

Decoupling in International Business: A Rejoinder on Internationalization and De-Internationalization

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Abstract. This is a rejoinder to “Decoupling in International Business”, a recent article published in the *Journal of General Management*. This rejoinder aims to add clarity to the complex idea of decoupling in international business through the lens of internationalization and de-internationalization. This rejoinder hopes that the clarification herein will help the readers of the *Journal of International Business Education*, especially international business educators, to better comprehend and explain the idea of decoupling in international business.

Keywords: decoupling, international business, internationalization, de-internationalization.

Most, if not all, governments today are acutely aware of the significance of free trade in promoting economic growth and industry competitiveness regardless of whether a country is underdeveloped, developing, or developed. Governments, in the name of national interest, are therefore challenged to stimulate investment in internalization activities, with policies and programs consistent and complete with respect to the law.

By and large, firms in international markets are affected by the actions that governments in home and host countries pursue to “protect” national interest.

Founded on organizational theory, decoupling—or the creation and maintenance of gaps—is a response typically adopted by firms that have been affected by tensions in international markets. Most often, decoupling depict firms with collaborative agreements as “appearing” to go separate ways in trade and investment activities. The truth of this “appearance”, however, must be subject to scrutiny, as firms that decouple may pursue outward business practices whilst portraying an inward business orientation, or vice versa, owing to the need to

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pacify non-business stakeholder expectations whilst maintaining vested business-related interests.

The recent article by Mandrinos *et al.* (2019) in the *Journal of General Management* offers seminal insights on decoupling in international business. Using interview data from 24 executives and managers of medium and large exporters in Europe, the work of Mandrinos and colleagues presents two major takeaways for the readers of the *Journal of International Business Education*:

- *Policy and practice* are two *fundamental* concepts for understanding the *principles* of decoupling in international business. In particular, *policies* in international markets are formulated by governments of home and host countries (e.g., currency controls; import quotas; tariffs; subsidies; trade agreements; trade sanctions), whereas *practices* in international markets are shaped by firms participating in international business (e.g., exporting-importing; franchising; licensing; foreign direct investment) in home and host countries. In this regard, *decoupling in international business occurs when policies and practices in international markets do not develop in the same way.*
- *Conformity* in policy and practice is an *advanced* concept for understanding the *realities* of decoupling in international business. In essence, two types of conformity exist when decoupling occurs in international business: ceremonial conformity and substantive conformity. In particular, *ceremonial conformity* occurs when firms with collaborative agreements in international markets *avoid* institutional pressures emerging from government policies by pursuing outward business practices whilst portraying an inward business orientation in line with government policies—or vice versa—wherein avoidance may take the form of buffering (e.g., paying fines), concealment (e.g., disguising activities), and/or escape (e.g., bribery). In contrast, *substantive conformity* occurs when firms with collaborative agreements in international markets *comply* with institutional pressures emerging from government policies by pursuing business practices and portraying a business orientation that are consistent with government policies (i.e., inward policy-inward practice; outward policy-outward practice). Therefore, *decoupling arising from ceremonial conformity is a charade reflection of international business*, whereas *decoupling arising from substantive conformity is regarded as a true reflection of business engagement in international markets.*

Similar to decoupling at the firm level, governments may also engage in decoupling at the country level. In the recent palm oil row between India and