as (1) the current studies do not fully demonstrate the complexity of internationalization and (2) they have only briefly mentioned or even ignored the existence of other internationalization processes. Thus, by studying nonlinear internationalization that according to Vissak (2010a) occurs more frequently than linear internationalization, this article contributes to international business research.

Second, Dikova (2012) emphasized the need of studying the context of firms' international operations: Markets differ and, thus, firms also have to use different strategies. As a result, firms' activities in transition economies may differ from their activities in other countries (Gelbuda, Meyer, and Delios 2008). Third, Majocchi and Strange (2007) stated that Italian firms have actively invested to Central and Eastern Europe (CEE) since the 1990s. On the other hand, according to Pisoni, Onett, and Fratocchi (2010), Italian firms' activities in CEE have not received considerable research attention yet, especially the activities of small and medium-sized enterprises (SMEs) that form the majority of Italian firms. The firm analyzed in this study had considerable activities both in CEE and other countries, so it is also possible to compare its experience from these markets. Consequently, the article also contributes to the East-West business research.

The article begins with a review of internationalization literature. It starts from a short overview of the research on linear internationalization: the Uppsala model, innovation-related internationalization models, the Finnish/target country internationalization process model, the literature on born globals/international new ventures/fast internationalizers, and late starters/born-again globals. Such studies, according to Vissak (2010a, 576), "can help to explain how internationalization begins . . . and which factors may quicken and slow down internationalisation." Thereafter, it continues with an overview of nonlinear internationalization processes (internationalizing according to the literature on de- and re-internationalization) and also some literature on internationalization (mainly exporting and investing) motives and impact factors, as these may also affect nonlinear internationalization.

This part ends with deriving five main conclusions about internationalization processes. After a methodology section, the internationalization of an Italian firm (MVM) is discussed. Its activities in each market are analyzed separately and, thereafter, its impressions of CEE and other markets are compared. After the discussion of the case study results, some managerial and research implications are brought out.

LITERATURE REVIEW

Literature on Internationalization Processes

According to the *Uppsala model* (Johanson and Vahlne 1977, 1990) and *innovation-related internationalization models* (for an overview, see Bilkey 1978; Morgan and Katsikeas 1997), but also to the *Finnish/target country internationalization process model* (Gabrielsson, Kirpalani and Luostarinen 2002; Luostarinen 1994; Welch and Luostarinen 1988), smaller firms tend to internationalize gradually and incrementally as their internationalization depends on the acquisition of experiential market knowledge. As a result, firms—especially if they lack resources due to their smallness—usually start exporting to closest or otherwise more similar countries and only thereafter enter farther/more different markets. Moreover, they initially tend to lack regular export activities but, after acquiring more experience, they will start exporting through representatives/agents, and only thereafter they will use operation modes needing more resources: for example, establish sales and production/manufacturing subsidiaries abroad.

According to the literature on *born globals/international new ventures/fast internationalizers*, some firms—even if they are very small (Oviatt and McDougall 1994)—approach the entire world as their marketplace since their establishment (McDougall, Oviatt, and Shrader 2003). According to Madsen and Servais (1997), born globals should enter other continents during the first three years since establishment. Moreover, Kuivalainen, Sundqvist, and Servais (2007) stated that born globals should achieve a 25% or higher share of foreign turnover during this period. Thus, they "leapfrog" into internationalization—some of them even export without generating any local sales (Chetty and Campbell-Hunt 2004)—despite lacking resources, knowledge, and experience (Oviatt and McDougall 1994). Their fast internationalization may be caused/influenced by their manager's/owner's background and previous knowledge but also (unique) resources/products and network partners and the surrounding business environment (Bell, Crick, and Young 2004; Chetty and Campbell-Hunt 2004; Crick 2009; Madsen and Servais 1997; Moen and Servais 2002; Vissak 2007; Weerawardena et al. 2007; Wood et al. 2011). Small born globals may also benefit from greater flexibility and adaptability; moreover, they may be able to respond faster to market dynamics (Knight and Cavusgil 1996).

Late starters/born-again globals are firms that have remained completely domestic for a long time and then suddenly internationalized very fast (Johanson and Mattsson 1988; Kuivalainen, Saarenketo, and Puumalainen 2012; Sheppard and McNaughton 2012; Tuppura et al. 2008). They may at first prefer to stay domestic because they are unaware of international opportunities, cannot find foreign customers, are not competitive enough or—if they are relatively small or their market is large—because they see sufficient domestic growth opportunities (Wilkinson, Mattsson, and Easton 2000). Their suddenly fast internationalization may be caused by a "critical incident" such as ownership or management change or sudden export orders (Bell, McNaughton, and Young 2001; Bell et al. 2003). Moreover, some firms start internationalization from more distant markets if their competitors have already gained considerable market shares in closest markets (Chetty and Blankenburg Holm 2000).

De-internationalization means reducing geographic scope or foreign market penetration (Turner 2012). It encompasses withdrawing completely from all foreign markets but also ceasing operations only on one foreign market or some of them, reducing the depth or breadth of foreign operations (for example, decreasing ownership in a foreign joint venture), and switching to operation modes with smaller resource commitments: for instance, divesting and starting exporting instead (Benito and Welch 1997; Calof and Beamish 1995; Swoboda, Olejnik, and Morschett 2011). It may occur at any stage of internationalization (Welch and Luostarinen 1988), but smaller, less experienced (Benito and Welch 1994), and less innovative firms have been found to de-internationalize more frequently (Reiljan 2007). De-internationalization may be caused by outward factors such as political pressure (Akhter and Choudry 1993), dramatically changing business environment (Pauwels and Matthyssens 1999), increased competition (Javalgi et al. 2011), or changed exchange rates (Crick 2004) but also by inward factors: lack of financial resources (Bell et al. 2003), knowledge or experience, change of internationalization strategy, poor performance, and the termination of cooperation contracts with previous partners (Reiljan 2007). Still, de-internationalization should not always be considered a failure: It can be a firm's strategic choice (Benito 2005). Moreover, it can be a source of learning, especially for (re-)entering the same or similar markets (Welch and Welch 2009).

