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FOREIGN DIVESTMENT DECISIONS: A THEORETICAL FRAMEWORK

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Abstract: Foreign Divestment (FD) over the last few decades have been generally viewed as a sign of failure or negative whether it is a voluntary business strategy or a last resort for an international company. The decision making process and execution of Foreign Divestment has been an in-creasing phenomenon which has been noted by researchers over the years as a very complicated decision, however a holistic theory has yet to be developed to address this issue. In this paper the author seeks to give insight based on Mintzberg and Walters 1985 "Of deliberate and emergent strategies" framework and organization theories which are used as the foundation of a model of FD decision and leadership. Subjective insight for the closest related organization theories are used to provide a framework from which divestment decisions and strategies are created.

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Introduction

Divestment also referred to as withdrawal, disposal, disposition, market exit is a firm's decision to dispose of a part of its business. 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, better investment opportunities, problems associated with managing subsidiary (Steenhuis & Bruijn 2009; Torneden 1978; Boddewyn 1979). In recent years the number of foreign divestment has been increasing significantly however the research community is still behind with regard to divestments (McDermott 2010) and the different implication it may have on a firms (Burt et al. 2004). It has been noted that of all the activities carried out by a company divestment of is most likely to be kept on the down low (Burt et al. 2004)

In today's international business environment, a well-defined strategy is a key contribution to corporate success and many time a company's strategy doesn't include divestment (McDermott 2010) as it is often deemed as an action which is the consequence of failure/poor performance (Hamilton & Chow 1993; Weston 1989) on the part of the company or due to market conditions. Both (Grunberg 1981) and (Loke 2006), have stated that owing to the sensitivity of the topic in that, many executives view divestments as a being associated with failure and they are thus reluctant to participate in the research which makes it difficult for research to gather valuable to gather data for research (Palmer 2004).

In order to contribute to the divestment research, we will provide a framework to explain the determinants of the divestment decisions taken by firms through the use of insight from management and organizational theories substantiated by in-case and cross case analysis.

Divestment strategy

Strategy can be defined as a set course of action utilized by a person or organization to achiever one's predefined outcome or results. Organizational strategies can be classified as either deliberate or emergent (Mintzberg & Waters 1985), strategies may be two sided and thus be deliberate and emergent and in such case is referred to as "deliberately emergent". Deliberate strategy refers to precise and clear intentions, before action is taken, shared vision, common to all actors and one in which the outcome must be realized as intended deliberate, this strategy is often formulated by leadership on an organization and fulfilled by the actors who is this case are the employees of a company. On the other end of the spectrum we have emergent strategy which is the complete absence of intention, this is not merely unrealized strategy but rather the absence of strategy. In emergent strategies an organizations actions and way of operating becomes consistent even though those activities we not predetermined. No organization can exist without strategy however, due to the dynamics of the business world and unforeseeable circumstances organizations are at time faced with different situates which may require divergence from the original strategy or the emergence of new strategies (Mintzberg & Waters 1985).

Divestment constitutes the sale of part of the company to an external buyer. The selling company typically receives money or marketable securities, or a combination of both. One of the pioneers of divestment research is Jean Boddewyn. Between 1973 and 1985 he published a series of articles on foreign divestment (FD), and, today, he still remains an outstanding early contributor to this area of study in international business (IB) as he highlighted the limitations of multinational corporations (MNCs) and their vulnerability. According to Boddewyn, 1979; Benito and Welch, 1997, divestment, which is also known as de-internationalization/market exit / market withdrawal/ divesture is the reduction of a firm's operation. In other words, divestment refers to the disposal of parts of a firm's assets which may be a department, entire unit, division etc. (Duhaime & Grant 1984; Chang & Singh 1999)

Researchers have focused on the impact of divestment from the financial perspectives such as the determinants, motives, drivers of divestment (Praet 2013; Haynes et al. 2003; Berry 2004; Nowara & Szarzec 2012), how divestment affects firms' performance and the impacts of divestment on firm value (Haynes et al. 2002; Markides & Berg 1992), and divestment decision (Boddewyn 1983; Nees 1978; Gilmour 1973) however there is no holistic framework which explains the divestment strategy of a company, thus we have limited insight on a firm's foreign divestment strategy.

In the context of the research, divestment will be classified into 3 major categories (Anon 2006; Grunberg 1981; Steenhuis & Bruijn 2009) :

- ✓ Closure- (liquidation) this refers to when a business decided to stop offering a service/ shut down its facilities.
- ✓ Disinvestment (starvation) – the decrease in a company's operation by limiting investing funds or withdrawing profits and investing elsewhere
- ✓ Asset Sell-offs (divestiture); the subsidiary is sold to a third party, so no new firm is created, and the parent firm receives cash in the transaction.

