Divestment decisions: Their determinants, implications, and legitimations

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List of Abbreviations

CDA	Critical Discursive Analysis
CEO	Chief Executive Officer
EMNE	Emerging Multinational Economy
FD	Foreign Divestment
FDI	Foreign Direct Investment
GM	General Motors
HF	High Frequency
LF	Low Frequency
ML	Market Leader
MNC	Multinational Corporation
MNE	Multinational Enterprise
MRR	Minimal Rate of Return
NI	No Information
OECD	Organization for Economic Co-operation and Development
SME	Small and Medium-Sized Enterprises

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Declaration of Thesis

I hereby affirm that the work I have submitted was done independently and without unauthorized assistance from third parties. All the parts that I took word-for-word or nearly word-for-word from any sort of publication are recognizable as such. I did not use any means or resources other than the literature I have quoted, and all my own works which I have used (including previous publications and other theses) have been properly cited.

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Place and date ____

(Signature of the doctoral candidate)

Chapter 1: Introduction

1.1 Introductory Remarks

Divestment—also referred to as withdrawal, disposal, disposition, or market exit—is a firm's decision to dispose of a part of its business. For example, firms may sell, close, or spin off a strategic business unit, major operating division, or product line. A firm's motivation for divestment may be unsatisfactory financial performance, better investment opportunities, or problems associated with managing subsidiaries (Boddewyn, 1979; Steenhuis & Bruijn, 2009; Torneden, 1978). In recent years the number of divestments has been increasing significantly; however, the research community is still behind with regard to divestment (McDermott, 2010), and the different implications it may have for a firm (Burt et al., 2004). It was noted that of all the activities carried out by a company, divestment is most likely to be kept a secret (Burt et al., 2004).

In today's international business environment, a well-defined brand strategy is a key contributor to corporate success. However, many company strategies don't include divestment (McDermott, 2010), as it is often deemed the consequence of failure, poor performance on the part of the company (Hamilton & Chow, 1993; Weston, 1989), or market conditions. Both Grunberg (1981) and Loke (2008) stated that since many executives view divestments as associated with failure, they are reluctant to participate in research about divestment, which makes it difficult for researchers to gather valuable data (Palmer, 2004).

The ongoing rise of divestment, including domestic and foreign divestment (FD), has been an important consequence of the internationalization process and has been gaining significance over the past few decades. Divestment has generally been viewed as a sign of failure or a negative issue, whether it is a voluntary business strategy or a last resort for an organization. The determinants, motives, forms of divestment, decision-making process, and execution of divestment, have been noted by researchers over the years, forming a dynamic business process with no well-defined framework.

Considering the significance of divestment and its impact on a company, shareholders, stakeholders, and the country in which it operates, this dissertation extends and examines the under-researched topic of divestment, including foreign divestment. Specifically, it provides background and explores the factors triggering divestments, mediating factors for divestment decisions, and how companies deal with the after-effects of divestment decisions. This dissertation is a collection of four independent essays.

1.2 Structure of Thesis

CHAPTER 2: "*Organization behavior in a crisis, restructuring as a consequence: A literature review*" provides an overview of studies on different approaches for dealing with organizational behavior in unexpected and unfavorable environments. It examines strategy and strategic management of companies in times of crisis. Additionally, it outlines the literature on crisis management strategies before, during, and after the crises, and excerpts and organizes the findings. Organizations experiencing a crisis are often faced with uncertainty and ambiguity, resulting in normal organizational processes thrown into imbalance, which prompts organizations to react in different ways—such as corporate restructuring, imitating their peers, and laying off employees.

The essay consequently explores the behavioral aspect of the decision-making process as a part of crisis management, and intersections between various research approaches. It also highlights corporate restructuring as a response to crisis management and outlines key research on organizational behavior and strategic management in crises. The essay compares the predicted outcomes of different strategic approaches to crisis management, as well as impetuses toward success and communication strategies. It clarifies the existing literature and identifies avenues for future research.

CHAPTER 3: "*Mimetic forces as drivers of divestment decisions*" adds a new perspective on divestment, which goes beyond financial and/or strategic reasons. It applies a behavioral view—mimetic forces as a determinant of divestment decisions. This essay positions an organization's divestment decision relative to its industry peers, to provide evidence as to whether organizations are imitating industry peers or acting independently. As mimetic pressure arises in search of efficiency goals, and given the uncertainty associated with stakeholder reactions towards divestment, we investigated how imitation can be a mechanism to legitimize restructuring decisions—specifically, employee layoffs. To differentiate similar reactions to an external event from the "real" imitation behavior, we conducted a lab experiment to explore imitation behavior of peers based on information asymmetry, frequency of the behavior, and market leader influence.

The research has found that increasing the number of peer firms divesting has a negative effect on the minimal rate of return (MRR) needed to make divestment decisions, and the willingness to divest decreases when market leading firms divest.

CHAPTER 4: "*Foreign divestments from Russia: An exploration of the mediating factors*" explores foreign divestment strategy from the angle of emerging market multinationals

(EMNEs) in Russia. We seek to understand why there is a growing phenomenon of FD by EMNEs, to determine the drivers of FD by Russian EMNEs, and to consequently uncover how FD affects the form and the path of divestment, and the implications for EMNEs. We employ a multiple case study approach to analyze six real-life organizations to achieve a much richer, deeper, and broader understanding of FD. This essay highlights the significance of foreign divestment and includes an overview of trends and characteristics of FD, based on geographical and sector distribution. We developed a theoretical framework identifying the mediators of FD, and reviewed significant empirical works related to foreign divestment. We empirically identified and examined the determinants of FD by EMNEs and evaluated the impact of FD on the EMNEs. Drawing on insights from management and organizational theories (real options, bounded rationality, and prospect theory) we developed an explanatory theory of FD by EMNEs.

CHAPTER 5: "*Mitigating divestment stigma: A legitimation perspective"* examines the framing strategies used by companies to legitimize their divestment decisions. We used the case study methodology using a critical discourse analysis. Using companies' press releases regarding FD of multinational companies (MNCs), we examined the specific framing used in each press release. The dominant frames were recognized by recording patterns in writing technique, content, themes, patterns of keywords, quotes, and semantic methods. This study demonstrated that legitimation is an integral part of framing press releases. The framing techniques used by companies to frame their FD decisions can be interpreted as attempts to not only prevent negative repercussions from stakeholders, but also to legitimize the FD decisions to protect a company's image and reputation. By examining the elements of FD press releases, we uncovered the micro-components of the framing techniques used by MNCs to legitimize their decision.

The purpose of this dissertation is to examine the combination of factors that increase (and decrease) the likelihood of divestment decisions, and to develop a better understanding of this topic. It identifies and highlights the main combination of drivers and determinants and analyzes manager behavior when divesting. It also further develops the divestment literature on organizational management, and on the executing and management of divestment decisions. Additionally, suitable theoretical and managerial recommendations are explored.

Divestment cannot be explained by a single theoretical basis, and significant research on divestment has yet to be conducted. This dissertation contributes to the development of Foreign Divestment (FD) theory and advances the literature on understanding the divestment

decisions made by organizations. The findings of this dissertation make an original contribution to research that is beneficial to key decision makers, and further adds to the theory of divestment. The findings outline the impact of companies' divestment decisions and shed more light on the effective ways in which divestments can be undertaken by managers, and consequently the combination of factors which will intensify or weaken the decision to divest. Additionally, this will help companies to better strategize divestment activities, per resources and desired outcomes.

Chapter 2: Organization behavior in a crisis, corporate restructuring as a consequence: A literature review

Crisis management research has received increased attention in recent years as it becomes intertwined with strategic management and viewed as complimentary to strategic management. This paper explores multiple fragmented streams of literature on strategy and strategic management of companies in times of crisis. We review the literature on crisis management strategies before, during, and after the crises; we excerpt and organize the findings. We also take a multifocal approach to previous research on strategic management during crises and review its many aspects and elements—such as crisis communication strategy, crisis effects on relationships with employees and stakeholders, and organizational restructuring of the company in times of economic crisis. We summarize previous studies' findings and attempt to identify intersection points between research from different streams of literature—such as management, crisis communication, restructuring, and behavioral economics. We conclude by identifying gaps in previous research inquiries and possible guidelines for future research.

2.1 Introduction

In general, a crisis is defined as a short-lived stage consisting of unexpected and unfavorable shifts in an organization's external environment (Pearson & Clair, 1998). It has a low probability of occurring but is high-risk in that it threatens organizations' sustainability. Examples of crises include entry of improved substitute products or new competitors into the organization's market, or a sudden economic downturn. The causes and long-term effects of crises can vary, and organizational management typically feels it must act quickly to help resolve the crisis (Xu & Li, 2013).

Two types of crises are economic and financial. In a broader sense, an economic crisis is defined as a sharp downturn in a country's economic state brought on by a financial crisis (Xu & Li, 2013), which, in turn, is described as a situation in which financial assets lose their value rapidly. A stock market crash is such a crisis (Coombs & Holladay, 2002); the 1989 Exxon Valdez oil spill was another type of financial crisis. Economic and financial crises are inevitable conditions that affect almost all industries at one time or another, compelling organizations to change their business goals and strategies to survive and maintain their competitiveness (Xu & Li, 2013). Companies are usually exposed to, and directly affected by, the negative effects of an economic crisis through significant decreases in demand for their products and services (Lee &Makhija, 2009), or the decrease in availability of important

resources. Contemporary research on decision making in firms during a crisis is mostly concentrated in two theoretical camps—the prospect theory, and the behavioral theory of the firm. Both stipulate that, when faced with economic crisis, companies either tend to reduce risks by pursuing conservative strategies or take additional risks in order to get ahead of the recovery curve and strengthen and extend the competitive advantages (Zona, 2012).

Various authors have listed and discussed strategies, activities, and organizational behaviors that enable firms to better weather crises. In addition to summarizing a structural crisis-response model covering the pre-crisis to post-crisis periods, Coombs and Holladay (2002) revisited common strategies, emphasizing there is no one-size-fits-all strategy. However, general strategic approaches to handle crises seek to prepare the organization and its management for crises and prevent them, if possible, while others seek to address crises which have already occurred. Both will be discussed below.

While previous studies did cover many of the individual aspects of the crisis management problem, they did not explore their intersections and synergies. Our goal, therefore, is to compare the outcome predictions and arguments for action for multiple strategic approaches to crisis management. This would contribute to the existing literature and help identify avenues for future research. The remainder of the paper is structured as follows: we explore crisis management strategies from different theoretical perspectives, before and after the onset of a crisis. We also cover three main determinants of success for these strategies, relationships with employees and external stakeholders, as well as communication strategies. We follow up by reviewing strategic options for companies, as well as the behavioral aspect of the decision-making process as a part of crisis management. We finalized the study by analyzing intersections between various research approaches and reviewing future research approaches.

2.2 Crisis Management Strategies: Pre-Crisis

Mendonca et al. (2004), found crisis management is not amenable to a generalized approach, as each crisis is unique and has different features typically obvious when the crisis first occurs. In fact, understanding the nature of the crisis, the "critical scenario," is crucial to adequately addressing it. A management team which is continually aware of its organization's environment and status is a key component in comprehending the nature of the crisis. Therefore, managers should always be aware of the internal and external conditions of their organizations. Moreover, the authors observe management often errs by not taking crises seriously believing them to be temporary; continual awareness of the organization's

status and its environment, will make this unlikely. Lastly, McConkey (1987) suggested management should adopt a systemic approach to crisis management and should involve stakeholders, including those outside the organization, to develop more efficient ways to cope with a crisis should one occur.

Even an organization with a good reputation, lengthy history, and skilled workers can still find it hard to change in the face of drastic environmental changes, thus making it quite difficult to deal with a crisis (Hoyle & Wallace, 2008). Consequently, Coombs and Holladay (2002) suggested organizations should adapt to change continually and learn from previous mistakes by forming closed-loop learning mechanisms, which the authors term second-order problem-solving behavior. This behavior differs from first-order problem-solving behavior, which is limited because it treats symptoms without addressing the causes of the problematic issues.

Correctly implementing strategic management measures from the onset of a crisis can help avoid many organizational issues (Pearce, 2011). The three main steps of strategic management are strategy formulation, strategy execution, and strategy evaluation. Strategy formulation involves evaluating the organization's current conditions and the resources needed to maintain or improve these. In the second step, the organization develops a plan of action to implement strategies and execute them. In the third and final phase, strategy evaluation, the organization decides whether it achieved the goals it set, and if not, determines how future strategic management can be improved. Multiple authors stress the importance of an organization's preparation for a crisis before one occurs.

The three phases of Kreitner and Kinicki (1998) crisis management encompass preparing for a crisis and then dealing with one. The first phase is prediction and prevention, the second is planning and education, and the third is guide control. Kreitner and Kinicki (1998) further added, if crisis management is adequately planned before a crisis occurs, preparations should involve the prediction of potential crises, the formation of contingency plans, and the formation of crisis control teams. Furthermore, if forming contingency plans is possible, management should also be capable of pinpointing potential crises (e.g., economic recessions, strikes, shortages of raw material, abrupt and drastic changes in interest rates) beforehand and then formulating plans that could be put into action should they occur. However, as mentioned earlier, many situations cannot be predicted. To reduce its vulnerability to crisis occurrences, some authors stress that organizational crisis management must accompany non-crisis-related strategic planning. As Pearson and Clair (1998) observed, decisions during a crisis must be made under sometimes-severe temporal and cognitive

constraints. Therefore, many researchers view strategic management and crisis management as parallel; they believe the potential to handle possible crises should be an integral part of an organization's strategic planning. One means by which an organization's management can prepare themselves and their employees for possible crises is computer simulation training in crisis scenarios (Xu & Li, 2013). That each program incorporates the dynamic nature of the types of crises being simulated is key to the success of this activity.

The following discussion encompasses Kreitner's first two phases: prediction and prevention, and prediction and planning. These include ways the organization can prepare for and, if possible, prevent crises from occurring. The section following the next one covers strategies to address crises that organizations have not been able to prevent.

The key to preparing an organization for a crisis rests with organizational behavior, which stems from the organization's culture. Certain attributes or characteristics of an organization or its management have been found to help it better survive a crisis, and these are typically rooted in its culture. Reilly (1993) proposed an empirical model to determine the steps that should be undertaken for effective crisis management, given the characteristics of the crisis and of the organization undergoing the crisis. Specific organizational characteristics that act as advantages in managing crisis include the following: loyal employees, partnership in or ownership of large companies, quick response ability, quick decision-making, good communication and customer relations, past experience with crisis, strong community image, strong financial position, pre-specified crisis management plans, a loyal customer base, sophisticated systems already in place, good management accessibility, a well-diversified portfolio, and sound strategic management. On the other hand, factors that adversely affect the effectiveness of an organization's crisis management efforts include the following: lack of communication and staff, slack resources, lack of specialists, delays in taking action, trouble dealing with change, no resources dedicated to crisis management, weak social media presence, external problems, poor financial position, no experience or history in crisis control, inexperienced managers or owners, poor customer relations, and a poor community image (Reilly, 1993).

Coombs and Holladay (2002) cited management resilience as a factor in the changes to an organization that will result from a crisis. In a crisis, organizations may lose organizational integrity and react chaotically if management is not prepared. Kulich et al. stated leaders are key to effective crisis management, and, moreover, these leaders must have the qualities to create order out of chaos. For some types of crises, listening to customer concerns and then objectively analyzing the issue can address the root problem (Kulich et al.,

2018). Moreover, leadership styles that are socially and emotionally intelligent (e.g., creating environments that foster flexibility and empathy; being aware of emotional considerations) can help organizations not only weather crises but prosper (Heydenfeldt, 2010). Interestingly, companies with greater diversity (of tenure, functional heterogeneity) and education—at least among upper-level management—can better avoid crises, likely due to greater complexity and depth of decision processes (Greening & Johnson, 1996). This suggests one of the best strategies companies can take to improve their crisis resiliency is to create a diverse, empathetic environment that considers its members' emotions and experiences. Kádárová et al. (2015) proposed successful responses to crises often involve an organizational culture that promotes employee self-leadership—which, the authors found, is positively related to job satisfaction as well as performance. The concept of self-leadership is closely related to management resilience in response to a crisis

Xu and Li (2013) pointed out there are lessons to be learned from studying new ventures, especially small- and medium-sized enterprises (SMEs), in creating theoretical and practical models for crisis management. Their study of Spanish SMEs showed opportunistic organizations are more resilient in times of uncertainty than their necessity-driven counterparts. In their study, Pal et al. (2014) claimed even well-established, multinational organizations with unlimited resources and an extensive knowledge base can learn valuable lessons from SMEs. New ventures, they stated, have great resiliency and their handling of crises can therefore provide valuable insights into best coping practices for environmental uncertainties.

In recent years, synergy has gained much attention and been awarded much importance in both the strategic and crisis management literature. It contributes to efficient, collective creative thinking—a useful characteristic during a crisis—and facilitates teamwork and good decision-making, while simultaneously increasing organizational productivity and efficiency. To have good synergy in an organization's management, its culture should value healthy communications and behaviors—both individually and as a group (Altiok, 2011). Crisis management can sometimes interfere with strategic management as it requires rapid decision-making and so differs from the decision-making process typical of strategic management, which tends to consume longer periods of time and be more deliberative in nature. Such rapid decision-making can be fruitful at times but disastrous at others. An organizational culture encouraging good synergy is therefore another predictor of an organization that will better be able to survive a crisis, should one befall it.