Re-internationalization encompasses advancing steps after de-internationalization (Luostarinen 1994). It may be triggered by a takeover or an acquisition, getting additional resources, accessing new networks (Bell et al. 2001, 2003), or through existing network relationships (Hadjikhani 1996; Welch, Benito, and Petersen 2007), improving foreign market/industry conditions (Akhter and Choudry 1993), but also by other factors. Some firms manage to revive all previous international activities (Welch and Welch 2009): for instance, re-enter the same markets from where they previously exited (Javalgi et al. 2011) if political or market conditions improve considerably (Hadjikhani 1997). Some re-internationalizers may also decide to enter different markets instead of those where they had activities before de-internationalization (Crick 2004; Javalgi et al. 2011; Pauwels and Matthyssens 1999). Moreover, some firms may also use different operation modes (Orava 2005), but some may prefer the same modes (Javalgi et al. 2011). Thus, after re-internationalization, some firms may become more international—for example, in terms of export share, market selection, or operation modes—than before de-internationalization (Pauwels and Matthyssens 1999), but some may also become less international (Vissak 2010a). It has been found that experienced firms with higher commitment on foreign markets are more likely to re-internationalize as they can benefit from previous knowledge and contacts (Hadjikhani 1997; Welch and Wiedersheim-Paul 1980).

Some authors have also stated that firms may *de- and re-internationalize several times*. For instance, Axinn and Matthyssens (2002) claimed that some firms use combinations of entry and exit strategies while Welch and Welch (2009, 568) stated, "Some firms engage in sporadic exports for extended periods, filling international orders as they come in but there may be considerable periods of time between each order," and Bell et al. (2001, 177) agreed that "firms may experience 'epochs' of rapid internationalisation, followed by periods of consolidation or retrenchment." According to Hadjikhani (1996), Malhotra and Hinings (2010), and Welch and colleagues (2007), such internationalization often characterizes project businesses for which each project has "a definite start and finish date" (Welch et al. 2007, 200), and a firm "makes a deliberate choice to end the process with that one project" (Malhotra and Hinings 2010, 342). This means that smaller firms that have only a few foreign projects (orders) may cease foreign activities in some countries temporarily or even permanently if they do not manage to get involved in new projects.

Other studies on internationalization motives and impact factors. According to Moini, Kalouda, and Tesar (2008), internationalization has become a matter of survival; moreover, exporting strategy should be long-term, but many SMEs are reactive: They respond to exporting opportunities only when they arise. Miesenböck (1988) even stated that the decision maker is the key variable in a small firm's internationalization. Ellis and Pecotich (2001, 119) claimed that some smaller firms export "for apparently irrational reasons" and Musso and Francioni (2012) agreed that entry methods are not actively chosen by Italian SMEs: The adopted entry mode is the result of a passive response to external stimuli: for instance, responding to unsolicited export orders.

Majocchi and Strange (2007) stated that investment decisions are mainly made based on market size and growth, the availability and education level of labor, salary levels and the quality of infrastructure, but also the levels of previous foreign investment stock and foreign trade. Pedersen and Shaver

(2011) showed that initial internationalization—making the first foreign investment—is much more difficult than subsequent market entries, as firms have to cover some initial fixed costs and build up a suitable organizational architecture. According to them, the geographic distance of the first market from the home market is not very important, but Dikova (2012) and Gelbuda and colleagues (2008) emphasized the importance of the institutional distance: if home and host countries differ considerably, this may increase the costs of internationalization. De Chiara and Minguzzi (2002) also claimed that Italian SMEs rely mostly on exports, as they lack capital for substantial foreign investments.

Meyer and Skak (2002) emphasized the importance of network relationships, especially for SMEs' internationalization to CEE, as networks facilitate contact creation and knowledge acquisition, and transition economies differ from Western Europe. According to Malecki and Poehling (1999), SMEs are especially affected by lack of networking because they lack resources and management capacity for exporting successfully on their own. Network relationships are also important as existing relationships can be used as bridges to other networks (Johanson and Vahlne 1990). As a result, firms—even smaller ones—can internationalize in leaps instead of internationalizing gradually and incrementally (Hertz 1996). Still, network relationships can sometimes also inhibit internationalization (Ford 1998).

From the foregoing discussion, the following five main conclusions can be drawn: (1) Internationalization processes can differ considerably: Some firms internationalize gradually, while some manage to do it much faster; some experience linear and some nonlinear internationalization; (2) internationalization patterns may change: For instance, firms that initially experience linear internationalization may later de-internationalize, and some of them also re-internationalize; (3) some nonlinear internationalizers de-internationalize only once (permanently or temporarily) while some others experience de- and re-internationalization several times; (4) changes in internationalization patterns—for instance, from linear to nonlinear but also from de- to re-internationalization—can be caused by several inward and outward factors and actors; and (5) nonlinear internationalization does not always mean a failure for the firm.

METHODOLOGY

Marschan-Piekkari and Welch (2004) emphasized the need to conduct more exploratory and theory-generating research on international business as it is not a mature discipline yet. According to Buckley and Chapman (1996), qualitative research goes beyond the measurement of observable behavior ("what") to understand the meaning of this activity. In this article, the single–case study method has been chosen because of its usefulness in international business, international entrepreneurship (Ghauri 2004; Vissak 2010b; Welch et al. 2011), and other process research (Lee 1999) and its ability to answer "how" or "why" questions, but also to develop, combine, and verify existing theories with new empirical insights and investigate the real-life context of complex phenomena (Eisenhardt 1989; Yin 1994; Welch et al. 2011). Selecting only one case may increase observer bias and reduce the generalizability of the results (Vissak 2010b; Voss, Tsikriktsis, and Frohlich 2002), but it allows to retain the richness of results and the depth of the study (Dubois and Gadde 2002; Piekkari, Welch, and Paavilainen 2009).

The case firm was selected according to the following criteria: a small or medium-sized firm having experienced internationalization for at least 10 years in several regions and countries and having used other operation modes besides exports. A firm from the mechanical sector was selected as it constitutes the "backbone" of the Italian economy; moreover, this sector is characterized by a considerable share of small and medium-sized firms.

To select a suitable firm, the Italian Chamber of Commerce's database was used to create a list of Italian small and medium-sized firms from the mechanical sector. Then, the selection focused on SMEs located in the Marche region due to a significant share of such firms. Very small firms (with fewer than 10 employees) but also firms with only export activities and those without an internationalization experience of 10 years or more were excluded. MVM was selected as its size and internationalization experience fulfilled the search criteria; a brief interview made in April 2010 with Francesca Capodagli, managing director and plant manager (head of establishment) of MVM confirmed this. Moreover, the interviewee was ready to share the firm's international experience and provide additional data, if necessary: This was also an important criterion for selecting this firm to achieve depth and richness of the study.

The first in-depth interview with Francesca Capodagli was made in June 2010, and it lasted for approximately two hours. The questionnaire covered the firm's and its owner's background, the firm's past internationalization experience and patterns, but also its foreign operation modes and market selection strategies and the factors influencing them. The respondent was encouraged to give any kind of feedback. Additional questions were asked, when necessary.

The second in-depth interview was made in July 2011, and it lasted for two hours. In this case, further questions were asked about the firm's activities in every year in every market, but also about its future plans. Moreover, in addition to Francesca, her father, Severino Capodagli (the founder of MVM and currently the chairman of the board) was interviewed. Using several informants should reduce the likelihood of misinterpretation and allow seeing multiple viewpoints (Ghauri 2004; Voss et al. 2002). The third in-depth interview was made in March 2012 with Francesca Capodagli, and it lasted for one hour. Then, additional information was collected about

MVM's activities in CEE. A short follow-up interview was made with her in the end of May 2012 to clarify some issues and to provide data for 2011 and about the firm's progress in 2012.

The interviews were conducted in Italian, and they were recorded. Within a week after every interview, they were transcribed verbatim and then translated to English. For data triangulation, data were also collected from other sources: the firm's annual reports, other documents, and also its website. To guarantee construct validity and establish a chain of evidence (Lee 1999), the full interview texts and the resulting article were sent to interviewees for possible corrections and clarifications.

CASE STUDY EVIDENCE

Severino Capodagli, a graduate of Bologna University in mechanical engineering, established MVM (http://www.mvm.it/) in September 1969 in Lucrezia, Italy with two other partners. In May 1979, Capodagli bought out his partners' shares and became the sole owner (for an overview of the firm's developments, see table 1). Currently, MVM is fully controlled by the entrepreneur's family: Severino (chairman of the board of MVM; he devotes the bulk of his time to a subsidiary, Valmex S.p.A, but also supports his daughters, especially when it is necessary to make decisions of strategic importance or in critical times) and his two daughters, Francesca (managing director and plant manager, she graduated in management engineering) and Lucia (executive sales manager, she graduated in mechanical engineering).

MVM specializes in cold metal stamping and producing technology—supplying technological solutions—for cold deformation, assembly, and design in cooperation with universities and private research centers. It trains customers' staff at MVM (with their equipment) or in their production premises. MVM has developed a very prestigious customer portfolio, which includes major international corporations operating in different sectors such as automotive, home appliances, furniture, machinery, construction, and weaponry. In 2010, the firm achieved a turnover of around €12 million, a considerable increase compared to the previous year (€7.8 million), during which MVM contracted due to the global economic crisis. In 2011, the turnover increased to €15.2 million (see table 1) but, for 2012, a turnover of €14.2 million is predicted. Currently, MVM has 57 employees.

MVM concentrates mostly on the Italian market, but it has also had a significant internationalization experience, not only in terms of exports but in production as it moved some production stages to Moldova and some to Romania. In the 1980s, the firm earned around 3% of turnover from foreign markets but, in the 2000s, export share was mostly above 10% and, in 2008, it increased to almost 35% (see figures 1–4 and table 2).

TABLE 1 MVM's Local and International Development: A Timeline

Local developments			International developments
Meccanica Valle Metauro S.r.l. (MVM) established. It was initially small and concentrated on mechanical processing.	1969		
Severino Capodagli left the Dutch multinational where he was working part-time and devoted himself completely to MVM.	1976		
Severino Capodagli bought out his partners' shares and became the sole owner.	1979	1979	Cooperation with a U.S.-owned Belgian firm designing, manufacturing, and selling luggage and travel accessories started.
MVM's plant and offices area was increased from 2,500 to 5,000 square meters.	1981		
MVM's activities expanded: MVM developed the first project of heat exchangers for domestic gas boilers and started manufacturing special machinery for welding pan handles.	Early 1980s	Early 1980s	MVM became a supplier of pliers to charge batteries for a firm producing electric cable in Stuttgart, Germany. It also started exporting to France.
		Early 1990s	Indirect exports to Spain and Brazil started (through a French customer).
MVM was reorganized into MVM S.r.l. (the parent firm, since 2005, it uses the trademark MVM Industries), Valmex S.p.A., and Realmec S.r.l	1998–9	Late 1990s	Sales of automatic machines for welding pan handles in Egypt, Lebanon, Syria, Iran, Indonesia, China, Russia, Poland, Turkey, and the United States.
Valmex. It specialized in the design and production of copper and aluminum heat exchangers for domestic gas boilers; 51% belongs to the Capodagli family and 49% to Mr. Ansi Munz who, from the foundation, is a non-executive director and only attends quarterly board meetings. Realmec S.r.l. established (after merging MVM's branch with an already existing firm, Realmec). It is active in manufacturing and metal molding for injection of thermoplastics. It also designs and manufactures machinery. It does not export.	1999		