Above, we have outlined ways that an organization can prepare itself for undergoing a crisis. These preparations have dealt primarily with attitudes and characteristics of the organization itself, its employees, and its management, and these are rooted in the organization's culture. However, in their review of the extant literature on organized groups' mitigation of crises, Coombs and Holladay (2002) concluded more studies are needed to elucidate whether, how, and why organizations respond to crises so that more of these characteristics can be identified and then cultivated by specific organizations to aid them in potential crisis situations.

2.3 Crisis Management Strategies: During Crisis and Post-Crisis

2.3.1 Crisis Communication Strategy

Having and implementing an effective crisis communication strategy is a key element in helping an organization survive a crisis. An organization's crisis response team will coordinate the organization's communication with the public and with its stakeholders during and immediately following a crisis period, providing one voice for its management, operations, and the crisis response team itself. The primary aim of this communication strategy is to maintain the organization's positive image (Coombs & Holladay, 2002). Where necessary, it attempts to shift negative perceptions of the company, among both the public and shareholders, to positive ones (Kádárová et al., 2015). Effective crisis communication has the potential to limit or repair reputational damage caused by unfavorable conditions (Hoskisson & Johnson, 1992).

Global financial and economic crises can significantly challenge a company's competitiveness and resiliency, with managers expected to respond effectively and in a timely manner. During such crises, business managers have employed different and, in some cases, innovative methods and management techniques to address the variety of problems occurring during such times (Kádárová et al., 2015). However, organizations must be wary of responses based on dishonesty. A case study that examined the environmental disaster in Colombia, when the U.S. mining firm Drummond Company, Inc. was caught dumping hundreds of tons of coal into the Caribbean Sea (Hoskisson& Johnson, 1992), revealed too great an attempt to control a company's reputation can lead to deception and wrongful attributions of responsibility as part of its communication strategy. Once deception begins, false claims tend to snowball, eventually trapping the organization in a web of lies and possibly causing a greater amount of damage to the organization than the original crisis itself. A meta-analysis by Rajan (2003) confirmed manipulation of information by covering up or

lying as a part of a strategy in media communication tends to cause a greater amount of reputational damage than any possible benefit derived from the obfuscation strategy.

Image restoration and impression management are essential to managing crises. However, trivializing the problem is not appropriate if there is a potential for public backlash. Instead, a proper restorative plan should be formulated; this can begin to remedy the harm done and begin to restore the organization’s reputation with the public. Denial as a strategy may not always work, and so a carefully thought-out process is required to decide an appropriate strategy for the scenario (Benoit, 1995, 1997). Benoit (1995, 1997) presented some behaviors and strategies, some questionable, that top managers can use to manage an organizational crisis—including denial, avoiding responsibility, underplaying the severity of the crisis, etc. These methods may help when a crisis has grown beyond management control or where there is an absolute lack of information on the crisis' causes. An organization can also question the credibility of the source who has apparently initiated the crisis. It can also falsely seek to minimize the impact of the crisis on stakeholders. If it has erred and brought on the crisis itself, an organization can accept responsibility and try to honestly remedy the harm done, possibly through remuneration and apologies, a method known as mortification (Hargie et al., 2010).

Moreover, organizations can encounter major communications pitfalls on social media (Hooghiemstra, 2000). During a crisis, having an integrated and coordinated communication response team is essential. However, if a communication strategy is not handled correctly with respect to social media, several adverse outcomes are highly probable. A meta-analysis by Hoskisson and Johnson (1992) found media communication strategies based on dishonesty tend to cause a far greater amount of reputational damage than any possible benefit derived from their use, one factor in this outcome being the major role that social media now plays in determining a firm’s public reputation. Because of this role, the authors recommended treating social media as an interactive communication framework in crisis communication strategies, thus including social media in the organization’s communication strategy rather than simply ignoring it.

Another potential pitfall an organization faces in constructing and implementing a crisis communication strategy is underestimating the importance of straightforward communication, which the Foxconn suicide case study illustrated (Xu & Li, 2013). In an effective communication strategy, organizational leaders should select and then provide the public with consistent and timely information to gain its trust and maintain the organization’s credibility. Prewitt and Weil (2014) found to manage a crisis successfully, organizations must

not only avoid deception and communicate openly, but also provide reliable information in a timely manner to build customer confidence and trust. Failing to do so can result in a misinformed public and, eventually, a company's destroyed reputation and image (Prewitt & Weil, 2014).

2.3.2 Relationship with Organization's Employees

It is vital for an organization to consider and give priority to its employees during crisis management. Employees are an integral part of the organization's internal environment and contribute to its culture and organizational behavior. If an organization's employees were not happy prior to a crisis, this will negatively impact the organizational culture and behavior during and following the crisis—and lead to poor crisis management (Kovoor-Misra et al., 2000). Managers often focus more closely on external stakeholders and relationships with other external parties than on employees, a frequent mistake in crisis management. However, it is essential that organizations recognize employees as essential to its' survival and well-being, and as stakeholders who are a key part of the organization's audience (Gilly & Wolfinbarger, 1998). In many ways, employees are more critical to the organization than other stakeholders. Research has shown the workplace environment can trigger employees' emotions at different times, and although these emotions collectively build organizational behavior (Weiss & Cropanzano, 1996), they are largely ignored when crises and their causes are studied (Shaver et al., 1987). These collective emotions build over time due to repeated practices or experiences in the organization, or even shared societal norms. Organizational behavior objectives should be as follows: improving job satisfaction and organizational culture, finding the right team and leadership, bettering conflict resolution, better understanding employees, and increasing productivity. Crisis communication strategies like those used for the public can also be employed for internal stakeholders, e.g., employees (Ayoko et al., 2017), who have the potential to improve the organization's image because they hold crucial information that may not be available to the public. Their contributions tend to be undervalued, however, because they may be viewed as being prejudiced in favor of the company (McDonald et al., 2010).

2.3.3 Relationship with Organization's Stakeholders

Coombs and Holladay (2001) present and discuss the relational management and symbolic approaches to crisis management and the efficacy of these approaches. In the symbolic approach, "[t]he crisis response is viewed as a symbolic resource that can be used to protect the organization's reputation and to affect stakeholders' future interactions with the

organization" (Coombs & Holladay, 2001, p. 322). The authors assert that this approach is not ignorant of or insensitive towards stakeholders, as is often assumed. Instead, stakeholders are kept aware of all precautionary information and actions in the crisis (Sturges, 1994), which is seen as a resource that can shape the organization's future public reputation and its relationships with its stakeholders.

Furthermore, the stakeholder-organization relationship should be well understood and explained for better crisis management. Whereas the symbolic approach considers performance history as an essential aspect of crisis management, relational management considers the organization's relationship history with its stakeholders when formulating or improving public relations strategy (Ledingham & Bruning, 1998), including during a crisis. Studying past crises allows managers to recognize any recurring patterns in the current crisis that the organization faces, thus revealing whether it is a one-time event or a recurrence. In the latter case, the organization and its employees are more likely to assume responsibility for it and work toward resolution (Griffin et al., 1991).

One primary problem a crisis creates for an organization is destroyed relationships with its stakeholders. Overall, relationship history and management play an important role in crisis management. These issues are at the center of public relations for the organization (Stephens et al., 2005). Various communication modes are used to build and maintain the relationship between stakeholders and the organization (Grunig & Grunig, 1992). A favorable relationship history acts as a buffer against crisis damage (Coombs & Holladay, 2001), and stakeholder support may change overtime if this buffer is not present (Stephens et al., 2005).

2.4 Restructuring an Organization

One means management may use to deal with possibly harmful changes to the organization's environment is corporate restructuring, which is traditionally aimed at adapting a business to current conditions to enhance its competitiveness and increase its value and the well-being of its owners (Strelnik, 2016). Hoskisson et al. (2005) defined corporate restructuring as a major change in the composition of business resources and assets combined with a major shift in corporate strategy, whereas Lin et al. (2008) defined it as a change in the operational, investment, and governance structure of a company. The types of restructuring these authors mention are those that most readily enable a firm to adapt and survive within a new challenging environment. In such situations, restructuring may take on critical importance (Strelnik, 2016). Types of restructuring that have been suggested to aid in crisis management are discussed below.

Diversification is a corporate restructuring strategy that offers firms an opportunity to re-orient the business' resource allocation process using a more effective strategy and control (Rajan, 2003). Economists and strategy scholars have studied corporate diversification extensively over the past four decades. For instance, Markides and Singh (1997) explored the relationship between corporate diversification and restructuring activities in the context of American firms in the 1980s and 1990s. Their work revealed that major American firms' major restructuring efforts consisted of divesting unrelated (unprofitable) businesses and strengthening their core business units and related segments. Comparing restructuring to accomplishing diversification vs. investing in the stock market, Carter (1977) viewed corporate diversification as strengthening an organization's economic and financial stability through portfolio diversification. According to both studies, organizations—especially ones located in America—commonly practice corporate diversification as a corporate restructuring strategy and response to changes in a firm's business environment. Hoskisson and Johnson (2016) concurred with this view, perceiving the effects of a diversification strategy in terms of corporate restructuring and strategic change.

The most commonly found advice from the literature for organizations facing crisis is reorganizing in order to better fit the structural needs brought on by the demands of the new situation (Markides & Singh, 1997). However, some authors disagree, stating an organization need not change its organizational structure to address a crisis, but instead, it should stress teamwork (Baker-Rosa & Hastings, 2018; Buyl et al., 2011; Harney et al., 2018; Markides & Singh, 1997). The 1989 Exxon Valdez oil spill, when a tanker (Exxon Valdez) ran aground and spilled more than 250,000 barrels of crude oil on the Alaskan shore, pointed to the need for management to first form a temporary structure explicitly organized to respond to the crisis. This oil spill is considered the worst worldwide in terms of damage to the environment, was widely publicized, and is considered as a textbook example of how not to manage a crisis. Not only was the company very slow to react—with its top management initially ignoring the incident—but when it was later revealed the company had some contingency plans (implying it had expected such incidents), it was shown that the plans were not tested for effectiveness, and the company was slow to implement them for no apparent reason. Exxon's media communication strategy during the crisis was ineffective, and not only did it fail to mitigate some of the negative impact on the company's image, but instead helped damage it even more. Harney et al. (2018) supported this observation about the need for a separate structure tasked with reacting to crises, stating this separate structure, distinct from the normal organizational structure, is beneficial in managing crises—which are, after all,

separate from the ordinary business of the organization. Decisions made during a crisis often require external consensus that is not available to the normal operations rank-and-file of the organization. Thus, structural reorganization during a crisis can be viewed as an organic response that the corporation falls back on for the sole purpose of addressing the crisis at hand.

When things happen rapidly in times of uncertainty, normal organizational processes are often thrown into imbalance and even chaos. Stam et al. (2018) found the best leaders should process changes quickly, prioritize actions, and make decisions confidently. Often, crises are characterized by the need for continuous adaptation, forcing agile organizations to switch back and forth between a coordinated network of practices that constitute different modes of organizing (Jaggi et al., 2009). The main component of a successful response, the authors found, was speed in adapting the organizational structure, with individuals and teams able to switch back and forth rapidly among multiple roles. Thus, speed of reaction is essential during crises, and restructuring a part of the organization may be the best means to adequately accomplish this.

One tendency among organizations experiencing a crisis is to cut employees—possibly many employees. Rather than removing employees, however, Markides and Singh (1997) found it is preferable to help the organization's employees develop a positive reaction to the emergency, to enable them to help the organization survive. In this way, the organization can utilize its human resources to create a solution to the problem. Moreover, anger can result from layoffs, thereby leading to decreased trust in the organization; this can be circumvented by retaining employees but helping them adjust to the organization's new circumstances (Harney et al., 2018). Jaggi et al. (2009) suggested building trust between employees and the organization using nonverbal expressions during a crisis.

In their 2011 revisit of their 1989 classic study described in "Competitive groups as cognitive communities: The case of Scottish knitwear manufacturers" (Porac et al., 1989, 2011), the authors (2011) stated a cognitive assessment of organizations' market competitiveness is not enough to explain why some organizations are better than others at turning crises into growth opportunities. They found that not every organization is the same in this regard, even if all are in the same industry, i.e., competitors. To allow an organization to grow in times of crisis, Jaggi et al. (2009) suggest a partitioned response, which can provide opportunities for an organization to adaptively restructure during a crisis and then use the information gained to develop a new, post-crisis organizational culture. In their crisis management model, which was informed by the study of fast-response organizations, they

advised that, although a partitioned response is open to more risks of failure, organizations can use this as an opportunity to learn and grow—particularly in emergencies.

Still, another possible means of surviving a crisis is continuing the organization's efforts at innovation, i.e., converting new knowledge into new products and services that create value and organizational growth (Markides & Singh, 1997). In times of economic crisis in particular, innovation management tends to be the most neglected area of management. Harney et al. (2018), for instance, warn that although downsizing or other cost-reduction measures may serve organizations over the short term, these can also lead to adverse outcomes over the long term. The June 2009 report issued by the Organization for Economic Co-operation and Development (OECD) cited innovation management as a recommended business behavior during an economic crisis, stating that innovation is key to a permanent recovery (Jaggi et al., 2009). Investing in innovative strategies is crucial for sustaining and improving the organization's market position in times of economic downturn. For many organizations, the sudden shock of a financial crisis to ordinary business operations may feel threatening—but some firms recognize it as an opportunity to expand, innovate, acquire, and act accordingly (Jaggi et al., 2009).

The value of internationalization as a strategic option for mitigating effects of an economic crisis is explored by Lee and Makhija (2009), who argued that firms need to adapt quickly to changes in environment to avoid subpar performance. They find that both export-related and foreign-direct investment add to the flexibility of the firms and helps them weather the times of economic crisis. Rangan (1998) also posited operational flexibility is valuable for the firm, but that operating an international network of subsidiary companies has a negative effect of increasing costs, which can offset the advantages of flexibility. The main source of these effects is the increase in complexity due to the country-specific transaction costs of having additional distributors, suppliers, and customers, and to being under legislative and governmental scrutiny from multiple countries.

Organizations can experience several types of pitfalls involving restructuring. One such pitfall involves conflicting agent-principal goals. Having studied and compared corporate restructuring patterns in the United States and Germany, Buhner et al. (1997) described U.S. firms' institutional settings as shareholder-oriented, whereas those in Germany tend to be oriented to all stakeholders of an organization. The researchers found that agency-related conflicts were seen to occur predominantly in U.S. firms. In contrast, the German setting appears to suppress agency problems and to be more balanced in its handling of stakeholder goals rather than giving priority to the goals of shareholders, for whom an

organization's managers act as agents (Jensen, 1986). Interestingly, the researchers also noted that United States firms engage in more restructuring activities than German firms. Markides and Singh (1997) assert that agency problems are symptoms of poor internal governance, prompting management to undertake immediate and forced corporate restructuring (Markides & Singh, 1997).

Perhaps the most common pitfall of corporate restructuring is focusing to an extreme extent on key people within the organization. Harney et al. (2018) found that organizations sometimes structure their reorganization efforts around key roles or key people, typically executives and directors, whom the organization considers valuable due to the unique knowledge or experience they possess. For example, most organizations design their support functions around one key executive with unique talents and knowledge. When the organization loses this individual's skills and knowledge—through retirement or due to some other cause—the impact on the organization is extreme, affecting the performance of the function to which that individual belonged and resulting in the organization's use of restructuring or changes in leadership to fill the gap. In contrast, Kavadis and Castañer (2015) asserted that corporate restructuring should focus less on having key individuals and more on team efforts that value interaction and teamwork.

Another potential pitfall of reorganization involves the reactions of external investors, who may react positively or negatively to restructuring, depending on its severity and impact on their investments (Jaggi et al., 2009). Several studies have been conducted to examine investor reactions to restructuring announcements of companies, and most have shown that investors respond positively to such announcements (Bastos et al., 2018; Li, 2013). However, other studies have found no significant investor reaction, either positive or negative (Poon et al., 2001; Strong & Meyer, 1987). When restructuring, most organizations neglect to consider the reactions of external investors and the market to this action (Jaggi et al., 2009). Moreover, Hoskisson, and Turk (1990) posited that, while internal investors such as internal stakeholders, are essential to organizations' structures, investors in the external capital market, such as shareholders and bankers, have distinct advantages over internal investors; they thus can influence corporate restructuring activities and can determine firms' performances following restructuring.

Although the aim of restructuring is to increase shareholder return by boosting sales, lowering production or product delivery costs, or satisfying some other criterion relevant to the organization's survival in a time of crisis, Zhang et al. (2018) found that, except for a temporary increase in sales growth in the event year, firms undertaking mergers and

acquisitions experience deteriorating product market performance over the four-year time horizon post-event. In addition, firms undertaking divestitures have been found to experience no change in product market performance, except for a temporary decrease in market share in the event year.

2.5 Behavioral Aspects of Crisis Decision-Making

In dealing with crises and their aftermath, maximally utilizing a firm's strengths may not be sufficient; in addition, management's awareness and management of their firm's weaknesses is also important. These weaknesses and poor decision-making can create pitfalls in crisis management, as discussed below.

Herek et al. (1987) studied decision-making processes and outcomes for multiple international crises. Those decisions that had the best outcomes both internationally and domestically were characterized by the fewest incidences of seven characteristics of poor decision-making: (1) failing to consider viable alternatives; (2) failing to establish objectives, goals, and values; (3) failing to examine the consequences of the alternatives; (4) failing to gather sufficient information to evaluate alternatives successfully; (5) failing to avoid bias when seeking or evaluating new information; (6) failing to reconsider previously rejected alternatives; and (7) failing to develop detailed plans for contingencies and for implementing and monitoring outcomes.