(*Continued*)

TABLE 1 Continued

Local developments			International developments
A new plant and offices built (the total covered surface: 11,000 square meters), stamping presses and equipment for welding, plastic processing and metalwork bought.	2000	2000	MVM's orders from Belgium started decreasing.
		Early 2000s	Cooperation with a firm in Stuttgart, Germany became almost nonexistent due to Chinese competitors.
		2003	A large customer found in Poland.
An Italian customer asked MVM to reduce costs.	2004	2004	MVM established IMG (Industrial Manufacturing Group), in Moldova to reduce labor costs together with an Italian partner.
		2005	A large customer found in Russia
Two large customers lost in Italy as they wished to start producing MVM's products themselves.	2007	2007	A subsidiary in Romania (Techopainting) created. A large customer found in the UK. Orders from Russia decreased.
		2008	A large customer lost in Russia.
The economic crisis. Valmex developed aluminum mini-channel condensers for the automotive industry.	2009	2009	A large customer lost in Poland and the United Kingdom. IMG stopped production activity.
		2010	MVM's orders from Belgium stopped completely. A large customer gained again in Russia.
		2011	Considerable growth in Russia.

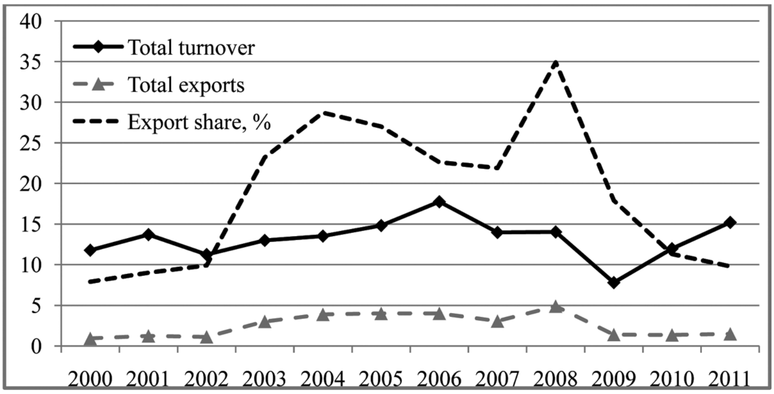

FIGURE 1 MVM's total turnover and total exports in 2000–2011 (million EUR).

Mr. Capodagli started considering internationalization opportunities already since the 1970s as he wished to diversify risks and expand his firm. MVM's first foreign market was Belgium. In the late 1970s, Mr. Capodagli found an agent who had represented an important Italian firm before his retirement. Through this agent, MVM started cooperating with a U.S.-owned Belgian firm that relocated its painting phase to MVM. Therefore, MVM

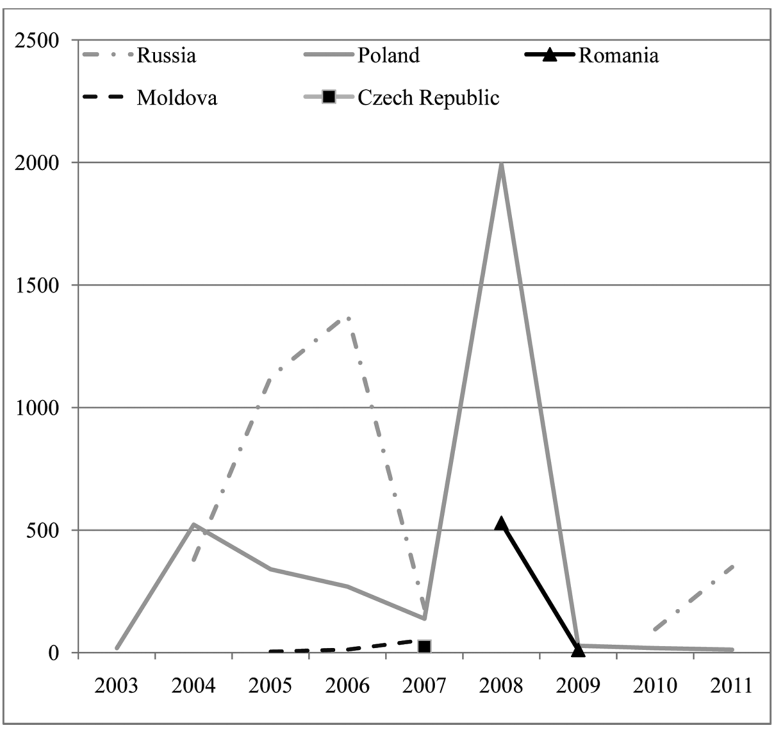

FIGURE 2 MVM's exports to CEE countries in 2003–2011 (thousand EUR).