By keeping these pitfalls in mind and by making concerted efforts to avoid them, decision-makers can enhance the likelihood of their making higher-quality decisions, even during a crisis. Indeed, effort and intention are required to avoid these pitfalls, especially during a crisis, because these weaknesses can be compounded by the effects of the crisis, which impair goal pursuit and cause physiological and psychological stress (Brandstätter et al., 2013), thereby narrowing attentional focus (Driskell et al., 1999). Furthermore, Christensen and Kohls (2003) found that, during crises, individuals have limited cognitive abilities and are therefore able to attend to fewer pieces of information than under normal conditions. Their ability to focus on all but the most salient information is therefore limited, leading to poor decision-making.

Objectivity is vital for good decision-making, as it ensures careful analysis of information. A particular type of bias, confirmation bias—which Nickerson (1998) argues may be the most problematic aspect of human reasoning—is of particular concern because it can affect all steps of the decision-making process. It influences the information we seek, how we evaluate (and whether we accept) that information, and even how we perceive

potential outcomes. What makes these biases so insidious is that decision-makers are often unaware that they have them. Moreover, they need not have been present before the crisis; some biases can develop during decision-making—such as the establishment of reference points, a factor that Whyte and Levi (1994) argue characterized the Kennedy administration's response during the Cuban Missile Crisis. They added that, once an initial reference point is set early in the decision-making process (e.g., Kennedy's zero-missile stance), subsequent evaluations will be skewed by that reference point, such that outcomes will be evaluated based on how much they preserve or deviate from that established reference point.

A similar reference-like effect can result from the nature of the crisis itself—namely, how imminent, and long-lasting it is. Construal level theory (Liberman & Trope, 1998; Trope & Liberman, 2003) argues that events that are further away in time will be viewed with a higher level of construal: more abstractly, more simplistically, with greater coherence, and with more consideration of goals. Conversely, nearer events will be viewed with a lower level of construal: more concretely, with more complexity and context, and with less coherence and less consideration of goals. This level of construal also applies to decisions concerning events. Liberman and Trope (1998) found that, when making decisions about more distant events, people are more concerned with the desirability of the outcome; for nearer events, they are more concerned with the feasibility of the outcome. Extended to decisions made during and related to crises, this reasoning says if the crisis and its fallout are relatively nearer (e.g., a hurricane is about to make landfall), decisions will more likely focus on the details and logistics of dealing with the crisis (e.g., evacuations, deploying the army to rebuild, etc.); conversely, if the crisis and its fallout are relatively distant in the future, perhaps even uncertain (e.g., an economic recession), decisions will more likely focus on finding the most beneficial outcome. However, ongoing crises, such as an economic recession, could also be construed at a low level (the end may not be in sight, but the current situation is nonetheless one of crisis), meaning decisions might be focused to a greater extent on the specific actions to be taken at the moment to improve the situation. These analyses apply to management during an organizational crisis.

It is not impossible—and, indeed, is not detrimental—for a firm’s management to keep aspects of both construal levels in mind simultaneously. As discussed earlier in this paper, governments and organizations tend to restructure and centralize their decision-making in response to economic crises (Fleischer & Parrado, 2010). In other words, they focus on low-level construal, i.e., implementing immediate, logistical changes. However, centralization increases with greater consideration of goals, indicating a high level of

construal. These findings suggest that management can maintain both high and low construal levels during a crisis, an important factor for ensuring comprehensive decision analysis. Significantly, information that is more centralized (and therefore more detailed) enhances the overall awareness of the situation (Van Dooren &Van de Walle, 2008), thereby enhancing the ability to deal with the situation effectively. Another factor that can affect decision outcomes is emotions, specifically attitudes towards risk and uncertainty. Negative emotions, such as those experienced during stress, can increase individuals' aversion to risk, causing them to make safer, less risky choices (Heilman et al., 2010). However, as Prospect Theory (Kahneman & Tversky, 1979) argued, people are not averse to risk as much as they are averse to loss. That is, they might risk a large loss to avoid a smaller but inevitable loss; however, they are less likely to risk losing a small but certain gain for the possibility of a more significant but uncertain gain—a characteristic that explains seemingly nebulous trading behaviour during an economic recession. For instance, Hoffman et al. (2013) found that, as economic conditions worsen, investors become more aware of and more averse to risk. Their main objective, it would seem, is not to seek a long-term advantage but to avoid losing what they already have. Prospect theory can also explain the existence and behaviour of so-called crisis-resistant tourists (Hajibaba et al., 2015), people who maintain bookings for vacations even in the face of unexpected, and possibly dangerous, events. Experiences cannot be lost or taken away, and so such tourists likely view their situation as one in which they have nothing to lose (save a booking deposit) but everything to gain (the experiences and memories of a trip), and so they take the risk.

Causal attribution can be a potent type of perspective. Studying families' risk-taking behaviours during the Great Recession of 2008, Necker and Ziegelmeyer (2016) found that financial loss alone did not predict families' risk-related behaviour; however, if they attributed their loss to the economic crisis, they showed greater risk aversion. What apparently mattered was not the objective state of the world but rather their perception of the status quo. In other words, the reference point matters (as with the Kennedy Administration's zero-missile stance during the Cuban Missile Crisis). This combination of loss aversion and perspective explains the sometimes-risky behaviour nations exhibit during international crises, such as taking militaristic action that could initiate a war in the hopes of preventing what is presumed to be an enemy's impending first strike (Levy, 1996). It also explained organizations' sometimes less-than-optimal choices of prioritizing strategies that minimize short-term losses over those that maximize long-term gains. However, cognitive reappraisal techniques have been shown to reduce risk aversion behaviours (Heilman et al., 2010),

suggesting that they could prove valuable to organizations and nations in making optimal long-term decisions.

Since emotions can aid management in understanding others' perspectives and can sometimes be used to elicit similar emotions and processes in others (see Lerner et al., 2015, for a review), similarity in emotional states can be employed to enhance team effectiveness. Regarding leadership decisions, emotional memory ("gut feeling") and effective emotional regulation help people make effective decisions, even if the effect is intuitive and not available to conscious processes (Sayegh et al., 2004). Given the impact of emotions on decision-making, emotional regulation is an important tool for improving decision-making processes. Not only can cognitive reappraisal techniques improve mood and well-being (Haga et al., 2009), but they can also moderate people's risk aversion, possibly making them more willing to examine alternatives that maximize long-term gains.

Lastly, being mindful of decision-making pitfalls discussed above is also crucial, thus explaining the effectiveness of information centralization: it enhances overall organizational awareness of a situation (Van Dooren & Van de Walle, 2008), leading to greater searching for and examination of crisis-relevant information. Experience also matters, specifically experience with critical thinking. Intentional decision-making training that targets relevant psychological processes, such as critical thinking, can improve decision-making (Schraagen & Ven, 2008; Sniezek et al., 2002). People with more expertise in the crisis field are more likely to focus on information, hopefully leading to more objective, less biased decisions (Doyle et al., 2014). Decision-making is a complex process requiring significant attention, effort, and critical thinking, and there are numerous ways it can go awry, making good decision-making difficult and compounding the effects of crisis (stress, emotional dysregulation, fear, etc.). Consequently, the process becomes significantly more challenging—and the stakes much higher.

2.6 Conclusion

As the literature review has shown, there is no comprehensive or generalized method to approach crisis management that fits all organizations in all situations. Every crisis is unique, and there are many different approaches to deal with one. Moreover, all factors are relevant, and all stakeholders are important to a crisis management effort. The success of strategic crisis management depends on timely identification of the crisis itself and on the application of the most efficient methods to address it. Not all crises are cataclysmic; even a small,

unpleasant event requiring the attention of management can qualify as a crisis, such as losing an important document (Sweeny, 2008).

Although not fully understood, decision-making is a robustly studied field, and researchers have learned much about making effective decisions. By remembering the best practices presented above—seeking relevant information, being aware of biases, weighing all options, considering goals, fostering empathy and emotional regulation, promoting diversity, thinking critically, and, if possible, gaining relevant experience—organizations can improve their chances of making effective decisions that are beneficial not just in terms of avoiding short-term consequences, but in terms of securing long-term benefits, even in the face of crisis.

Additionally, the review has shown that there are three main groups of problems and practices that are essential for weathering crises. The first of these is the communication strategy, which needs to be double-sided. The side facing external stakeholders should be carefully handcrafted, integrated, and coordinated between team members. Any dissonance between messages delivered by different parts of the organization will destroy the credibility and trustworthiness of the whole company, which is why the communication must be strictly controlled and limited. The side facing internal stakeholders—most importantly, the employees—should be more open and honest, because strategy of misinformation is less likely to succeed, due to employees' knowledge of the internal situation. The best approach is likely motivating employees and driving them on a path of self-leadership, which increases job satisfaction and work performance.

The communications strategy aspect naturally transitions into a second group of problems and practices, which are focused on maintaining relationships with employees and external stakeholders during crises. Relations with employees are especially important, as crises within the company are likely to affect them on both a professional and personal level. Workplace environment influences their emotional states, which subsequently builds organization behavior (Weiss & Cropanzano, 1996) and creates organizational culture within a company. During crises, short-term negative effects in the work environment can take root and become embedded within the company culture in the long term, which the management of the organization must avoid at all costs. Relations with external stakeholders during crises are mostly derived from the relational history with stakeholders in question, which means previously unresolved problems and bad reputational backlog can rise to the forefront again and negatively influence current relations. This increases the importance of maintaining a good long-term reputation with external stakeholders.

The last and the most impactful set of practices are those that are connected to the problem of reorganization of a company, which is a frequent consequence of crises. Reorganization efforts come in three main forms: diversification, organizational reorganization (reorganization in the narrow sense), and divestment. Diversification and divestment often go hand-in-hand, as companies try to reduce bankruptcy risks by moving assets from one business to another. Although nominal goals of reorganization such as adjusting to the pressure of the environment and the global economic outlook are perfectly valid and legitimate, and indeed do increase survivability of a business during crisis, the scope of the restructuring efforts is frequently a source of post-crisis long-term negative effects.

Overzealous restructuring endeavors can ruin not only the organization's reputation and its value in the eyes of its stakeholders but can also lead to long-term loss of market position in its main business, while at the same time not improving its overall position across all markets. This can be a subject of future research, as there is a lack of research into how much restructuring is too much. There is also a lack of research on how different crisis management strategies interact with each other, as companies frequently employ different approaches simultaneously. The problem of synergy in strategic approaches to crisis management, as well as the synergy of external and internal crises for companies and how it influences decisions to pursue a combination of approaches, has been chronically under-researched.

Chapter 3: Mimetic forces as drivers of divestment decisions

Firms' restructuring and divestment activities often accumulate, which explains the cause of divestment waves. The aim of this study is to identify whether divestment activities increase during certain periods, because firms react to the same external stimulus (e.g., economic downturn) or because firms imitate each other. To answer this question, we draw on neo-institutional theory and argue that divestment activities of peers legitimize divestment decisions and lead to a higher willingness to divest among decision-makers. Further, we distinguish between trait-based imitation (i.e., imitating the industry leader) and frequency-based imitation (i.e., imitating the crowd). Our empirical analysis builds on a lab experiment with 205 participants. Some early-stage results seem to support our notion that imitation is prevalent when making divestment decisions.

3.1 Introduction

The ongoing rise of corporate restructuring is an essential consequence of the globalized economy. Restructuring strategies, specifically divestment activities, have increased not only in practice but also in scholarly attention over the last 20 years (Kolev, 2016). The term divestiture (or divestment) stands for a number of unbundling operations by which firms adjust their ownership structures and reduce their business portfolio scope (Brauer & Wiersema, 2012; Moschieri & Mair, 2008). One very important aspect of the divestment decision is the layoff of employees—a strategic decision that raises the attention of stakeholders inside and outside the firm.

Previous literature attributes the urge for divestment mainly to performance deficits of the corporation and individual business units (Kolev, 2016). Other studies highlight strategic considerations of divestments—that is, the corporation sets new strategic priorities, which include the re-allocation of existing resources (Bowman & Singh, 1993). In addition, divestment decisions appear to be dependent on peer behavior, which explains the cause of divestment waves (Brauer & Wiersema, 2012; Mitchell & Mulherin, 1996). However, building on secondary data, previous studies were not able to differentiate whether higher divestment activities appear during certain periods because firms react to the same external stimulus (e.g., economic downturn) (Young & Barney, 2018) or because firms imitate each other.

The aim of this study is to identify whether decision-makers imitate peers when making a divestment (in particular, a layoff) decision. Further, we want to disentangle whether a divestment signal is stronger if it's made by the most legitimate peer (i.e., the

industry leader) or most peers. To answer these questions, we draw on neo-institutional theory (DiMaggio & Powell, 1983; Haunschild & Miner, 1997) and argue that divestment activities of peers legitimize layoff decisions and lead to a higher willingness to divest among decision-makers. We complemented our theoretical analysis with a lab experiment consisting of 205 participants. Our analyses support our notion that imitation indeed occurs when making divestment decisions.

3.2 Literature Review

Gnizy and Shoham (2014) identified several external factors (e.g., characteristics of the environment such as turbulence, competition, and customers' demand and preferences for services) as determinants of divestment. In addition to studies on internal and external divestment antecedents, scholars have identified facilitators and inhibitors, e.g., lower-cost production and new market opportunities (Berry, 2010). These facilitators and inhibitors have the potential to act as forces on indirect divestment antecedents. These forces can be called divestment drivers as they sometimes reflect or explain organizations' divestment events. Moreover, forces of divestment can be viewed as moderators of the relationship between organizations' external or internal environments and their strategies that affect divestment. While divestment is a multidimensional phenomenon that can take many forms and be driven by a wide range of internal and external factors, the literature lacks a unified framework to describe organizations’ divestment decisions. Specifically, there is insufficient research on the institutional environment’s effects on divestment decisions.

There are several shortcomings in the existing literature; first, there is no existing theory that comprehensively explains divestment. Although Boddewyn (1983b) attempted to formulate a theory of foreign divestment (FD) by using the eclectic paradigm, academic research on this front is still very limited (McDermott, 2010). Second, most of the literature focused on examining the antecedents of corporate restructuring has used the financial and performance perspectives. In comparison, only a few studies have examined the antecedent from an institutional perspective. Third, there is a high degree of ambiguity, particularly concerning the institutional environment and its impact on divestment decisions. While some scholars have argued that an unfavorable institutional environment is positively related to divestment, others have suggested that investments made in a risky environment turn profitable once the institutional environment stabilizes.

Divestment motives can be either direct (i.e., low financial performance, lack of resources) or indirect. Indirect factors that drive divestment might be ownership

characteristics (e.g., joint ventures vis-á-vis wholly owned subsidiaries), degree of diversification, or type of investment (acquisition vs. greenfield investments); those factors also impact performance and thereby the divestment propensity of a corporate unit (Brauer, 2006; Lee & Madhavan, 2010).Traditionally, divestment and restructuring activities have been attributed to market uncertainties and poor performance (Hoskisson et al., 1994;John et al., 1992; Markides, 1995). The range of external determinants of organizational divestment is diverse, encapsulating everything from environmental uncertainty to industry regulation. Industry-specific factors have been dominant in studies applying an industrial economics perspective, most notably: industry concentration, industry growth, technological change, environmental uncertainty, and changes in the industry's institutional setting (e.g., deregulation, changes in tax and antitrust policy) (Brauer, 2006). In this paper, we want to add a new perspective on divestment, which goes beyond financial and/or strategic reasons. Instead, we want to apply a behavioral view. Specifically, we want to analyze mimetic forces as a determinant of divestment decisions.

Imitation helps managers simplify divestment decisions, explaining why divestment has been gaining popularity in recent years. As Auster and Sirower (2002) argued, managers often tend to simplify decisions because they are subject to bounded rationality and unclear strategic outcomes. Moreover, imitating an organization's own behavior—or another organization's past behaviors—can provide legitimacy to similar behavior. Because past behaviors could provide informational clues that could help decrease the uncertainty, the phenomenon of imitation in an organization's divestment activities could be observed.

Imitation may be strategic or accidental (or unconscious). In order to fulfill a strategic goal, organizations imitate products, processes, managerial methods, organizational form, market entry, and investment timing; they become involved in counterfeiting, reverse engineering, or the adoption of best practices (Young & Barney, 2018). Unconsciously, rival firms could respond similarly to the same external shock (Young & Barney, 2018), or firms could unconsciously imitate industry practices which help them to better adapt to industry specifics (Sieweke, 2014); when social actors do things a certain way, it is taken for granted and reproduced subconsciously (Haveman, 1993). The imitator treats the demonstrator's behavior as goal-oriented and is interested in replicating the demonstrator's precise technique (Fridland& Moore, 2015). Yang and Hyland (2006) developed three independent and simultaneous sources of imitation: the firm's experience, actions of firms in the same product market, and actions of firms in the same industry, which influence the mergers and acquisitions' choice.

Advances in technology and communication, globalization, codification, and commoditization of knowledge promote imitation (Young & Barney, 2018). Imitation is undertaken in pursuit of effectiveness, risk minimization (Ordanini et al., 2008) and information, and due to culturally-based, collectivistic behavior (Young & Barney, 2018). Risk minimization is one reason for managerial herd behavior when managers have a relative performance remuneration scheme (Palley, 1995).

Successful and experienced firms are less likely to imitate. The correlation between success and imitation of peers for family-owned firms is negative (Fourné & Zschoche, 2018). Experienced firms abstain from imitation of disclosure practices (Cano-Rodríguez et al., 2017) and trust their own experience in entry decisions (Ozalp & Kretschmer, 2018); they do not decide whether to imitate a company based on the personal qualities of the CEO (Gupta & Misangyi, 2018). Uncertainty and lack of experience forces some firms to legitimize prior decisions and actions by those of other organizations (Henisz & Delios, 2001).

It is more critical to know who to imitate, rather than how (Apesteguia et al., 2007) and which action to imitate (Ordanini et al., 2008). Firms tend to be very selective about who they imitate (Katrishen, 1994; Sudharshan et al., 2015). This decision is influenced by the imitator's relations with other actors (Katrishen, 1994). Strategic group literature on imitation suggests firms imitate similar firms (Rhee et al., 2006); institutional theory argues that firms imitate other firms with ideal traits (Gentry et al., 2013) and that similarity is not a deliberate argument for imitation (Haveman, 1993; Westphal et al., 2001). Firms imitate their close rivals in the same strategic niche (Garcia-Pont & Nohria, 2002) and companies whose CEOs personal qualities they find effective (Gupta & Misangyi, 2018). Large reference groups play positive for imitation, and variance in niche-width changes diminishes it (Rhee et al., 2006).

Bosman et al. (2006) stated individual behavior is not impacted by group setting; in fact, people experience pressure and influence from their environment. Firm managers imitate the acquisition activities of other firms where they are board members (Haunschild, 1993). When one type of social actor adopts a course of action, others imitate them (Haveman, 1993). Personal connections define whether a firm will finance a nonprofit: a nonprofit will receive money if among its board members there are directors of other nonprofits previously financed by the firm, or if members of the firm have personal connections to leaders who contributed to the nonprofit (Galaskiewicz & Wasserman, 1989). Reputation will help a nonprofit receive financing if it is favorably viewed by local elites (Galaskiewicz & Wasserman, 1989), and forces managers to mimic the investment decisions

of other managers (Scharfstein & Stein, 1990). Frequency of merger and acquisition (M&A) deals in the industry positively influences the likelihood of a firm's M&A deal (Tseng & Chou, 2011).

Imitation is dependent on competitive context (Delioset al., 2007; Ordanini et. al., 2008) and payoff differences (Apesteguia et al., 2007). Competitive markets stimulate firms to mimic the disclosure behavior (Cano-Rodríguez et al., 2017) of others, and firms form their strategies by observing trailblazers in less populated niches (Ozalp & Kretschmer, 2018). By analyzing the scale of the leading market share and possibilities of retaliation, a firm decides whether to imitate (Giachetti & Torrisi, 2017). Firms fear imitation in regions with absorptive capacity for a specific technology and prefer to diminish external knowledge in expensive research projects (Giarratana & Mariani, 2014).

Bunching behavior in foreign expansion (Makino & Delios, 2000) could be explained by imitation among the same home-country industry firms causing positive interdependence between firms' FDI decisions, even for domestic rivals (Leahy & Pavelin, 2003) and by rivalry competition at the home market (Makino & Delios, 2002). Bunching behavior decreases when a firm enters the foreign market (Guillén, 2003). Foreign firms display progressively mimetic behavior in a host country with a difference in institutional distance (Ando, 2015); they initially benefit from it, but this effect diminishes with experience (Wu & Salomon, 2016). However, the complexity of an imitated action can deter its imitation (Rivkin, 2000); relying on algorithmic solutions, searching for heuristics, or learning cannot guarantee the successful implementation of a strategy. This is why winning strategies and organizational practices are not implemented, diffused slowly, or overthrown.

First-movers have a consistent advantage in price and market share (Makadok, 1998), especially in the internet sector, and when firm survival is not on the agenda (Lieberman, 2005). Later entrants imitate first-mover entry mode patterns, which are consistent across time but moderated by a firm's experience (Lu, 2002; Ozalp & Kretschmer, 2018). Firms do benefit from imitation (Csaszar & Siggelkow, 2010), and imitation can be instrumental in staying ahead, even in the absence of mimetic social pressures (Ross & Sharapov, 2015). Additionally, unconscious imitation of a field's practices helps the firm better adapt to the field's specificities (Sieweke, 2014). An inability to view winning strategies leads to under-performing strategies (Ruebeck, 1999). The performance of a firm is driven by its imitation actions and corresponding responsive actions by rivals (Giachetti et al., 2017).

However, imitation is risky—the imitator could gain equal footing with the leader but perform far worse because of post-imitation experiential learning efforts, until the imitator

refines imported practices and fills remaining knowledge gaps (Posen & Martignoni, 2018; Posen et al., 2013). A firm could suffer substantial penalties from small errors and find itself trapped due to the complexity of imitated action (Rivkin, 2000). When legitimacy-based reference groups guide imitation behavior, firms imitate despite current information, which negatively impacts their profitability (Barreto & Baden-Fuller, 2006). The pursuit of optimization leads to herd behavior instead of relying on individual information (Banerjee, 1992).

Imitation of other organizations' actions and market leaders is provoked by uncertainty (Desai, 2014; Giachetti & Torrisi, 2017); firms form a culture of uncertainty avoidance by imitating decisions in a foreign country where institutional uncertainty is high (Chhabra & Popli, 2018). When small businesses (family-owned firms) are situated in new conditions, such as publicly listing or entering foreign markets, they imitate their successful peers (Fourné & Zschoche, 2018). However, not every uncertainty is responsible for imitation; uncertainty provokes imitation when it is idiosyncratic (Gaba & Terlaak, 2013). When uncertainty is caused by the structure of a market's policymaking or when it is common to all firms, imitation practice diminishes (Gaba & Terlaak, 2013; Henisz & Delios, 2001). However, Strang and Still (2006) empirically investigated the relationship between causal ambiguity and imitation and concluded that firms working in highly ambiguous conditions resorted to professionals in the sphere (academics and consultants) rather than mimicking other firms; uncertainty in the technology domain restricts imitation in technology acquisitions (Ozmel et al., 2017).

Traditional economic models could not explain convergent behavior. However, rational social learning theory, particularly cascade theory, implies pervasive but fragile herd behavior (Hirshleifer & Hong Teoh, 2003). Sociology-based information theory—where firms follow others perceived as having superior information—and economics-based competitive rivalry theory—where firms imitate others to maintain competitive parity or limit rivalry (Lieberman &Asaba, 2006)—complement the description of interorganizational mimetic behavior. These theories point to the different mimetic behavior processes in foreign market entry (Delios et al., 2007). Experiments showed that herd behavior develops frequently and is predominantly correct, despite the theoretical prediction that mass behavior is likely to be false (Çelen & Kariv, 2004). Experiments are the most practical means of researching organizational behavior and causal inferences (Thau et al., 2014), especially combined with passive observational methodologies. Qualms that experimental results are difficult to reproduce in the laboratory should be disregarded (Thau et al., 2014), as the goal

of the research is to generate conclusions across organizations (Dandurand et al., 2008; Highhouse, 2009)

3.3 Theory and Hypotheses

Imitation has been identified as a viable approach for mitigating uncertainty in strategic decisions (Delios et al., 2007; Fourné & Zschoche, 2018). Firms follow the strategic decisions of other organizations that are assumed to have superior information (Delios et al., 2007); thereby, imitation reduces search costs for firms when making their strategic decisions (Cyert & March, 1963). In addition, when large, reputable firms are being followed, trait-based imitation legitimates strategic choices vis-à-vis stakeholders inside and outside the firm (DiMaggio & Powell, 1983; Haunschild & Miner, 1997). A growing body of literature emphasizes social comparison pressures (Ang et al., 2015; Durand & Jacqueminet, 2015; Mazzelli et al., 2018), thus the importance of imitation strategies (Bruton et al., 2010; Xia et al., 2008).

DiMaggio and Powell (1983) outlined three forms of isomorphism: coercive, normative, and mimetic. Coercive isomorphism refers to imitation triggered by "both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function" (DiMaggio & Powell, 1983, p. 150). Normative isomorphism may be the result of professionalization, training, common human resource practices, firm–university relations, or trade associations, for example. The professional socialization of newcomers acts as an isomorphic force and contributes to industry homogeneity (DiMaggio & Powell, 1983). Finally, in mimetic isomorphism, uncertainty is the driving force for imitation, as it is efficient to follow the decisions of leading firms to reduce search costs. In this study, we identify patterns of mimetic isomorphism—which is neither mandatory nor coercive—driven by professionalization but based on the idea that imitation may reduce uncertainty and confer legitimacy (DiMaggio & Powell, 1983).

Mimetic pressure arises in the search of efficiency goals. Given the uncertainty associated with stakeholder reactions toward layoff decisions, imitation helps to minimize search expense (Cyert & March, 1963). In terms of modes of imitation, Haunschild and Miner (1997) distinguished among frequency-based imitation (following the widespread adoption of practices or investments), trait-based imitation (following successful peers with traits such as size or status, similarly to mimetic isomorphism), and outcome-based imitation (following firms with salient positive results in the past, avoiding those with bad results). We

focus on frequency-based and trait-based imitation, as those types of imitations are the most important (Haunschild & Miner, 1997) and might exert the biggest influence in the moment a strategic decision has to be made.

In the context of divestments, firms might prevent negative reactions to the announcement or implementation of layoffs when divestments are more legitimized (i.e., they reduce the uncertainty about stakeholder reaction) (Gaba &Terlaak, 2013). Therefore, information of competitor's divestment behavior might increase a focal decision-maker's willingness to lay off employees. From a neo-institutional perspective, organizational practices gain legitimacy through their embeddedness within the institutional environment and—associated with this gain in legitimacy—through their prevalence in a population. According to the frequency-based imitation-logic of Haunschild and Miner (1997), a decision-maker's willingness to divest should be higher if most industry peers pursue divestments. Hence, Hypothesis 1 states that:

H1: Divestment activities among the majority of industry peers will increase a decision-maker's willingness to divest.

However, the majority of firms making divestment decisions is not the only factor that might legitimize layoffs. A crucial strategic signal might also be sent by the industry (or market) leader (Giachetti &Torrisi, 2017). The market-leading firm is presumed to be not only the most successful (Lieberman &Asaba, 2006), but also the most visible (Haunschild & Miner, 1997; Haveman, 1993). Following this strategic decision, this firm legitimizes smaller firms that are also in critical situations (as a firm's stakeholders normally negatively evaluate layoffs). We therefore make the following hypothesis:

H2: Divestment activities of industry leaders will increase a decision-maker's willingness to divest.

3.4 Experimental Design

To separate similar reactions to an external event from "real" imitation behavior, we conducted a lab experiment in December 2019 at the computerized experimental laboratory of a German university using the computer software Z-tree v4.1.9. All 205 participants were university students with different educational backgrounds, out of which 155 were female, 45 males, and 5 preferred not to give information on gender. Before the experiment, participants received general information about the experiment process, and were asked to answer a control question to make sure that they understood basic mathematical concepts necessary for understanding given information. The participants received a fixed payment, plus a payment

that varied depending on decisions in part 3 of the experiment (see below). A session took about 45 minutes, and average earnings were about 12 EUR—more than the hourly wage (at the time of the experiment) for student employment.

Table 1:
Data collected in different parts of the experiment

Timing	Data collection
Part 1	Divestment Decision 1
Part 2	Divestment Decision 2, 3, 4
Part 3	Sociodemographic Data

The experiment comprised three parts, which are listed in Table 1. Part 1 describes a hypothetical business case in which a company has two units—of which unit 1 is profitable whereas unit 2 is causing losses (and therefore harming business unit 1 in the long run). Participants took the role of a decision-maker who may decide to layoff half of the employees (500 altogether) of business unit 2 in order to increase the rate of return in unit 2. The final sentence of the business case description implemented our information manipulation regarding peer group decisions. We applied one of the following four conditions:

1) participants were given no information about the competitors' choice (treatment A1—no information (NI))
2) participants were informed that one competitor divested (treatment A2—low frequency (LF))
3) participants were informed that four competitors divested (treatment A3—high frequency (HF))
4) participants were informed that the market leader divested (treatment A4—market leader (ML)).

After the description, the participants were asked to provide the minimal rate of return (MRR) necessary for which the layoff decision would be taken. A high value of MRR expresses a low willingness to divest and vice versa. The scale of feasible MRR ranges from -2.00% to +6.00%. Answers could be provided in increments of 0.01%. If a participant refused to make a layoff decision at all, he/she could check a "decline" box. This completed Part 1 of the experiment. Note that this part allowed for a between-subjects comparison of peer group influences on divestment decisions.

Part 2 of the experiment asked for the same business case decision as in Part 1, but for the other three informational conditions about peer group behavior. For example, cohort A.1,

which had been asked under condition NI in part 1, was asked under conditions LF, HF, and ML in Part 2 (analogously for cohorts A.2, A.3 and A.4). When answering Part 2, the participants could not go back to change their answer in Part 1. Together, the answers of Parts 1 and 2 allowed for a within-subject comparison of peer group influences on divestment decisions.

Part 3 of the experiment included the collection of some socio-demographic characteristics (gender, field of study, etc.).

3.5 Data Analyses and Results

Divestment and Minimal Rate of Return

Our experiment allowed us to investigate whether willingness to divest is influenced by peer group information as predicted by Hypotheses 1 and 2. Consequently, the data collected in Parts 1 and 2 were of main interest. Our analysis focused on the within-subject influence of peer group information on divestment decisions.

Table 2 displays descriptive statistics on the divestment decisions for all four treatments pooling all data from Parts 1 and 2. It shows frequencies for the provision of MRR and its refusal (column 3). Furthermore, conditional on the provision (yes/no) of MRR it shows mean, standard deviation, and median MRR (columns 4 to 6). A surprising finding is the high frequency of refusals (declines) of the divestment decision. For example, in treatment NI, 110 out of 205 participants refused this and so did not provide a minimal rate of return (MRR). Over all four treatments, out of 820 decisions, 347 were refusals (42.3%). Furthermore, the fraction of refusals varies by treatment. The high frequency of refusals generated a problem in analyzing the data since such observations do not contribute to an MRR. The lack of information was relatively large. Furthermore, this could induce selection problems, since most likely the decision to decline was not random. Rather, it is conceivable that the declination of provision of MRR expressed a rather low willingness to divest. Similarly, a high MRR expressed a low willingness to divest. The comparison of MRR shown in Table 2 across treatments indicated only minor differences and substantial standard deviations suggesting insignificance of treatment influences. However, given the described problem of many refusals, such a conclusion must be taken with care. Rather, we employed an analysis that combines refusals and provisions of MRR at the same time, which we explored following evaluations of Hypotheses 1 and 2.

Table 2:

Frequency of Divestment and Minimal Rate of Return by Treatment

	Divest (yes = 1, no = 0)	N	Minimal Rate of Return (MRR)		
			Mean	Std. Dev.	Median
NI	1	95	2.50	2.81	3.00
	0	110			
LF	1	118	2.63	2.64	3.00
	0	87			
HF	1	136	2.48	2.74	3.00
	0	69			
ML	1	124	2.45	2.74	3.00
	0	81			

Evaluation of Hypothesis 1

In order to evaluate Hypothesis 1, we categorized responses according to whether they supported Hypothesis 1, whether they were neutral, or whether they contradicted Hypothesis 1. If a participant provided both MRR(LF) and MRR(HF), and if MRR(LF)>MRR(HF), this is an observation in line with Hypothesis 1. Similarly, if a participant provided only MRR(HF) and declined MRR(LF) this is also an observation in line with Hypothesis 1. If the two MRRs were equal or if both were declined, the observation is neutral regarding Hypothesis 1. In all other cases, the observation contradicts Hypothesis 1. Table 3 displays the definition of all three categories and reports frequencies. Based on the frequencies in support of Hypothesis 1 (73 observations) and those contradicting Hypothesis 1 (37 observations) a Binomial-Test rejects the Null-Hypothesis that the two categories are equally likely in favor of Hypothesis 1 (p = 0.001, exact, two-tailed, N = 110). We conclude increasing the number of peer firms divesting decreases MRR—meaning that the willingness to divest increases.

Table 3:

Categorization of Observations for Evaluation of Hypothesis 1 (H1)

Observation is:	MRR(LF)	MRR(HF)	Condition	
Supporting H 1	Yes	Yes	MRR(LF)>MRR(HF)	73
	No	Yes		
Neutral	Yes	Yes	MRR(LF)=MRR(HF)	95
	No	No		
Contradicting H 1	Yes	Yes	MRR(LF)<MRR(HF)	37
	Yes	No		

Evaluation of Hypothesis 2

To evaluate Hypothesis 2, Table 4 provides an analogous categorization to Table 3, but for the comparison of MRR(LF) versus MRR(ML). Hypothesis 2 predicts that MRR(LF)>MRR(ML)—meaning that the willingness to divest increases if a market-leading firm divests compared to some other peer firm. Based on the frequencies in support of Hypothesis 2 (55 observations) and those contradicting Hypothesis 2 (37 observations) a Binomial-Test rejects the Null-Hypothesis that the two categories are equally likely in favor of Hypothesis 2 (p = 0.076, exact, two-tailed, N = 110). We conclude that observing the market-leading firm divesting decreases MRR compared to observing any peer firm divesting—meaning the market leader's example increases the willingness to divest. This lends support to Hypothesis 2.