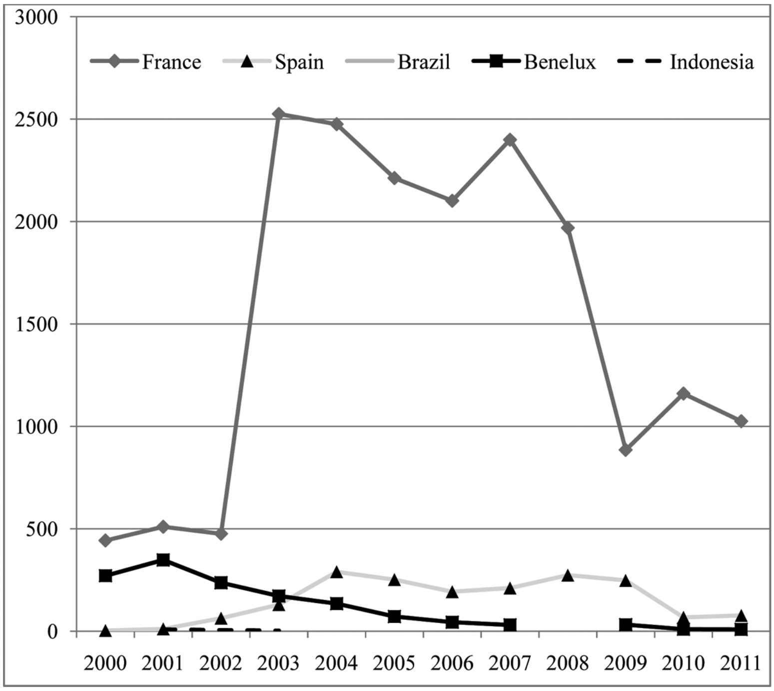

FIGURE 3 MVM's exports to selected non-CEE markets (thousand EUR) I.

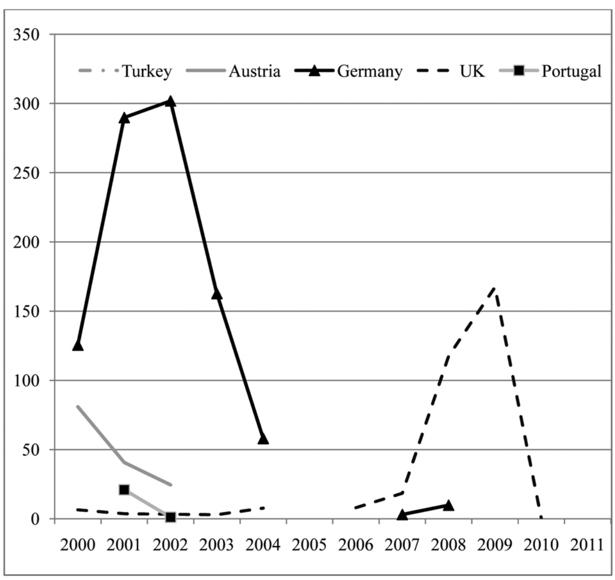

FIGURE 4 MVM's exports to selected non-CEE markets (thousand EUR) II.

TABLE 2 MVM S.r.l.'s Turnover by Markets, Thousand EUR, and Percent of Total Turnover

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Turnover, th. €		11772	13700	11250	12989	13520	14815	17745	13971	14032	7789	11965	15203
Exports, th. € % of exports	E	930	1233	1113	3013	3886	4004	4006	3057	4892	1393	1351	1485
	%	100	100	100	100	100	100	100	100	100	100	100	100
Exports, CEE	E				18.1	901	1468	1661	396	2522	39.1	95.0	361
	%				0.6	23.2	36.7	41.4	12.9	51.5	2.8	7.0	24.3
Russia	E					379	1124	1380	181			95.0	349
	%					9.8	28.1	34.4	5.9			7.0	23.5
Poland	E				18.1	522	340	269	138	1993	27.9	18.1	11.9
	%				0.6	13.4	8.5	6.7	4.5	40.7	2.0	1.3	0.8
Romania	E									529	11.2		
	%									10.8	0.8		
Moldova	E						4.0	12.0	52.0				
	%						0.1	0.3	1.7				
Czech Republic	E								24.5				
	%								0.8				
Exports, other	E	930	1233	1113	2995	2985	2536	2345	2661	2370	1354	1256	1124
	%	100	100	100	94.4	78.8	63.3	58.6	87.1	49.5	97.2	93.0	75.7
France	E	443	510	476	2525	2475	2212	2101	2399	1969	885	1160	1025
	%	47.6	41.4	42.7	83.8	63.7	55.2	52.5	78.5	40.2	63.6	85.9	69.0
Spain	E	3.7	11.1	63.5	130	290	252	193	211	274	248	67.9	77.2
	%	0.4	0.9	5.7	4.3	7.5	6.3	4.8	6.9	5.6	17.8	5.0	5.2
Brazil	E										20.9		10.4
	%										1.5		0.7
Benelux[a]	E	271	348	237	172	135	72.0	44.1	30.6		32.1	9.8	8.9
	%	29.1	28.2	21.3	5.7	3.5	1.8	1.1	1.0		2.3	0.7	0.6
Indonesia	E		8.6	5.6	3.0								1.5
	%		0.7	0.5	0.1								0.1
Turkey	E												1.5
	%												0.1
Austria	E	80.9	40.7	24.5		19.3							

(*Continued*)

TABLE 2 Continued

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	%	8.7	3.3	2.2		0.5							
Germany	E	126	290	302	163	58.0			3.1	9.8			
	%	13.5	23.5	27.1	5.4	1.5			0.1	0.2			
UK	E	6.5	3.7	3.3	3.0	7.7		8.0	18.4	118	167	0.3	
	%	0.7	0.3	0.3	0.1	0.2		0.2	0.6	2.4	12.0	0.0	
Portugal	E		21.0	1.1									
	%		1.7	0.1									
Ex. markets, No.		6	8	8	7	8	6	7	9	6	7	6	8
Incl. CEE, No.					1	2	3	3	4	2	2	2	2
Export share, %		7.9	9.0	9.9	23.2	28.7	27.0	22.6	21.9	34.9	17.9	11.3	9.8
CEE share[b]					0.1	6.7	9.9	9.4	2.8	18.0	0.5	0.8	2.4

Note. The data do not include Valmex's, Realmec's, IMG's, and Technopainting's turnover or exports.
[a]MVM did not have data for Belgium, Netherlands, and Luxembourg separately for all years.
[b]Exports to CEE from total turnover, %.

bought painting machinery from the Belgian firm and started a long and profitable collaboration until 2000, when the Belgian customer started relocating its activities to India, South East Asia, and Eastern Europe. Thus, MVM's orders from Belgium started decreasing and completely stopped in December 2010.