Table 4:

Categorization of Observations for Evaluation of Hypothesis 2 (H 2)

Observation is:	MRR(LF)	MRR(ML)	Condition	
Supporting H 2	Yes	Yes	MRR(LF)>MRR(ML)	55
	No	Yes		
Neutral	Yes	Yes	MRR(LF)=MRR(ML)	113
	No	No		
Contradicting H 2	Yes	Yes	MRR(LF)<MRR(ML)	37
	Yes	No		

3.6 Conclusion

Institutional theory emphasizes the relationship between organizations and the environment. Both external and internal environments affect organization decisions and behaviors. From an institutional perspective, divestment decision may be the result of mimetic forces arising from an organization's external environment. Divestments tend to occur in waves and exhibit significant industry clustering (Mitchell & Mulherin, 1996; Mulherin & Boone, 2000). This provides a rich social context in which to examine divestment decisions from a behavioral perspective. Attempts to uncover the distribution of different divestment decision strategies have long been hindered by access to suitable data. This study identifies the potential contributions that institutional theory can make to understanding the divestment decisions. Based on institutional theory, we found that mimetic forces influence divestment decisions

and mediate divestment modes. Additionally, organizations are motivated to adopt practices under the influence of institutional pressures originating in organizations' environments.

The goal of this study was to identify whether mimetic forces play a role in the strategic decision to lay off employees in a corporation. Imitating the divestment behavior of peer firms is expected to legitimize a focal firm's divestment decision. Therefore, a firm's willingness to divest should be stronger if most firms in the industry divest or if the industry leader does so. The results of lab experiments including more than 200 participants, allowed us to disentangle mimetic behavior from other influences that might lead to similar strategic behavior of firms.

The analysis evaluated the two main hypotheses. Accordingly, the willingness to divest increases in the frequency of peer firms taking such a decision (Hypothesis 1). Furthermore, compared to an average peer, the example of a market-leading firm divesting leads to a greater increase in the willingness to divest (Hypothesis 2).

Imitation helps managers to simplify divestment decisions, which might explain why divestment has been gaining popularity in recent years. As Auster and Sirower (2002) argued, managers often tend to simplify decisions because they are subject to bounded rationality and unclear strategic outcomes. Moreover, the imitation of an organization's own or other organization's past behaviors can provide legitimacy to similar behavior. Because past behaviors could provide informational clues that could help decrease the uncertainty, the phenomenon of imitation in an organization's divestment activities could be observed.

Our study contributes to a better understanding of the influence of social context on divestment decisions. Organizations may imitate the divestment decision of others based on a combination of factors: the frequency of divestment, and whether the market leader is divesting or not (Haunschild & Miner, 1997).

Chapter 4: Foreign Divestments from Russia: An Exploration of the Mediating Factors

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Foreign divestment (FD) decisions are not purely based on the profitability of a business but also on a company's investing and divesting experience and the degree of uncertainty in markets. The FD procedure is grounded by the level of uncertainty, experience in divesting, and experience in investing. Both internal and external factors are catalysts for the firms' foreign divestments. The constructs of real options theory, prospect theory, and the theory of bounded rationality, are three key moderators in the firms' FD decision-making.

4.1 Introduction

In recent years, because of increased foreign direct investment after the Second World War, foreign divestments (FD) have been gaining momentum and becoming more widespread. Over the years, researchers have dedicated a lot of time and resources in a bid to understand foreign investment; however, FDs have received little attention. Foreign divestments occurs when a company ceases to possess a net competitive advantage, it no longer finds it profitable to internalize its advantages, and it is no longer profitable to utilize its internalized net competitive advantage abroad (Boddewyn, 1983b). If we go a step further and look at a firm's FD decision, it is apparent that very little has been done to provide insight into what influences divestment types and modes, which is just as important as the motives for FD.

Researchers have argued that decision-making processes are embedded in organizational contexts and hence they are influenced not only by economic factors but also by institutional specifics. As a result, the international business environment has become more dynamic, and many companies struggle with handling and executing FD. It is against this backdrop that we try to determine the various theories that underlie and determine a firm's FD decision and mode.

There has been little focus on divestment from emerging markets (Li & Liu, 2015; Malik, 2003), especially from Russia; hence, this article focused on FD from Russia—which tends to be an extremely dynamic and volatile market, with occasionally unpredictable outcomes for financial institutions' development (Michailova et al., 2013). The recent political rift between Russia and the West only further exacerbates this volatility of the Russian market and incentivizes Western companies to withdraw and divest from the Russian market; studies set in this context are even more compelling and may provide valuable

insights into this problem. Other studies that focus on emerging markets mostly use more abundant evidence from India and China and are often thought of as quintessential to the study of emerging markets. We believe that this may not be the case, and that all three of the biggest emerging markets (China, India, and Russia) have considerable contextual differences; any attempts to generalize and analyze phenomena in any of them through the prism of the research results from the other two are dubious at best. Therefore, we aim to contribute to the understanding of these distinctions by increasing the body of knowledge in the least researched context of the three: Russia. The research is, therefore, oriented to clarify which theories best explain the factors that mediate a FD decision and determine a type of FD, and to what extent a combination of theories is useful.

Our contribution to the literature is twofold. First, we address the neglected area of FD strategies and decisions, providing a theoretical basis for the development of a holistic theory. Second, we explore the driving factors and pillars of divestment decisions and firms' strategies through the insight from management and organizational theories, substantiated by practical illustrations of foreign multinationals in emerging markets, with the focus on the Russian market. Third, we fill the existing knowledge gap in the forces that condition MNEs to divest from emerging economies and we provide the integrated theoretical framework that encompasses three theories: real options, bounded rationality, and prospect theory.

4.2 Literature Review

FD, which is also referred to as divestiture, withdrawal (Fisch & Zschoche, 2012), disposal (Haynes et al., 2000), disinvestment (Lambrecht & Myers, 2007), de-internationalization (Benito & Welch, 1997), and market exit (Matthyssens & Pauwels, 2000), is a firm's decision to dispose of a part of its business (Duhaime & Grant, 1984). Divestment involves getting rid of a portion of a business. For example, firms may sell, close, or spin-off a strategic business unit, major operating division, or product line. A firm's motive to divest may be unsatisfactory financial performance (Cho & Cohen,1997), better investment opportunities (Grunberg,1981), or problems associated with managing subsidiary (Steenhuis & Bruijn, 2009). In recent years, the number of FDs has been increasing significantly; however, the research community still lags behind with regard to divestments and the different implications this may have for a firm (McDermott, 2010). It has been noted of all the activities carried out by a company, divestment is the most likely to be shrouded in secrecy (McDermott & Luethge, 2013). As divestment constitutes the reduction of a company's assets, FD refers to a firm's decrease in its ownership of a controlled and active foreign

operation. In other words, divestment refers to the disposal of a part of a firm's assets, which may be a department, entire unit, or division (Chang & Singh, 1999).

Divestment has been analyzed from different perspectives, such as the determinants, motives, and drivers of divestment (Praet, 2013), how divestment affects firms' performance, and the impacts of divestment on firm value and divestment decision (Depecik et al., 2014; Haynes et al., 2002); however, there is no holistic framework explaining the divestment strategy of a company.

According to Steenhuis and Bruijn (2009), divestment falls into three major categories:

- closure or liquidation: when a business decides to stop offering a service or shuts down its facilities;
- disinvestment, or starvation: the decrease in a company's operation by limiting investing funds or withdrawing profits and investing elsewhere; and
- asset sell-offs (divestiture): the subsidiary is sold to a third party, so no new firm is created, and the parent firm receives cash for the transaction.

An FD decision is much harder to make compared to domestic divestment decisions and it is largely widespread that a divestment decision is treated as "top secret" and as a sensitive issue by the top managers who are involved in the process (Burt et al., 2004; Palmer, 2004).

There is no existing theory that comprehensively explains FD and the literature mostly focuses on the antecedents of FD—such as poor performance, poor pre-investment analysis, adverse environmental conditions, lack of resources and external pressures, inadequate management, and a lack of cohesion between the divested unit and company strategy (Benito & Welch, 1997). There are many ambiguities and contradictions surrounding FD; many researchers have cited poor subsidiary performance as a dominant antecedent for FD (Berry, 2013), while others have stated that this is not necessarily the case and that firms will divest poorly performing units only when other units experience significant underperformance relative to their industry peers (Cho & Cohen, 1997). Market uncertainties have also been largely attributed to FD and restructuring activities (Hoskisson et al., 1994) but it had been noted that MNEs operating in an unstable market are less likely to be sold (Chung et al., 2013). Berry (2013) stated managers are more likely to choose to stay in an uncertain market and are less likely to make a FD decision. Also, FD is less likely in host countries which show economic growth and is less likely to occur in greenfield operations than in acquired operations (Benito,1997). Companies divest and relocate to countries with cheaper production costs (Belderbos & Zou, 2006).

In a meta-analysis that developed an integrative framework for organizing divestiture antecedents based on environment determinants, performance determinants, and firm strategy determinants, Kolev (2016) found that firm behavioral theory, organizational learning theory, and portfolio theory help to explain divestiture decisions (Kolev, 2016); however, the theories he highlighted are based on categorizing the antecedent of FD. Apart from performance, corporate strategy, and environment, there are a magnitude of factors which act as an antecedent for FD and the antecedent can be moderated by different factors including cultural distance, which moderates the impact of the internal strategic fit and international performance on the exit decision (Sousa & Tan, 2015); organizational image and identity, which influences a MNE FD decision (Wan et al., 2015), etc. It has been noted although the financial situation of a company is a necessary factor for generating divestment, it is not solely sufficient, and there are other issues and influences that act as the deciding factors in divestment (Bulcke, 1980).

Most FD and divestment literature focuses on the antecedent and motives for divestment. Researchers have noted that the antecedents and motives relating to a company's poor performance and changes in the market environment are incentives for exiting a foreign market but are not sufficient by themselves. Considering this, the research question we pose in this article is: Which theories best explain factors that mediate a FD decision and determine a FD type, and to what extent is the combination of theories useful?

4.3 Methodology

4.3.1 Research Setting

The basic unit of analysis is FD from Russia. In order to provide empirical support for the study, we use the Russian context and focus on the Russian economy from which MNEs divest. There are several arguments behind this choice.

First, over the recent decades the Russian economy has been attracting investments from all over the world. Foreign MNEs were demonstrating a wide range of investment strategies and, thus, the country represents a suitable ground to verify the validity of theoretical arguments that examine the FD strategies pursued by MNEs in a single national environment.

Second, since 2014, there has been increasing uncertainty inside the country, along with political and economic sanctions against Russia. During the current period of sanctions, which appears to be a relatively long-running system of actions, the patterns of interaction between the Russian economy and Western firms have also changed. While the exit of some

MNEs from Russia reflects their own decision to divest, the exit of other MNEs from the country results from the political will of the home and host country governments. This makes the Russian context more challenging but also more prospective for FD studies.

Third, despite being examined in the business and strategy journals, Russia as contextual evidence still lags other emerging economies within the scope of strategy literature, which is focused mostly on China. Hence, this article further contributes to the knowledge of the specific features of Russian context for international strategy.

4.3.2 Case Companies Selection

The selection of cases is theoretically driven and purposeful, as each case is carefully selected so it "either (a) predicts similar results (literal replication) or (b) produces contrasting results for predictable reasons (theoretical replication)" (Yin, 1994, p. 46).

Using secondary data, a list of nine foreign multinational companies (companies that had direct investments in Russia and not solely on an agent basis), purported to have carried out FD from Russia, was created and screened. We aimed to select polar-type cases that incorporated industry and asset-type dimensions and investment amounts. This sampling strategy promises to generate a wide range of propositions and provides a solid foundation for the emerging theory through literal and theoretical replication (Eisenhardt, 1989; Yin, 1994, 2009).

The study included companies from different industries to provide some diversity for understanding firms' FD decisions; we attempted to include in our study those firms that had already shown significant internationalization results and were considered successful in international markets. We evaluated criteria such as the number and location of firms' FD; the share of international operations in total revenues, products, and services offered overseas; the location of subsidiaries; and basic financial data showing the value of the companies.

As there is no consolidated data on FD from Russia, it was important to identify potential cases; we first went through foreign investments in Russia in the various sectors in recent years—referencing journal articles, newspapers, and government websites including Rosstat (the Russian statistical bureau), the Russian tax agency, and the Ministry of Economic Development of the Russian Federation. Upon completing a more careful investigation of the firms' backgrounds, operations in the Russian Federation, and the availability of reliable data, we limited our selection to six companies for the purposes of further investigation. The six cases include Carlsberg, General Motors Company (GM), LafargeHolcim, Maratex, MOL Group, and Stockmann.

4.3.3 Data Collection

Data collection was carried out in three stages. In the first stage, extensive data on the six cases were gathered. In stage two, we analyzed each case separately, coding the specifics of each company: divestment modes, debt, the value of their assets in Russia, their history in the Russian market, respective company history including divestment and investment, and information on the antecedents or consequences of their FD. Finally, we created codes based on common and recurring items that we found in the individual case analyses in which we were able to group and identify specific patterns.

Given the sensitivity of FDs and limited opportunity for first-hand interviews for each case—as the companies are all MNEs with headquarters located outside Russia—the Russian subsidiaries are managed by country-level managers who are not always the ultimate key decision-makers (McDermott, 2010). Considering this, personal interviews with case company managers would not be seen as a highly reliable means of collecting data as these managers might not have played a vital role in the FD decision-making process. At the same time, large international firms' divestments from Russia are always highly discussed and speculated in the media (including professional journals, newspapers, broadcast, and TV channels).

The information was carefully gathered from companies' official websites, annual reports, press releases, other official documents in which the companies were mentioned, business media sources (newspapers and magazines), published interviews (with companies' CEOs and with other firms and organization representatives in which our case companies were the subject), documented speeches, letters, laws, and blogs and social networks.

The focus of data collection was on firms' experiences in divesting, and their experience in investing and market conditions; in particular, we aimed to understand the management theories that defined their behavior, to better understand MNE FD. For our analysis of the case companies, all the theoretical constructs developed in the theoretical framework were linked to companies' data from the sources described above. Each case was analyzed thoroughly and independently, after which all the individual results were summarized, based on the developed theoretical constructs, to provide the basis for cross-case synthesis. By synthesizing the data, we developed a comprehensive understanding of each case through reading and coding; subsequently, within-case analysis was followed by cross-case analysis.

Predicted Limitations

The study is limited to company analysis of antecedents and FD mode within an inner and outer context—the inner context as it relates to firm corporate strategy and the outer context as it relates to market dynamics. In-depth analysis of such cases may also reveal embedded units of analysis or enacted sub-processes, which could merit closer attention (Aberdeen, 2013; Yin, 1994).

As this study is the first step in gaining insight into international FD decisions and modes in Russia, qualitative data is sought. Formulating the quantitative research questions and testing them in a large context was not desirable for this study as this would not provide sufficient opportunities to discover the deeper holistic reasons behind the FD process (Fisher, 2010).

4.4 Discussion

All the companies have acknowledged poor performance and/or market decline as the driver for their divestment decision, which is in line with Benito (1997, 2005), McDermott (1989), Decker and Mellewigt (2007), Naldi and Kuiken (2016), and Chopra et al. (1978). Foreign operations with satisfactory performance are more likely to stay in the foreign market, whereas foreign operations with unsatisfactory performance are more likely to engage in FD. This coupled with real options theory in terms of uncertainty (Belderbos & Zou, 2009; Damaraju et al., 2015; Driouchi & Bennett, 2012), as most of the companies do not see any prospects for the near future and have opted to decrease their operations.

GM, Maratex, and Stockmann have chosen full divestments, whereas Carlsberg, LafargeHolcim, and MOL have opted for partial divestment. Although this is in part due to the nature of the industry, the decision to divest was in all these cases shaped not only by uncertainty but also by the company's ability to adequately predict the market prospects and evaluate different options, which is rooted in bounded rationality and prospect theories.

The theory of bounded rationality deals with information asymmetry, implying that firms with previous FD experience possess the knowledge and expertise of FD—two important resources for further divestment. Having executed at least one FD, firms obtain first-hand knowledge that shapes the course of future FDs. On this basis, in terms of FD decision and strategy, bounded rationality is interpreted as "experience in divesting."

By analyzing the case companies to account for "experience in divesting" we counted the number of FDs and the value of the FD deals (relative to the company's total assets) undertaken by a firm since they started operations in the Russian market. An additional

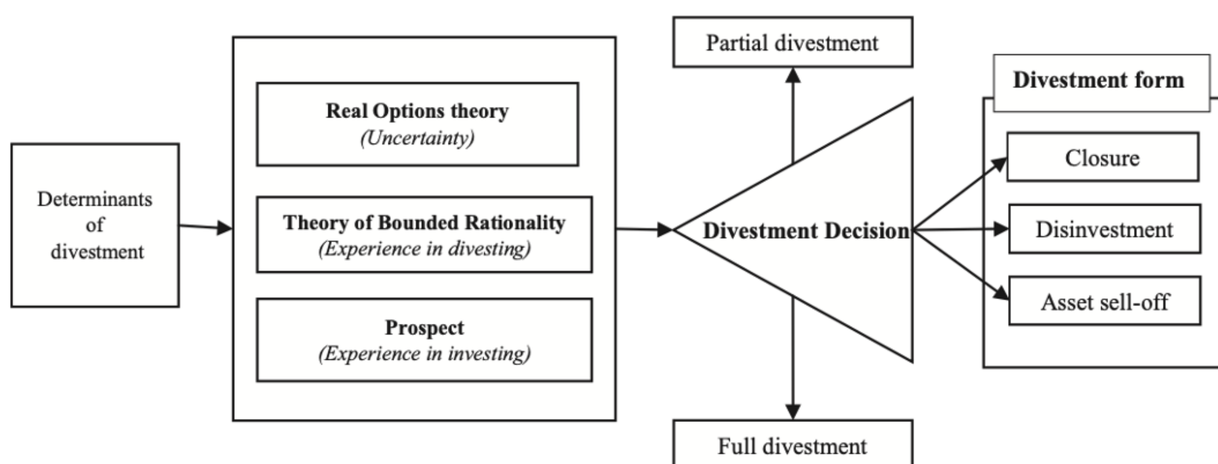
criterion was FD was carried out prior to FD from the Russian Federation in the same division of the business.