In the early 1980s, Mr. Capodagli visited a trade fair and met a Sicilian entrepreneur who created a firm producing electric cable in Stuttgart, Germany. He proposed to Severino to become his supplier of pliers to charge batteries. However, although the collaboration lasted for more than 20 years, exports gradually declined until becoming almost nonexistent when Chinese pliers entered the European market.

In the early 1980s, MVM also started exporting products to France for the furniture industry. From the late 1980s, MVM started exporting components for the automotive industry that reached 40% of total export turnover. Despite the great importance of the French customer, MVM's managers have told that they "have several problems related to a low willingness to pay." Thus, while exports to France represented 85.9% of the firm's total exports in 2010, in 2011 this share decreased to 69.0%, and exports decreased from €1.2 million to €1.0 million.

The same French customer also had a production site in Spain (since the early 1990s), which allowed MVM to enter indirectly into the Spanish and the Brazilian markets as well. Nowadays, MVM regularly provides parts to the Spanish and Brazilian production sites. It receives weekly orders to provide parts to Spain and Brazil.

At the end of the 1990s, MVM started exporting automatic machines for welding pan handles to Egypt, Lebanon, Syria, Iran, Indonesia, China, Russia, Poland, Turkey, and the United States. MVM sold and installed the machinery directly in these foreign markets. However, it did not patent its products and technology. Thus, other manufacturers copied them, and competition increased. Moreover, several firms decided to internalize the production of these complements. Therefore, nowadays this business is really marginal: For instance, in 2011, the firm's exports to Indonesia and Turkey did not exceed €1,500; its exports were limited to spare parts for automatic machines sold in the 1990s.

In 2004, an Italian customer for which MVM produced mechanical anti-theft devices for the automotive industry asked MVM to reduce production costs and, at the same time, an Italian businessman with 20-year experience in Moldova, a member of the Italian-Moldavian Chamber of Commerce, proposed that MVM invest there. As a result, Mr. Capodagli decided to establish Industrial Manufacturing Group (IMG) in Chisinau, Moldova to reduce labor costs related to assembling, welding, and testing mechanical anti-theft devices but separately from MVM. Besides the benefits associated with lower labor costs, the selection of Moldova was also affected by other factors related to the favorable political and legal-administrative situation of the country and to the market potential related to the expected growth of the Moldovan economy. Indeed, the creation of the subsidiary was quite simple in terms of bureaucracy, because within a week the Moldavian Chamber of Commerce gave all authorizations and required starting capital of only €200. In addition, as MVM's partner was a friend of the president of Moldova, this helped to ease bureaucratic procedures. Finally, other factors such as the diffusion of Italian language, the presence of Italian banks, and a widespread mechanical culture in the city led the firm to selecting this foreign market.

However, there were some difficulties as well. These were mainly related to the training of employees, as they had no knowledge of the product, the organization, and the production process. For this reason, it was necessary to create a structured training plan. In addition, MVM arranged a training course with the first phase addressed to the production and quality managers, who were hosted in Italy (on MVM premises) for 6 months to acquire all the necessary technical expertise. The training process continued with a second phase at the headquarters in Moldova, with the help of MVM's employee, who supervised the opening of the plant. MVM also sent some Italian contractors cooperating with the firm to Moldova to transfer qualified technical expertise.

However, the main disadvantage was that the Italian partner in Moldova was not used to operating as an entrepreneur but rather as a politician and when, in 2009, the demand of products produced in Moldova collapsed, the firm went through a deep crisis. According to Francesca Capodagli, "While in 2009 MVM was thinking to turn around the situation in Italy (after losing 7 million EUR in turnover), the Italian partner in Moldova did not seek either new contacts or new markets." Therefore, in 2009, IMG stopped the production activity, although the plant of 2,500 square meters had been completely renovated according to Italian standards. Its turnover in 2006 was €220,000 but, in 2007, it dropped to €140,000, in 2008 increased to €170,000 and, in 2009, decreased to €150,000. The number of employees—20—did not change in 2006 to 2009.

In 2007, Mr. Capodagli and his daughters decided to create a firm, Technopainting, in Romania as they met a young Romanian who had worked several years for Severino's friend's firm as a painting specialist. His knowledge and skills were impressive; thus, he moved to Romania and started working as a representative of MVM's painting products. MVM had an automatic machine for powder coating but had not used it for several years due to a strong increase in competition and a decrease in prices. Therefore, in 2008, MVM moved this machine to Arad (Western Romania).

The Capodagli family selected Arad mainly because Severino's friend came from this area. However, Francesca Capodagli also said that

> After some evaluations and market research, we discovered that Arad is in a good geographical position because it is close to the Hungarian

> border and it is very well connected to both Hungary and Austria, and Serbia is also not far away. Additionally, Arad has an airport and is about 45 minutes by car to Timisoara, where another airport is located. Furthermore, Arad is close to Deva and Oradea, two heavily industrialized areas in which there are firms belonging to the automotive industry, firms producing electronic components, server racks, cases.... Finally, in Romania lots of people speak Italian.

The purpose of bringing this kind of plant to Romania was to help customers to process metal surfaces, covering a new field (industrial painting) according to the newest European standards. Thanks to a close collaboration with an Italian manufacturer, this electrostatic powder-coating plant was brought from Italy, and it started working in a very short time.

Because of the experience in Moldova, Francesca and Severino Capodagli carefully planned the plant's transfer operation to Romania with a specific feasibility study to verify the possibility to technically change the system and to assess, through a specific market analysis, the potential of absorption of the Romanian market. In addition, they carried out an economic and financial analysis and, after verifying the cost-effectiveness of the operation, they started the transfer to Romania. The phase was completed with the transfer of other basic management tools from Italy, which required the local presence of Francesca, who had to teach documentation and accounting procedures to the administration manager.