"Experience in investing" was based on the investment projects completed. Due to each country having its specifics, we limited the experience of investing in investment projects undertaken by a firm in Russia and the number of years it has been operating in the Russian market. "Uncertainty" was based on the economic situation in Russia since 2014. Based on a thorough investigation of the economic situation in Russia, and on an analysis of firms' reports, we concluded that the case companies are highly concerned about the current state and future of the Russian economy and thus the "uncertainty" aspect is assigned to firms.

In five out of the six cases, the divestment decision cannot be explained by a single theory, which is in line with the proposed theoretical framework (Figure 1). The two theories—bounded rationality theory and real options theory—are centered on decision-making with regards to FD and have implications for FD by case companies. We conclude that a firm's decision to divest is affected both by uncertainty and by FD experience.

In the cases of Carlsberg, GM, LafargeHolcim, and Stockmann, previous FD experience shaped their approach to Russian divestments. All firms acquired the necessary knowledge of developing and adapting practices to better explore and exploit their environment (Kim & Kogut, 1996), which is evident in the cases stated above except for Maratex.

Figure 1:
Foreign Divestment Decision Framework



Firms learn from unsuccessful divestments, and as FD failure may have a negative impact on future performance (Meschi & Metais, 2015), firms with experience in divesting and

investing tend to follow a more structured approach. Ford (GM's closest rival in the U.S. and in Russia) has taken a different approach and has opted to expand in Russia, forming a joint venture with Sollers. Ford has stated that it remains committed to the market, despite its 40% sales drop in 2015. Although facing the same environmental and institutional factors, these two companies have decided to take opposing strategies. The same situation occurs in the case of Carlsberg; their competitor SAB Miller entered a strategic partnership with Turkish beer company Anadolu Efes in order to operate more efficiently—particularly in Russia. LafargeHolcim first increased its investment, then subsequently decreased investment, closed an old plant, and relocated its personnel to a new plant. This path was planned from the beginning as part of a whole reorganization project.

In the case of the consumer brands segment, although Maratex has chosen the full divestment, other brands such as H&M, Mango, Forever 21, and Victoria's Secret have been planning to open new stores—which may be the illustration of the individual FD decision rather than the tendency to divest in the whole industry.

Coming back to the automotive industry, if we would decide to speculate on the less divestment-based cases such as Renault-Nissan’s alliance with AvtoVAZ, we would probably be forced to consider additional theories, which we leave for future studies.

The cross-case analysis shows that various combinations of three different determining theories form the foundation for a company's FD decision. Both internal and external factors become catalysts for divestment and for a firm's ultimate decision to divest. The practical FD procedure (how firms divest) is grounded by a level of uncertainty, experience in divesting, and experience in investing.

Explaining Divestment Strategies

This section examines the behavior of firms and incorporates the three core management theories which explain firms' divestment decisions and types. We found that a firm's divestment decision and mode of divestment was moderated by three theories—bounded rationality, prospect theory, and real options theory—which were dominant throughout the data analysis.

Bounded Rationality

The theory of bounded rationality posits that the decision of a rational agent cannot encompass all the potential information which is of utmost importance when making decisions (Herbert, 1997; Hyde, 1999; Marcum et al., 1997). This theory recognizes that decision-makers are not just rational but may have individualistic biases that influence

decision results. This theory is one of the most important prerequisites considering a limited resource, such as intelligence. Strategic decision-making often involves a great deal of uncertainty and ambiguity, which is the reason behind managers' bounded rationality and consequent systematic decision biases (Schwenk,1985). Building on this, it has been found that international divestments are influenced by factors from a bounded rational perspective and not entirely from economics (Wan et al., 2015).

Prospect Theory

Prospect theory is centered around key decision-makers evaluating alternatives that include a certain level of risk with respect to loss or gains (Boddewyn, 1983a). Benito (2005) concluded that a low divestment risk is preferable when firms consider divesting. A firm that is divesting due to low performance may not consider other alternatives as thoroughly as a firm that is divesting for restructuring purposes (focusing on core business, for example) or divesting because of better opportunities. Hence, the degree of risk does always depend on the decision situation's reference point. Berry (2013) found that alternative investments that offer better returns and opportunities in a foreign market could influence a firm's divestment decision. Berry also stressed that divestment should be analyzed from the perspective of a firm's overall strategy in the market in which it operates.

Real Options Theory

Real options theory originates from finance and has been widely used to explain divestment decisions. According to Myers (1977), this is used as a risk management tool centered around uncertainty and includes the alternatives of executing or not executing options. Real options allow firms to resist divesting from a unit based on different factors such as a decline in the market situation, poor management, and so on (Belderbos & Zou, 2009; Keswani & Shackleton, 2006). Of the three proposed theories in this our article, real options theory is the most widely used to understand a divestment decision. In their study on how real options affect MNE's decision-making, Driouchi and Bennett (2011) conclude that when utilized properly, real options in decision-making offer far superior results for MNEs. Scholars have noted that under high uncertainty firms will not utilize their option (that is, to divest) and instead will hold on (Damaraju et al., 2015).

Strategic decision-making often involves a great deal of uncertainty and ambiguity, which is the reason behind managers' bounded rationality and consequent systematic decision biases.

Managers are not capable of predicting the uncertainty in environments; this includes uncertainty in the situations facing an organization, government regulations, competitors, and

more importantly, foreign markets (Desarbo et al., 2005). Businesses thus may have a hard time adjusting to environmental changes, as they often cannot cultivate new or exploit existing resources for new internal uses and practices. Instead, this limited internal capacity will direct businesses to try acquiring new resources from the market or to make use of existent resources in new ventures. Regardless of the existence of new opportunities, businesses may curtail or completely stop their search efforts due to the self-bolstering character of the search process (Levinthal, 1992); furthermore, a business may not have enough time to cultivate resources internally due to accelerated competitive changes (Stalk & Hout, 1990).

Real options reasoning gained many adherents and much attention by analyzing and anticipating decisions, especially in some contexts, like uncertainty (Belderbos & Zou, 2009). It is also worth mentioning that real options theory challenges the presumptions of sunk costs and inertia and claims that environmental uncertainty and sunk costs are the main drivers of businesses' grasping exit behavior (O'Brien & Folta, 2009). Environmental uncertainty is described as the unpredictability of the environment as it is recognized by the decision-makers (Buchko, 1994) and sunk costs are costs that are brought upon oneself, and which are irreversible (Sutton, 1991). In cases of poor performance in foreign markets, businesses are confronted with challenging the divestment decision with ambiguous and unpredictable results—whether they should stay or bail out from the foreign market (Shimizu, 2007).

Risk-taking is essential to success in decision-making (March & Shapira, 1987); by looking at prospect theory in organizational contexts, we need to differentiate between the reference points of losses and gains (Laughhunn et al., 1980; March & Shapira, 1987). When looking at the prospect of other opportunities, probable losses are preferred compared to sure losses (Rieger & Wang, 2006; Tversky &Kahneman, 1992). Managers tend to be risk-seeking when losses are not serious, but more risk-averse when potential losses become large and ruinous (Laughhunn et al., 1980). When an organization is in a state that is not in accordance with its goals the opportunities for gain receive attention, rather than the dangers, except when nearness to the survival point evokes attention to that level March & Shapira, 1987).

If potential losses are deemed to be large and threatening to an organization, management is likely to prefer less risky alternatives, whereas if the potential losses are deemed to be normal, management is likely to engage in risk-seeking behavior and retain a poorly performing unit (Kahneman& Tversky, 1979; Laughhunn et al., 1980).

Managers tend to be risk seeking when losses are not serious but more risk averse when potential losses become large and ruinous.

Consequently, the essential constructs of real options theory, prospect theory, and the theory of bounded rationality are three key moderators in firms' exit decision-making. As we see from an analysis of the three theories (schematically reflected in Table 5, it is difficult to rely on (or depart from) just one; neglecting the other theories may lead to a one-sided and biased result for understanding the real motives and reasons behind FD. In this article, we call for the development of a more holistic (or integrated) approach in theorizing FD. Each of the theories examined plays a vital role in a firm's divestment decision.

Table 5:

Theory Supporting the Case Study

	Companies	Divestment form	Activities	Overview	Real options theory	Theory of bounded rationality	Prospect theory
					Uncertainty	Experience-divesting	Experience-investing
1	General Motors Co (GM)—**1992**	Plant Closure	Automotive Corporation	In March 2015, GM announced plans to change their business model in Russia and have ceased production in its St. Petersburg plant that was making the Chevro-let Cruze, Opel Astra, and Chevrolet Trailblazer models, thus eliminating the Opel brand distribution and reducing the Chevrolet brand distribution in the year ended December 31, 2015.	x	x	x
2	Carlsberg—**1992**	Suspension-Closure	Brewing company	In 2014, Carlsberg suspended two of its 10 Russian breweries in Chelyabinsk and Krasnoyarsk, stating that they will resume operation once the market improves. In 2015, upon evaluating the plants' prospects, the company manage-ment decided to close two breweries	x	x	x
3	Maratex (River Island, American Esprit, Italian OVS)—**2003**	Closure	Operator of consumer brands	In 2014, the Group continued the restructuring of the Fashion segment, the entire operations in Russia and Ukraine were closed down. In Febru-ary 2014, "New Look" brand operations have been sold. In all other brands of the Fashion segment over a half of the stores were closed down and any remaining stores operating as at 31 December 2014 are in the advanced process of disposal and/or liquidation.	x		
4	MOLGROUP—**2002**	Closure	Integrated oil and gas company	On September 3, 2013, MOL announced it sold its 100% stake in the Surgut-7 oil field in Russia through the direct sale of MOL Western Siberia that owned the exploration license for the Surgut-7 block, in line with the company's portfo-lio optimization.	x	x	x
5	Stock-mann—**1989**	Sales	Retail trade	February 13, 2014, the company issued a press release in which it announced the intention to close 20 of 36 Russian cloth-ing stores Seppala, and in October he decided to say goodbye to this network. Exactly a year after the announcement of the early closure Stockmann announced that it intends to abandon the three Moscow stores located in shopping centers "Mega." In addition, Russia will be liquidated owned by the Finns Lindex, who had 19 stores in the country. So Stockmann got rid of losses, which in 2014 amounted to €1.8 billion.	x	x	x
6	LafargeHolcim—**1996**	Plant closure	Manufacturer of building materials	In 2015, LafargeHolcim announced the reorganization of its cement production structure in the Central region of Russia with the aim to address effectively the impact of the recession in the construc-tion sector and to support the company's viability permanently closed the Voskre-sensk cement plant in 2016.	x	x	x

4.5 Conclusion

Faced with market uncertainty, companies with limited or lacking experience may opt to dispose of assets in the quickest way possible. With experience in investing, firms are better

capable of evaluating alternatives by comparing their current situation with other options. With the suggested theoretical framework, one may argue there are other management and organizational theories that can be used to explain companies' divestment decision. Although this may be true, in this dissertation we tried to highlight the theories that are at the core of the decision. Combining these three theories, we maintain that even with the presence of uncertainty, experience in investing and divesting will define a firm's FD decisions. The theory of bounded rationality, real options theory, and prospect theory are interrelated in such a way that they create a golden middle, which is at the heart of FD decisions.

Experience in divesting, experience in investing, and the level of uncertainty are the three pillars of a FD decision and FD strategy, and only after combining these three theories have, we achieved a holistic picture and developed a better understanding of MNEs' divestments from Russia. We predict that through the further development of this construct we will be able to approach a holistic theory explaining companies' FD decisions. We argue that future FD research should focus on empirical testing; to this extent the suggested theoretical framework can explain MNEs' other divestment strategies—in Russia and in other emerging economies.

Chapter 5: Mitigating Divestment Stigma: A Legitimation Perspective

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Foreign divestment (FD) often has different roles—such as being a corporate diversification strategy—and may affect a company's image and reputation. Ongoing business trends including internationalization, deregulation, and diversification have forced executives to exploit their image and reputation as strategic corporate resources, making them the target of a firm's active management. This paper aims to develop an understanding of the framing techniques of discursive legitimation and of the strategies used by companies when signalizing their FD decision.

5.1 Introduction

In recent years, the number of foreign divestments (FDs) has been increasing significantly; however, the research community is still behind regarding FD (McDermott, 2010) and the different implications it may have on a firm's image (Burt et al., 2004). Of all the various types of activity, divestment is the most likely to be under-recorded with firms; having a concern over their image and reputation, companies are likely to not report FD, but rather emphasize investment and expansion records (Burt et al., 2004).

Measures of FD are extremely numerous and biased because there are so many viewpoints to cover, and these viewpoints are very difficult to put in synergy (Berry, 2010; Panibratov, 2009). Obviously, a more systemic approach is necessary for systemic and less one-sided behavior to reach the necessary broader understanding of FD (McDermott & Luethge, 2013; Panibratov, 2012). Several academics have also called for more holistic consideration of FD (Panibratov, 2012; Wan et al., 2015). What are the necessary viewpoints and components for a broader understanding of FD?

A well-defined corporate strategy is a key contribution to firms' success, and a publicly presented strategy does not include divestment (McDermott, 2010), as it is often deemed as an action which is the consequence of failure or poor performance (Berry, 2010; Hamilton & Chow, 1993) because of the company's mistake or because of bad market conditions. Grunberg (1981) and Loke (2008) have stated that owing to the sensitivity of the topic, many executives view divestments as being associated with failure and are thus

reluctant to participate in the research, which makes it difficult to gather valuable data (Palmer, 2004).

When considered as a corporate diversification strategy (Thompson, 1997), FD may be seen as affecting a company's image and reputation. A company's reputation is defined as the beliefs and opinions that stakeholders—including customers, employees, partners, regulators, and communities—have about a firm (Brown et al., 2006). Corporate image is the mental picture of the company held by its audiences—i.e., what people think when they hear or see anything connected to the company (Gray & Balmer, 1998). Research has shown that because of ongoing business trends—including internationalization, globalization, deregulation, and diversification—it is crucial that executives treat and manage reputation and image as strategic corporate resources (Gray & Balmer, 1998). Hence, reputation is becoming a key factor influencing corporate public relations (PR) (Hutton et al., 2001); as a result, reputation is not just a passive reflection of a firm but can be the target of a firm's active management (Ruth & York, 2004).

With the onset of globalization, multinational companies (MNCs) internationalized reaching beyond national borders to seek resources, markets, efficiency, and strategic assets (Dunning, 1977). In the first three motives, firms exploit their existing assets, whereas when a strategic asset is required, the investment is aimed at acquiring new assets. As companies reach different levels in their internationalization, they often face the need to reduce their foreign assets and hence divest.

FD is a broad concept indicating the firm's decision to dispose of a part of its business in a country other than their home country (Duhaime & Grant, 1984). FD is also referred to as divestiture (Ketkar, 2006), withdrawal (Fisch & Zschoche, 2012), disposal (Bettauer, 1976; Haynes et al., 2000), disinvestment (Lambrecht & Myers, 2007), de-internationalization (Benito & Welch, 1997) and market exit (Matthyssens & Pauwels, 2000). It involves getting rid of parts of a firm's assets, which may be a department, entire unit, or division (Chang & Singh, 1999; Duhaime & Grant, 1984). A firm's motive to divest may be unsatisfactory financial performance, better alternative investment opportunities or problems with managing its subsidiaries (Boddewyn, 1979; Steenhuis & Bruijn, 2009).

Corporate image and reputation play a vital role in the prosperity of a business, and maintaining a positive image and reputation is of utmost importance when decision-makers in a company compile or execute their strategies or tactics. Coupled with the limited scientific research in this area, this paper examines research on how companies frame and structure their FD announcements to gain legitimization. Because several business-persons have poor

education in systems sciences and corresponding systems, i.e., holistic thinking, we present in contribution a possible framework and necessary components for more systemic consideration of FD in the future.

As emerging markets represent a more complicated business environment for international MNCs, divestments from emerging markets happen on a regular basis and are often the subject of sound reports and media speculations. At the same time, research on FD from emerging markets is limited—both in terms of the number of studies and of the countries chosen (mainly China or India) (Li & Liu, 2015; Malik, 2003). Recently, Russia's extremely dynamic and volatile market has attracted increasing attention, with economic and political environment becoming more sensitive for international MNCs' strategy (Panibratov, 2016). In this paper, we use Russia as a context for FD, referring to various sectors, and referencing all the publicly available information that reveals the legitimacy arguments behind true reasons of divestments from Russia. The research question we ask is:

RQ1. What are the framing techniques used by MNCs when signaling their FD decisions?

Through a critical discursive analysis (CDA), we conduct an empirical study of multinationals' press releases and investigate the usage of "signaling theory" and framing techniques in FD press releases.