Nowadays, Technopainting is located in a new and modern building of 2,000 square meters, in which one of the biggest automatic electrostatic powder coating plants of Romania has been installed. Technopainting can paint, coat, mount, and assemble the painted pieces and also pack them on pallets as finished products. The firm has an important Italian customer with a plant close to Technopainting, a French customer and numerous contacts with European firms that have a plant in Romania and, as Francesca Capodagli stated, "This situation was what we expected to happen in Moldova. However, the main difference is that in Romania our partner is very efficient." In 2009, the firm's turnover was €105 thousand; in 2010, it increased to €308,000 and, in 2011, to €560,000. Technopainting started in 2008 with five employees; it doubled their number in 2009 and again in 2011. In 2012, MVM decided to renovate Technopainting's automatic line to offer a more flexible service and reduce set-up times.

Technopainting is mainly oriented at the Romanian market, especially the Romanian subsidiaries of foreign (French, U.S., Italian) corporations. It exports 15% of turnover to France, as its French customer has plants both in Romania and France. At the same time, MVM almost does not export to Romania, except in 2008, when it sold a plant (no longer used in Italy) to Technopainting.

In recent years, in addition to these two foreign investments (Moldova and Romania), MVM has exported to several European countries: Poland, Russia, United Kingdom, Austria, Portugal, The Netherlands, and the Czech Republic. MVM had some previous experience in Poland (it had sold there some automatic machines for welding pan handles) and, in 2003, MVM started selling some kitchen oven parts to a subsidiary of an important Italian customer. However, in 2009, the latter decided to transfer its own manufacturing to Poland, and MVM lost this customer. Francesca Capodagli said,

> Unfortunately, transport costs affect us a lot, especially for ovens where raw material does not cost much. For this reason it is well known that a firm specializing in stamping must operate within a 600 km radius, because over this distance, it does not make sense to export as a firm will lose competitiveness in the market.

In 2005 and 2007, MVM started to export, respectively, to Russia and the United Kingdom. In these cases, collaboration with another Italian customer—one of the European leading manufacturers and distributors of major domestic appliances (washing machines, dryers, dishwashers, refrigerators, freezers, cookers, hoods, and ovens)—led to exporting. MVM cooperated and supplied technological solutions for this firm. This customer has 14 production facilities (in Italy, Poland, United Kingdom, Russia, and Turkey). However, in 2008, in Russia and in 2009 in the United Kingdom, the customer decided to internalize the production of the items supplied by MVM. Thus, MVM's sales decreased.

MVM tried to revive activities in Russia. In 2008, Francesca Capodagli participated in a meeting between some representatives of the Marche region (where MVM is located) and some representatives of the Lipetsk region to evaluate cooperation opportunities. Unfortunately, MVM faced several obstacles. The first one was in regard to geographic distance and travel problems. According to Francesca, "Just arriving to the meeting took me a day, although the Marche region organized special flights." The second problem was related to the fact that

> For establishing a subsidiary there a minimum investment requirement was 1 million EUR within three years and in this Russian region there was just one customer. We thought about the possibility to supply other firms, but these were located in St. Petersburg, which is over 1,000 kilometers from the Lipetsk area, and Russian roads are not Italian roads, thus transport costs would have increased too much. Moreover, it is important to consider the climate, as snow could further complicate the transport.

The last obstacle was personal as, for establishing a subsidiary in Russia, one of the family members would have had to move to Russia for a long time, but Severino, Lucia, and Francesca did not want to do it. As a result of these obstacles and also because of language barriers, MVM decided to abandon this project. Fortunately, it regained its previous Russian customer, although orders were smaller. Moreover, in 2011, MVM sold machinery to Russia. Thus, its exports increased.

Other European countries and regions—Austria, Portugal, the Czech Republic, and Benelux—were not as important for MVM. It had only some sporadic exports, mainly supplying important Italian customers with a plant in these markets. They did not continue sales to these markets mainly because the majority of costumers decided to close down their plants and start producing in Asia, Eastern Europe, or South America. Consequently, it was not convenient for them any more to purchase parts from Italy because of labor and transport costs.

Regarding future internationalization plans, Francesca stated,

> In this moment, after the crisis, I do not want to think about any other delocalization. Nevertheless, during the last years, the Serbian market became very interesting and attractive, both because Serbia could enter the European Union soon and also because some important automotive corporations are investing in this market. There is also an Austrian institution that is promoting direct investment inflows to Austria. However, it is necessary to have a good plan and knowledge of this market before making the entry decision.

The interviewees were also asked whether they have perceived any differences between doing business in CEE and other countries. Francesca did not feel any significant differences between Poland and, for example, the United Kingdom. However, MVM experienced many problems in investing to Russia. Also, it faced problems in Moldova and Romania, especially during the establishment of production plants and due to differences in managing their business.

In Romania, it was not easy to find a suitable building with all the necessary utilities for the plant. Due to bureaucracy, they lost time. For instance, they reported, "That is incredible but we had to contact also the Romanian Ministry for having gas."

In Moldova, the family encountered problems as well, mainly because institutions did not really support the subsidiary. Moreover, hiring university graduates did not guarantee labor quality. In addition, in Moldova, the main activity was agriculture, and the few industrial firms MVM contacted were producing Russian weaponry with Soviet production methods: They were highly specialized and were not used to making plans or to have commercial transactions. As a result, some activities were not performed in Moldova at all (such as galvanizing and powder coating) and, while some others were, the quality was very low. Another big problem derived from language, as the majority of procedures that were usually adopted in Italy needed to be translated into Russian or Moldovan. In addition, there was a lack of administrative staff who could manage the balance sheet.