5.2 Literature Review

Corporate reputation and company image co-exist and jointly influence the company results. Both are concerned about how customers, employees, partners, communities, and regulators treat and influence the business. Reputation may be considered a strategic intangible asset (Hall, 1992); additionally, reputation is centered around regulators, partners, media, customers, and employees. Reputation has a strong influence on buying decisions, as a company's reputation has a broad influence on customer's values, including loyalty (Cretu & Brodie, 2007). Fortune's reputation index uses nine key attributes to define corporate reputation—innovation, people management, use of corporate assets, social responsibility, quality of management, financial soundness, long-term investment value, quality of products/services and global competitiveness. Corporate reputation is a more objective notion, directly connected with the organization, normally earned during a long period of time; it is not merely achieved through basic advertising and promotion, but through the activities and the principles which guide the organization. This goes far beyond how likely

customers are to choose the company's product or service; it can also affect the company's ability to attract investment.

Because of the development of PR and the speed and scale of technological change, it is impossible to ensure a company's competitiveness only with material and financial factors, which are generally available for most organizations. Thus, special attention must be given to the use of organizations' intangible factors as tools to enhance their profitability and competitiveness that put the primary question about a company's reputation and image. The resource base of large corporations encompasses a wide range of assets, ranging from tangible to intangible—investment, technology, business, customer, product, and brand portfolios—and as a result, firms address questions regarding what to eliminate as time passes (Varadarajan et al., 2006). Divestment occurs for many reasons and may free up resources that could be used somewhere else to enhance the firm's performance; such changes can potentially influence a company's image and reputation (Varadarajan et al., 2006). This is why companies thrive to legitimize their FD, which is especially important for MNCs. Companies that develop and sustain a reputation have the potential to achieve a higher competitive advantage (Kerin et al., 1992). Intangible resources—financial, organizational, and reputational—are held at the firm level (Drahokoupil, 2014); they are inherent parts of the company values system that may be balanced so that they support the achievement of different or even conflicting goals of the enterprise (Malbasic et al., 2015).

Media attacks also influence a firm's decision to divest, as this enables the firm to remain in the industry, although reducing the level of involvement, but also diminishing the threat exposure (Durand & Vergne, 2015). Overall, scholars agree that a firm's reputation can have a strong impact on its performance (Fauchart &Cowan, 2014); hence, having a good media reputation is itself a strategic resource (Deephouse, 2000).

Sometimes a firm's reputation is affected not only by its action but also by the actions of others in the industry; this is known as reputation commons. According to Fauchart and Cowan (2014), bad action or performance issues of one company may force stakeholders to form a "bad opinion" of other firms in that industry. In this case, downsizing does not only negatively affect corporate reputation, but can also cause the stock market's reaction (Love & Kraatz, 2005). Therefore, corporate reputation can be an asset as well as a liability (Love & Kraatz, 2009). Although researchers have also focused on the impact of divestment on firms' financial performance and the impacts of divestment on firm value (Haynes et al., 2002; Markides & Berg, 1992; Potocan et al., 2016), little attention has been given to the effects of

divestment on corporate image and reputation. Thus, we have limited insight as to how divestment affects corporate image and reputation.

Regardless of the motives and mode of FD, divestments are not without negative consequences. The main issues associated with FD include:

- loss of jobs,
- highly controversial and highly sensitive spin-off effects on other companies,
- the possibility of political tension (Benito, 2005; Harrigan, 1985),
- MNC causing social consequences in the host country (Fairclough & Thomas, 2004), and,
- accordingly arising from the need for legitimation "the speech act of defending oneself, in that one of its appropriateness conditions is often that the speaker is providing good reasons, grounds or acceptable motivations for past or present action that has been or could be criticized by others" (Van Dijk, 2000, p. 250).

Companies often face the paramount task of announcing their FD decision, which is usually taken by the key decision makers such as top managers in the headquarters, and only later are subsidiaries/units informed (McDermott, 2010). Often, divestment decisions and consequent processes take the appointment of a new CEO to tackle them (Cairns et al., 2010).

Firms must pay utmost care as to how they announce or frame their divestment decisions. A company divesting because of poor management may not be ready to blatantly accept that they have failed at their task; managers would rather frame the issue as "strategic restructuring," which in itself is rather vague. Dean (2004) pointed out that negative publicity is likely to have adverse effects on the organizational image and reputation, as people tend to assign more weight to negative information than positive information. Owing to this, through signaling theory firms can legitimize their decisions by manipulating the information, which is made available to the respective stakeholders (shareholders, employees, customers). Hence, the signaling theory is highly impactful in terms of the explanation to the businesses of how to achieve their desired results, and the "intuitive nature of signaling theory helps explain its pervasiveness" (Connelly et al., 2011, p. 42).

Information about a company's decision plays a vital role when one party has limited knowledge about the other party, whereas information about firm's intent is the platform for when one party is concerned about another party's behavior or behavioral intentions (Connelly et al., 2011; Elitzur & Gavious, 2003; Stiglitz, 2000, 2002). Companies set their agendas in line with the issues at hand, to structure the cognitive capabilities of their audience

and make changes to existing cognitive opportunities (McCombs & Gilbert, 1986) or, in a more intuitive way, through information messages they influence the formation of a public attitude and interest in important issues (Heath & Bryanl, 1992).

Organizational image and identity tend to influence FD decisions (Wan et al., 2015); moreover, divestment tends to have a negative impact on a reputation, and this is sometimes moderated by the type of divestment. “Positive” or “negative” perception of FD may make regulators, partners, media, customers, employees, and communities differently shape their decisions on whether and how to deal with a company, hence impacting the overall value of a company. There are exceptions, e.g., shareholders and partners may still support a company decision, as they are also involved financially or politically; or consumers may still buy a product, even if they have a negative association with the given company, because of their lack of financial means to purchase other products. Often through marketing activities businesses establish the positive associations in stakeholders’ minds and stimulate consumers’ purchasing behavior, therefore increasing sales, and maximizing their market share (Zhang, 2015).

While operating in emerging markets, MNCs use different communication tools and signaling tactics to achieve their desired result, e.g., in Russia international firms develop brand awareness and use social networks to implement this strategy (Panibratov, 2014), which legitimate their investment and manufacturing projects. As to FD, “framing” techniques may be more applicable to legitimize the MNCs’ divestments. Based on Van Leeuwen (2007), Vaara and Tienari (2008) and Vaara and Monin (2010), we examined five framing strategies used by companies to legitimize their FD decisions:

(1) Authorization: legitimation by the reference to the authority of tradition, custom and law, and of persons in whom institutional authority of some kind is vested;
(2) Normalization: legitimation used to render specific actions or phenomena “normal” or “natural”;
(3) Moral evaluation: legitimation by (often very oblique) reference to value systems;
(4) Rationalization: legitimation by reference to the goals and uses of institutionalized social action, and to the knowledge society has constructed to endow them with cognitive validity; and,
(5) Mythopoesis: legitimation conveyed through narratives, constructing narrative structures to indicate how the issue in question relates to the past or the future.

In emerging markets, with generally low information transparency, it is relatively more difficult to understand the true reasons behind the divestments of MNCs. This is why the legitimation argument does not necessarily reflect the real motives of FD. The research question we ask is: What are the framing techniques used by companies when signaling their FD decisions?

We attempt to answer this question reporting on how MNCs legitimize their FD decisions to stakeholders who have limited knowledge of divestment decisions as companies strive to keep the public in line with their activities to increase a company image and reputation through their framing techniques to execute their agenda.

5.3 Methodology

Grounded in signaling theory, in this research we were concerned with the way companies communicate information regarding themselves and/or their products to the targeted agent (Spence, 1973). Firms convey meaningful market, product, or service information to customers and/or other parties through their press releases (Hult, 2010). Through press releases we examine the communication between companies and stakeholders; trying to reduce information asymmetry between the two parties, we investigate how companies legitimize their FD decision.

To analyze how companies use press releases to legitimize their FD decision, this study uses a CDA that allows us to examine the frames, which companies use to influence how the audience makes sense of an issue (Fiss & Hirsch, 2005). Legitimation is usually discursive and is notably required in specific social contexts, as it acts as a domain-sensitive function of communicative events (Van Dijk, 2000) and is especially important in business communications where companies interact with their audience. By analyzing the contents of companies' press releases, we identified and evaluated frames used in the press releases that were publicized following the companies' FD decisions.

Scholars noted that FD from emerging markets is an under-searched area (Nyuur & Debrah, 2014), and that firms pursue different divestment strategies depending on the economy they are divesting from. Overall, the studies of FD from emerging markets are limited and the context for FD is China or India (Li & Liu, 2015; Malik, 2003). In this research, we chose Russia, which has been not only one of the most attractive investment locations for many companies and governments over the past three decades, but also the host country for many recent divestments by Western firms (Panibratov, 2012, 2016). Russia tends to be an extremely dynamic and volatile market, with sometimes unpredictable

outcomes for financial institution development (Michailova et al., 2013). As there is no consolidated data on FD from Russia to collect FD cases, we went through recent foreign investments in Russia in the various sectors, referencing journal articles, newspapers, and government websites including the Rosstat (Russian statistical bureau), the Russian tax agency and the Ministry of Economic Development of Russian Federation.

In the company selection process, we used a purposeful sample technique (Patton, 2002). We attempted to include into our study those firms that have already shown significant internationalization results and were considered successful in international markets. We evaluated criteria such as the number and location of FD by the firms, the share of international operations in total revenues, products and services offered overseas, the location of subsidiaries and basic financial data showing the value of the companies. The six cases include Carlsberg, General Motors Co (GM), LafargeHolcim, Stockmann, Trigon Agri and Immofinanz.

We conducted a qualitative discourse analysis of companies' press releases regarding their divestment broadcast, which enabled us to reveal the hidden motivations and to get meaningful insight and an in-depth understanding of how companies frame their FD decisions. Discourse analysis also allowed us to reveal the hidden arguments behind the press releases and to view the problem from a higher stance and hence gain a comprehensive understanding of the FD decision framing. We sought to ascertain the major frames identified in the selected companies' press releases, which were posted on their corporate websites. All the companies selected are publicly-listed companies with an obligation to be transparent with their stakeholders.

The press releases were analyzed based on the characteristics of the content of the title, the structure and undertone of the press release, evidentialities, excuses and justifications of divestment. Confronted with the FD, the companies aimed to legitimize their decision using different frames. The key elects of the categories include:

- *Rationalization*: market decline; challenging macroeconomic situation; unbalanced taxation and regulation; other market players have divested; to protect the business; address the impact of the recession; increase profitability; and reduce debt.
- *Authorization*: Rosstat (Russian Federal State Statistics Service) data; Chairman of the Employees' Council; Vice President of Production; CEO; Chairman of the Board.

- *Normalization*: others have done it (which is reflected in the literature analysis section).
- *Moral evaluation*: offers a favorable severance pay significantly exceeding the one stipulated by law; commitment to pursue every effort for solutions to reduce the possible negative impact on employees; we can assure our customers, through technical, logistic, and financial analysis, we had to take decisive action in Russia to protect our business—no other option.
- *Mythopoesis*: strategy to ensure long-term sustainability in global markets; stick to our long-term goals as defined in the strategic plan; has been unprofitable for the past several years; and in line with the previously announced strategy aimed at freeing up liquidity.

Press releases were initially examined for specific frames used in each release. After identification through initial coding, the dominant frames were recognized by recording patterns in technique, content, themes, patterns of keywords, quotes, and semantic method. The press releases were then analyzed again to refine the major frames. The initial and refining analysis ultimately identified three frames that commonly occurred in companies' press releases on FD: informational (official company updates), social responsibility, and defensive.

Berger and Reber (2005) explained in their study that master (or main) frames and subframes (or themes) may be used to communicate with target audiences, and can persuade the reader and create a very strong influence on reader perception. In any communications, persuading the public (or reader of a press release) is a major goal of corporations. The use of very specific main and sub-themes was clear while analyzing the FD press releases. Combining the analyses of major frames with the main and sub-themes used in the FD-related press releases, this study produces a comprehensive account of the companies' FD-related communication strategy.

5.4 Findings

We analyzed the press releases of companies that have recently divested from Russia (see Table 6, Press release analysis).

While studying FD from Russia, we accounted for the 2014 financial crisis in the Russian economy because of economic sanctions imposed on Russia and the fall of the oil prices; these could force MNCs operating in the country to rapidly rethink and adjust their strategies. Even prior to the crisis, but still recently, many established MNCs exited Russia

(Golubeva, 2016; Panibratov, 2016). The recent evidence of MNCs operating in Russia indicates that, even with good performance and favorable investment climate, firms operating in the country and showing high economic results in the local market were divesting, even those having strong and reliable partners in Russia (Panibratov, 2009).

We found that half of the companies used authorization to legitimize FD-related decisions by directly quoting their highly ranked representatives such as CEO, company President or Union leader, justifying their FD-related decisions and plans for its future execution. The use of quotations lends credibility to the evidence provided and increases the chance that a company's frame will be conveyed as intended. Quotes also add a more personal aspect and connection to the issue; this can be interpreted as speaking directly to the public, whereas the absence of direct quotes may be seen as the company trying to distance itself and a lack of direct responsibility for the decision.

The other half did not use any form of authorization—neither direct nor indirect speech. We can observe that in most cases, they were not giving many details or context; the language undertone the companies used to justify their decision is in most cases limiting themselves to rationalizing the decisions that the market conditions are "challenging" or "contradicting."

Press Release Analysis

Table 6:

Press Release Analysis

Company	Title	Direct vs indirect speech	Evidentialities	Excuses and justifications of divestment	Press release undertone	Word count
Carlsberg 29.01.15	Closure of two Russian breweries	No quotations or paraphrasing	No evidentialities; text is short, and to the point; it does not claim anything, does not give explanations why, just states what is being done	X	Press release gives only hard facts; no beating around the bush or trying to set the tone in which the decision should be looked at	138
Baltika 29.01.2015 (Carlsberg group)	Baltika announces closure of breweries in Chelyabinsk and Krasnoyarsk	Direct speech – Chairman of the Employees Council quoted and vice president for production quoted	Evidentialities: claims that macroeconomic situation is "challenging"; taxation and state regulation is "unbalanced," and among "the most disproportionate in the world" which caused "inevitable market decline"; severance pay for employees is "favorable"; implying that company used "sound" business development and kept their factories working while competitors were closing theirs; company was doing "everything possible" to increase efficiency and avoid closures	Overwhelming amount of excuses – blaming bad market situation, government taxation policies, restrictive legislation; claiming that competitors are having it even worse, claiming that the company gives severance packages "significantly" exceeding the one required by law; company was trying hard for several years to increase efficiency and avoid closures; laid off employees are true professional and will find other jobs easily	Whole press release has "fishing for media attention undertone"; like trying to manipulate media to quote them in a way that criticizes the government policies	700
LafargeHolcim 26.01.16	LafargeHolcim announces the reorganization of its cement production structure in the Central region of Russia	Direct speech – CEO Russia quoted	Evidentialities: 1st paragraph mentions recession in the construction sector as a fact; 3rd paragraph mentions "current market situation" implying it is bad, and states existing long-term market oversupply	X	X	247
General Motors 18.03.2015	GM to Change Business Model in Russia	Direct speech – GM President quoted, Opel Group CEO quoted	Evidentialities: mentions "current market environment in Russia" implying that they are not good enough to justify further investments; claims are focused almost exclusively on the company itself, e.g. will halt production, will work with dealers and will continue to build	At the end, plans and expectations are given; however, end statement written in small letters distances GM from any claims given in the press release by stating that any claim containing word would, could, should expect, continue etc. does not guarantee any events or results	X	453
Stockmann 27.11.15	Stockmann to sell its department store business in Russia	Direct speech – CEO of Stockmann quoted; chairman of buying company (Reviva) quoted	No evidentialities: the only mention of the market conditions is that the devaluation of the ruble (hard fact) helped deepen their losses	X	The press release has "success undertone" – Stockmann achieved "breakthrough" in its efforts to optimize and turnaround its profitability. Divestment is presented as a great success story. There is no complaining in the press release – overall, divestment is presented as a huge success for everyone involved – a win–win situation	665

Table 6 (continued).

Company	Title	Direct vs indirect speech	Evidentialities	Excuses and justifications of divestment	Press release undertone	Word count
Immo finanz 15.03.17	Update on disposal of Russia, sale of non-core assets, share buyback and CA Immo	No quotations or paraphrasing	Evidentialities: they mention that they adapted their shopping center to market conditions; past months have brought stabilization of economic conditions in Russia, which in their terms means stabilization of ruble exchange rate	X	This is not real press release – they just give "update" on plans and activities regarding current strategy of divesting their Russian portfolio; the text had "technical" undertone – it gives technicalities about their current divestment activity	423
Trigon Agri 03.07.14	A/s Trigon Agri completes divestment of 36,000 ha in Penza, Russia	Direct speech – CEO of Trigon Agri quoted	No evidentialities – they do not mention market conditions at all, instead explaining divestment as a part of strategy to get cash to repay debts, reduce financial leverage and increase liquidity	X	Neutral tone – company states what is being done and explaining it as usual business decision, which is not current market specific	236
Trigon Agri 03.11.15	Trigon Agri a/s: divestment of Rostov cluster	Direct speech – Chairman of Board of Trigon Agri quoted	No evidentialities – they state the facts about their divestment activities and explain it as needed to reduce company's obligations and focus on more lucrative markets (Ukraine). Current market situation in Russia is not mentioned anywhere	X	Neutral tone – company states what is being done and explaining it as usual business decision, which is not current market specific	481

The outlier was Carlsberg group, which was the only company to issue two different press releases on the same day regarding FD-related decision—one on the subsidiary level and one on the group level. The group-level press release did not give any context or explanation for their decision to divest production sites in Russia, instead listing actions that will be taken and describing how the supply interruptions will be avoided. Carlsberg's subsidiary company Baltika, which is the unit of the FD, chose in its press release rationalization frame by providing in-depth explanations about the decision and putting the blame on government policies, which are "unbalanced" and "disproportionate," which caused "inevitable market decline." Baltika also made an extra effort to normalize its decisions, explaining that its competitors had it worse and were closing plants earlier than Baltika. Their moralization rested in the fact they will give severance packages, which are "significantly exceeding" the ones required by law. Furthermore, Baltika stated they did "everything possible" to avoid this situation and name employees set for layoffs as "true professionals," who will have no problems finding other work and that they will "help the employees to solve the employment problem." The frame of shifting blame and minimizing damage only serves to highlight the drama behind the decisions and serves only to make it even more prominent and less like "business as usual" (Nedelko et al., 2017).