DISCUSSION

This study observed the internationalization of an Italian firm that experienced nonlinear internationalization (Vissak 2010a) in terms of several de- and re-internationalizations. In almost 30 years of activity, MVM has been active in more than 20 countries, and it has not experienced constant growth in any of them. In the 2000s, it was active in 15 foreign markets (see table 2). In 11 of them, it experienced one year of no export activities after entry. In Austria, Germany, and the United Kingdom, this occurred twice: The firm exported there, then did not, then exported again and then again did not. It had activities for 11 subsequent years only in two countries, France and Spain, but its exports fluctuated considerably. Thus, MVM has experienced both de-and re-internationalization several times.

The internationalization of this firm does not completely follow the Uppsala model, innovation-related internationalization models, the Finnish/target country internationalization process model, or the ones that can be found in the literature on born globals/international new ventures/fast internationalizers and late starters/born-again globals. MVM did not internationalize very fast as born globals/international new ventures/fast internationalizers are expected to do (it took about 10 years for the firm to start its first foreign activities), but it was also not a late starter/born-again global as it did not experience very sudden internationalization starting from very distant markets. Moreover, it did not start gradually from closest markets as the Uppsala model, innovation-related internationalization models, and the Finnish/target country internationalization process model would have expected for a relatively small firm: Its first foreign market was Belgium.

Several factors led to the firm's nonlinear internationalization: For instance, somewhat reactive behavior toward exporting, changes in the external environment, and its customers' strategic changes. Moini and colleagues (2008) stated that many SMEs are reactive in their exports; they respond only to exporting opportunities when they arise. MVM was also sometimes reactive as it depended on customers' direct contacts/unsolicited export orders; when an Italian customer wished it to export to its plant in another country—for instance, Austria, Portugal, or the Czech Republic—MVM did it, but it did not export there on its own (however, now it considers entering Austria). On the other hand, the firm's smallness led to greater flexibility (Knight and Cavusgil 1996).

According to Swoboda and colleagues (2011), de-internationalization may be caused by changes in the external environment. The firm's experience in Belgium confirmed that: Its customer decided to relocate its activities to Asia and CEE to cut costs. Moreover, a customer in Poland decided to move its own production there, while MVM's activities in Germany stopped because of the influx of Asian products. Internal factors were sometimes also important; for example, the firm did not establish a subsidiary in Russia as the family members did not wish to move there. Thus, it can be agreed with Miesenböck (1988) that decision makers have a very important role in SMEs' internationalization. Moreover, in this case, large institutional (Dikova 2012; Gelbuda et al. 2008) and geographic distance also affected the firm's decisions.

It can be agreed also with Hadjikhani (1996); Malecki and Poehling (1999); Meyer and Skak (2002); and Welch et al. (2007) that networks can facilitate internationalization and sometimes also re-entry: For MVM, several export opportunities arose through network relationships, especially through Italian customers. Moreover, it can be agreed with Ford (1998) and Reiljan (2007) that network relationships may also cause problems. Furthermore, sometimes both positive and negative effects can be observed: For instance, MVM suffered from its French customer's low willingness to pay. On the other hand, through this customer, it managed to enter Spain and Brazil. Moreover, in Moldova, its partner was very helpful in establishing the firm but later did not manage to contribute enough to its development, while an Italian customer was useful for entering Russia and the United Kingdom but, when it decided to internalize production, MVM's exports decreased.

It can be also agreed with Welch and Welch (2009) that a firm may learn from de-internationalization and use this knowledge for re-entry. For instance, having problems in Moldova made the firm more cautious when it entered Romania and, as a result, Technopainting is doing well. Thus, de-internationalization may also have indirect positive effects.

CONCLUSIONS AND IMPLICATIONS

Based on the experience of MVM, it can be argued that a firm may experience de- and re-internationalization on several markets several times. For MVM, considerable fluctuations occurred both in CEE and in other countries. Still, despite that, it regards itself relatively successful, and it recovered from the financial crisis quite well by growing considerably in 2010 and 2011. Naturally, not all firms should try to follow a nonlinear internationalization pattern, but managers should understand that de-internationalization in itself does not have to be a sign of failure, as it may be caused by external forces; moreover, it may be a source of learning, and previous contacts may be used again in the future.

This article contributed to the international business research by concluding that nonlinear internationalization may be caused by different internal and external factors and actors; that it can occur several times; that foreign market exit may be temporary or permanent; and that de-internationalization does not always mean a failure for the firm. Moreover, it contributed to East-West business research by comparing the case firm's activities in these regions.

The comparison of the firm's experience in some CEE countries and some Western markets showed that besides substantial market opportunities offered by CEE countries, there are still considerable obstacles related to complex bureaucracy, inadequacy of human resources, but also cultural barriers. Such obstacles may result in exiting a market temporarily or permanently, especially if the firm is small and lacks financial and organizational resources and contacts and professional skills to overcome them. Thus, it can be proposed that in the case of operating in CEE, nonlinear internationalization may become a likely path for SMEs, even if they are, in general, successful in their overall international development. Indeed, due to the high flexibility that characterizes them, SMEs can adapt and respond to changing conditions (that are more unpredictable in CEE countries) and can enhance their experience in order to undertake more effective strategic patterns in the future. In addition, it can be proposed that although Western markets can be expected to be more stable, SMEs may also experience nonlinear internationalization there.

As this study was based on only one case, more research should be done to increase the generalizability of the results. In the future, more attention should be paid to nonlinear internationalization processes: how often they occur in different regions (for example, in CEE, Western Europe and elsewhere), countries, sectors, and industries, among larger and smaller, family-owned, and other firms. This would provide helpful managerial and policy insights. Future research should also pay more attention to the factors and actors affecting nonlinear internationalization patterns: both de- and re-internationalization, especially if this occurs several times, as such patterns have not received considerable research attention yet. Case studies should be conducted for understanding why and how firms de-internationalize and/or re-internationalize—but other methods should be also used to increase generalizability. Finally, more attention should be paid to the positive and negative roles of network relationships in de- and re-internationalization, as they affected the case firm's activities considerably.

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