The rationalization and moralization frame dominate throughout the press releases as companies present their divestment-related decisions to strengthen the business and optimize its performance. Such an explanation is taken by Stockmann portraying an overwhelmingly

positive tone and presenting it as a “major breakthrough” and claiming this is a win–win situation for all parties involved. Only Stockmann used clear spinning tactics, while other companies, when relaying their FD-related decisions, use either a neutral tone to avoid going into much detail, or are quite direct and explicit in their explanations. An example of this explicit approach is Trigon Agri, as they provided all the details about the losses from transactions and said that they have better investment opportunities. GM used a notable approach by use of judicial semantics to distance itself from any statements or promises, explaining that the decisions should not be taken as a promise or guarantee of future events or results.

The normalization frame “business as usual” was the least present in the press releases this may be so as FD is highly regarded as a failure (McDermott, 2010; Palmer, 2004). Carlsberg's corporate level press release merely relays the main details without any further explanation, thus seeming neutral; their subsidiary Baltika, on the contrary, is very much trying to protect their reputations by overly rationalizing the decisions by providing several excuses and shifting blame to external factors.

LafargeHolcim mentioned unfavorable market conditions as the main factor behind the FD and claims their divestment is a means of rationalization of their production. This is in line with the usual methods of presenting divestment through the *rationalization* frame and thus an improvement in company performance: regarding the corporate reputation, this is a form of “damage control.” We founded the direct speech of the CEO Russia where the first paragraph mentions recession in the construction sector as a fact, and the third paragraph mentions “current market situation” implying it is bad, and states existing long-term market oversupply.

GM gave a larger context to their investment in Russia, as they are divesting in other markets as well, as a part of their overall strategy. They try to protect their image by giving details on how they will protect their partners and customers by continuing to support the dealers’ network and service providers. Again, from the direct speech of GM/Opel executives, follow that the market environment in Russia implies that the company is not good enough to justify further investments; top management focuses on the company itself, aiming to halt production, work with dealers, and keep production going.

Stockmann used a press release to present to its public a success story (showing how it achieved “breakthrough” in efforts to optimize and turnaround its profitability) and improvement milestone. There was no complaining in the press release; overall, divestment is presented as a win–win situation for everyone involved. Therefore, the protection of its image

is not shown directly but rather implied. The undertone of the press release is overly optimistic but does not contain any elements which could be viewed as "damage control."

Immofinanz took a technical approach, as this company is mostly concerned with explaining how it is doing everything gradually to make the most profit out of it. The "technical" undertone just provides an "update" on plans and activities regarding the current strategy of divesting their Russian portfolio. The company did not sell quickly but was adjusting assets set for sale to current market conditions and trying to improve their performance to achieve a better price. This might be the company showing investors that the situation is well controlled, even in "bad" times, which itself is a way of protecting corporate reputation, albeit to a smaller target audience.

Trigon Agri used the press release to mention more lucrative opportunities in other markets and the need for more liquid assets as the main reasons behind the divestment. In press releases, the company uses a neutral tone, saying what is being done and explaining it as a usual business decision which is not currently market specific. Their approach is in this sense closer to Carlsberg's approach—being mostly neutral toward the company's reputation, and not trying to prevent reputation damage by using the opportunity to present themselves in a better light, but merely concentrating on their profitability.

5.5 Discussion

In line with Grunberg (1981) and Loke (2008), we found that owing to the sensitivity of the topic, many executives view divestments as being associated with failure. Hence, the firms' press releases do often reflect CEOs' fear of destroying the image of ideal balance of organizational values that is often pursued by many enterprises (Malbasic et al., 2015; Panibratov, 2012; Potocan et al., 2016). Irrespective of the motives and determinants for FD, legitimizing divestment decision is one of the most important pillars of MNC reputation. Even when companies have good reasons to divest—such as poor performance of a business unit or resources required for better opportunities and available elsewhere—if the divestment decision is not legitimized properly, it will cause significant negative repercussions such as deteriorating brand image and reputation, or losing stakeholders' trust and goodwill of the host country's market.

Companies sometimes may try to re-enter the market after the divestment decision, such as in the case of GM, which first hastily divested from Russia and may re-enter the Russian market because of improvements in economic conditions (Hetzner, 2016). In these cases, which occur quite frequently, the importance of legitimized divestment decisions

becomes even more evident. Ultimately, any divestment decision may be seen as a sign of failure, which companies want to avoid, which makes FD legitimization one of the basic phenomena that needs to be clearly and thoroughly understood to help themselves to fully comprehend the divestment decisions. Furthermore, to avoid the stigma of failure, companies most often legitimize their divestment decisions by presenting them as a part of their larger strategic goals. This stigma avoidance may be even more critical in the context of emerging markets with a sometimes-remaining post-communism mentality, including a very low tolerance for formal signs of failure (both in business and politics), with Russia still having the communist footprint (Banalieva et al., 2017).

In this paper, we demonstrate that legitimation through framing is an integral part of MNC's communication activities. The companies' framing of their FD decisions can be interpreted as attempts to not only prevent negative repercussions from stakeholders, but also to legitimize the FD decisions, subsequently protecting the company's image and reputation. The companies used their press release discourse to legitimize their FD decision, which could be controversial action (Martin-Rojo & Van Dijk, 1997).

FD decisions are notoriously secret and often very controversial, arousing strong opposition; FDs that involve layoffs attract scrutiny from governments and policymakers (McDermott & Luethge, 2013). The companies attempted not only to avoid controversy but aimed to legitimize their decisions by highlighting the financial effects of the FD decision; some even went as far as to rationalize their decision by saying that they are not the only company taking such action. By justifying their decision with such frames, the companies positioned themselves where it would be more difficult for the mass media to spin the press releases.

The framing techniques used by the companies seem to be successful in fulfilling their agenda, as none of the companies received a stable negative connotation in the mass media. This may also be because of the international position of the host country. Since the 2014 economic sanctions leveled on Russia, Russia has become secluded from Western countries. It may be a case where the host country is the major determinant of the framing, as companies can easily pass off their FD decision on the business climate in Russia. Framing plays a pivotal role in the process of agenda-setting (Hallahan, 1999). By using an overarching message about their FD decision along with more specific frames and subframes, the MNCs legitimized their decisions.

5.6 Conclusion

By examining the elements of FD decision press releases, we uncovered the microelements of the framing techniques used by MNCs to legitimize their decision. This analysis helped us to understand the framing techniques of discursive legitimation that MNCs apply in Russia and to highlight the strategies used by companies when signalizing their FD decision. The legitimation and framing techniques of sensitive corporate action, such as FD, yield several strategic insights for practitioners. They shed light on the dominant and influential communication strategies used by MNCs to execute their agenda and highlighted the fact that companies use the chance to pass the blame to others in a bid to protect their image and reputation. The dominant use of rationalization, authorization, and moralization frames elucidates that FD is still a very delicate issue that companies should carefully execute. As a rule, a good image and reputation are needed to achieve the goals and objectives of a company. Companies' images and reputations are constantly reflected in the mass consciousness, affecting the behavior of the public. The development of corporate image and reputation is continuously and purposefully using the most diverse means, which are designed for different channels of perception.

In emerging markets, FD decisions may at times be unexpected events, which may endanger the stability of the company, thus having a potential to damage its reputation, or even destroy the company. The professional communications of a company's value lie in the fact that it will most likely not get the benevolent attention of the media and other external audiences—including shareholders, politicians, and non-governmental organizations. In fact, stakeholders are accustomed to failures and mistakes, and they evaluate the actions of the organization based on this criterion. The FD agenda setting, and legitimacy framing moderates the FD's effects on firm's reputation highlighting to stakeholders that they are not purely a soulless mechanism for the production of goods and services and making a profit, but that they are concerned about social problems and issues.

With the strong interest of scholars and policymakers in emerging markets, we predict that the case of Russia (presented in this paper) or other emerging economies as of single context might be enriched in future papers via combination of emerging market contexts. With the rising interest of Chinese investors in Russia and vice versa, we may predict different motives and, hence, specific legitimation techniques for these FD articulations. Therefore, future research on how companies use their press release to mitigate the effects of their FD decision in various contexts would extend our knowledge of framing effects by

moving beyond the press releases and examine how the media in different countries frame and interpret the MNCs' press releases. It would also be valuable investigating the degree to which the mass media and stakeholders draw different conclusions from press materials created by the companies' PR representatives.

Chapter 6: Concluding Remarks

A solid understanding of divestment is a crucial contribution to corporate success in today's international business environment. However, many company strategies do not include divestment due to a limited understanding of the phenomena. Divestment antecedent studies have examined factors that directly drive or inhibit divestment; organizations may revert to divestment because of critical incidents emanating internally or externally. Notably, divestment may be triggered by one or more factors. In explaining the determinants of divestment, researchers have utilized various theoretical perspectives and identified internal and external triggers to management's divestment decisions. There are three groups of overlapping motives: organizational, strategic, and economic. Organizations are embedded in environments that influence their activities: their internal institutional environment, including past structures or practices; and the external institutional environment, which it shares with other organizations.

Several external factors (e.g., characteristics of the environment such as turbulence, competition, consumer demand, and customer preferences for services) have been identified as determinants of divestment. In addition to studies on internal and external divestment antecedents, scholars have identified facilitators and inhibitors. These facilitators and inhibitors have the potential to act as forces influencing indirect divestment antecedents. These forces can be attributed to divestment drivers that reflect or explain organizations' divestment events. Moreover, divestment forces can be viewed as moderators of the relationship between organizations' external or internal environments and their strategies that affect divestment. While divestment is a multidimensional phenomenon that can take many forms and be driven by a wide range of internal and external factors, the literature lacks a unified framework to describe organizations' divestment decisions. Specifically, there is insufficient research from the institutional perspectives on how the institutional organization's environment affects divestment decisions.

There are several shortcomings in the existing literature; first, there is no existing theory that comprehensively explains foreign divestment (FD). Although Boddewyn attempted to formulate a theory of FD in 1983 by using the eclectic paradigm, academic research on this front is still very limited. Second, a great deal of the literature focused on examining the antecedents of corporate restructuring has used the financial and performance perspectives. In comparison, only a few studies have examined the antecedent from an institutional perspective. Third, there is a high degree of ambiguity concerning the institutional environment and its impact on divestment decisions. While some scholars have

argued that an unfavorable institutional environment is positively related to divestment, others have suggested that investments made in risky environments turn profitable once the institutional environment stabilizes.

The main contribution of this dissertation can be summarized as follows: we examined the combination of factors that increase (and decrease) the likelihood of divestment decisions and developed a better understanding of this topic. Secondly, we identified and highlighted the main combination of drivers and determinants and analyzed manager behavior when divesting. The dissertation also further develops the divestment literature on organizational management and the execution and management of divestment decisions. Additionally, suitable theoretical and managerial recommendations are explored.

In Chapter 2, we provided an overview of studies on different approaches for dealing with organizational crises. We examined the strategy and strategic management of companies in times of crisis. Additionally, we outlined the literature on crisis management strategies and excerpted the findings. Organizations experiencing a crisis are often faced with uncertainty and ambiguity. This results in normal organizational processes often thrown into imbalance, which prompts organizations to react by employing different strategies, such as corporate restructuring, imitating their peers, and laying off employees.

In Chapter 3, we explored whether decision-makers imitate peers when making a divestment (in particular, a layoff) decision. Further, we disentangled whether a divestment signal is more potent if the market leader divests vs. the frequency of divestment among peers. This study applied a behavioral view when focusing on the institutional perspective of divestment, which goes beyond financial and strategic reasons. We investigated how imitation can be a mechanism to legitimize restructuring decisions, specifically employee layoffs, given the uncertainty associated with stakeholder reactions towards divestment and mimetic pressures to reach efficiency goals. Using lab experiments to disentangle mimetic behavior from other influences leading to similar strategic behavior of firms, we concluded that observing the market-leading firm increases the willingness to divest. The research also found that increasing the number of peer firms divesting has a negative effect on the minimal rate of return (MRR) needed to make divestment decisions. Imitation helps managers to simplify divestment choices. Managers often tend to simplify decisions because they are subject to bounded rationality and unclear strategic outcomes. Imitation of past behaviors, either one's own or that of another organization, can provide legitimacy to similar behavior as divestment decision is influenced by legitimacy gain.

In Chapter 4, we explored foreign divestment strategy from the angle of emerging market multinationals enterprises (EMNEs) in Russia. We sought to understand why there is a growing phenomenon of FD by EMNEs, determine the drivers of FD by Russian EMNEs, and consequently uncover how FD affects the form and the path of divestment and the implications for EMNEs. We developed a theoretical framework identifying the mediators of FD and reviewed significant empirical works related to FD. Drawing on insights from management and organizational theories (real options, bounded rationality, and prospect theory), we called for the development of a more holistic (or integrated) approach in theorizing FD. Each of the theories examined plays a vital role in a firm's divestment decision. Faced with market uncertainty, a company with limited experience may opt to dispose of assets in the quickest way possible. With investing experience, firms are better capable of evaluating alternatives by comparing their current situation with other options. We predict that through the further development of this construct, we will approach a holistic theory explaining companies' FD decisions. The suggested theoretical framework explains EMNEs' other divestment strategies in Russia and other emerging economies, and we argue that future FD research should focus on empirical testing.

Chapter 5 examined the framing strategies used by companies to legitimize their divestment decisions. We examined multinational companies' (MNCs) press releases regarding FD, paying close attention to the specific framing used. This study demonstrated that legitimation is an integral part of framing press releases. By using signaling theory and framing (how something is presented to the audience), companies can manipulate the information made available to the respective stakeholders. They not only tell the audience what to think about, but also how to think about that issue. The legitimation and framing techniques of sensitive corporate action, such as FD, yield several strategic insights for practitioners. They shed light on the dominant and influential communication strategies used by MNCs to execute their agenda and highlighted the fact that companies use the chance to pass the blame to others to protect their image and reputation.

In summary, this thesis explores divestment from different perspectives and helps develop a better understanding of this topic. First, we focus on identifying the underlying main drivers and determinants and analyzing how these factors affect divestment's possible forms and paths. Additionally, we examine the combination of factors that increase (and decrease) the likelihood of divestment, explore the key combination of drivers and determinants, and analyze managers' behavior when divesting. Finally, conclusions are

drawn about how companies can handle and achieve maximum results from divestment. After that, suitable theoretical and managerial recommendations are provided.

A single theoretical basis cannot explain divestment, and significant research is still needed. This research contributes to the development of divestment theory and explores divestment strategies by companies. It aids understanding of the consequences and limitations of such activities and provides insight to better understand companies' divestment decisions. The findings of this research are intended to make an original contribution to academic research and to benefit key decision-makers of business processes and the theory of divestment as a whole. Our findings show the impact companies' divestment decisions can have, and we reveal the effective ways managers can undertake divestments while recognizing the combination of factors that will intensify or weaken the decision to divest. Additionally, this will help companies to better strategize divestment activities per resource and desired outcomes.

Author Contribution Statement

The authors confirm their contribution to each chapter as follows:

Chapter 1: Introduction

1. The author confirms sole responsibility for the following: review, literature sourcing, and chapter preparation.

Chapter 2: Organization behavior in unforeseen and unfavorable conditions, corporate restructuring as a consequence: A literature review

1. The author confirms sole responsibility for the following: study conception and design, literature review and chapter preparation.

Chapter 3: Mimetic forces as drivers of divestment decisions

1. Study conception and design: Tashauna Brown, Miriam Zschoche, Manfred Königstein
2. Literature review: Tashauna Brown
3. Experiment design: Tashauna Brown, Manfred Königstein
4. Data collection: Tashauna Brown
5. Analysis and interpretation of results: Tashauna Brown, Miriam Zschoche, Manfred Königstein
6. Draft chapter preparation: Tashauna Brown, Miriam Zschoche
7. Authors reviewed the results and approved the final version of the chapter: Tashauna Brown, Miriam Zschoche

Chapter 4: Foreign divestments from Russia: An exploration of the mediating factors

1. Study conception and design: Tashauna Brown, Andrei Panibratov
2. Literature review: Tashauna Brown
3. Methodology: Tashauna Brown
4. Data collection: Tashauna Brown
5. Analysis and interpretation of results: Tashauna Brown
6. Draft chapter preparation: Tashauna Brown, Andrei Panibratov
7. All authors reviewed the results and approved the final version of the chapter.

Chapter 5: Mitigating divestment stigma: A legitimation perspective

1. Study conception and design: Tashauna Brown, Andrei Panibratov
2. Literature review: Tashauna Brown
3. Methodology: Tashauna Brown
4. Data collection: Tashauna Brown
5. Analysis and interpretation of results: Tashauna Brown
6. Draft chapter preparation: Tashauna Brown, Andrei Panibratov
7. All authors reviewed the results and approved the final version of the chapter.

Chapter 6: Concluding Remarks

1. The author confirms sole responsibility for the following: review, literature sourcing, and chapter preparation.

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