In recent years the number of foreign divestment has been increasing significantly however the research community is still behind with regards to divestments (McDermott 2010). In today's international business environment, a well-defined strategy is a key contribution to corporate success and many times a company's strategy doesn't include divestment (McDermott 2010) as it is often deemed as an action which is the consequence of failure/poor performance (Hamilton & Chow 1993; Weston 1989) on the part of the company or due to market conditions. Both (Grunberg 1981) and (Loke 2006), have stated that owing to the sensitivity of the topic, in that, many executives view divestments as a being associated with failure they are reluctant to participate in the research which makes it is difficult to gather valuable data (Palmer 2004).

Research on foreign divest (FD) decision making structure and process in organizations started some decades ago by now known prominent researchers in the field of divestment Jean Boddewyn and some coauthors. Spanhel and Boddewyn (1982) stated the making of FD decision are much harder to make compared to domestic decisions. In an effort to provide a comprehensive theoretical model for academia and provide managerial guidance many researchers have engaged in researches to provide insight. Nees (1981) in his article "Increase your divestment effectiveness" states that it is very widespread that divestment decision is treated as "top secret" issue by top managers who are involved in the process. (Ghertman 1988) concluded that the decisions vary with regards to who is involved. If the decision is related to plant divestment, then the subsidiary plays a role where as if the divestment concerns portfolio reorganizing there are usually left out.

In this paper we look at divestment from the theoretical framework of foreign divestment strategy as deliberate or emergent and on the basis of organizational theories provide a framework explaining firms' foreign divestment strategy.

In their work on deliberate and emergent strategies Mintzberg and Walter (1985) outlined eight types of strategy on the continuum ranging from for purely deliberate to purely emergent. From planned strategy where the leader is at the center, precise intentions exist, formulated and articulated by the center, high level of control and direction, stable and predictable environment to impose strategy in which an organization has no choice, but may internalize it and make it deliberate Mintzberg and Walters (1985) used four dimensions to define the different strategies along the continuum. These dimensions include: leadership intentions (how precise, concrete, explicit), shared (how extensively), central control over organizational actions (how firm and pervasive), and environment (how benign, controllable, predictable).

Studies have noted that divestment decision are usually taken by the key decision makers such as top manages in the headquarters and only after are subsidiaries/unites informed (McDermott 2010). Among all the antecedents/drivers of a FD, poor/unsatisfactory performance has generally been singled out as the most important antecedent (Berry 2010) and in light of this a firms divestment strategy (decision) tends to lie on the extreme end of the continuum- emergent strategy, as no firm enters into a market anticipating poor performance/unsatisfactory performance and thus deals with such obstacles as the need arises. But is this the right strategy path for a firm? Should a firm have deliberate divestment strategies. The answer to these questions is not one which is clear cut.

There is no universal consensus on which strategy or which end of the continuum is better, each has its advantages and disadvantages and the most suitable strategy for an organization relies deeply on the organization's management. Some may argue that deliberate strategies such as planned is most suitable as it poses the attributes of clarity of purpose as opposed to emergent strategies. In deliberate strategy the intentions of the management are clearly and accurately stated, there is minimum deviation from the targeted goal as actors more easily understand, the defined and common collective goal. Others may argue that emergent divestment strategies are better suitable as emergent strategies are very flexible and lacking rigidity enabling an organization with the high responsiveness speed in the event of changes in their operating environment or negative feedback.

The type of strategy best suited for an organization may be rooted in the scope of the operations of the organization. For example, most international public companies, at the heart of the business adopt deliberate strategies; as they are entrusted with public funds, there is well defined central leadership, organizational direction is clear cut and carefully articulated, communicated and pursued. However due to the nature and implications of divestment such decisions are not incorporated in their strategies. A company which had adopted deliberate strategy may quickly find itself thinking that it is on the other end of the continuum (imposed strategy) if certain conditions become present and challenge the company's inability to react timely.

As companies become multinationals, operating on the global stage, in different markets, with diverse institutionally components they must realize the uncertainty that they face and as a result, they should allow room for emergent strategies even though they operate on the basis of deliberate strategy, "international divestment should be considered part of the holistic view of internationalization" (Wan et al. 2015). In the terms Bodwell and Chermack (2010) companies should be ambidexteric as unforeseen events in the financial economy may emerge, an industry my decline due to the availability of another product thus forcing organizations to make the necessary changes to cope in the new environment. For instance, the recent recession the Russian economy due to international sanctions and the fall of the price of oil and gas has undoubtedly forced firms to rapidly rethink and adjust their strategies. Some multinationals operating in Russia have chosen to decrease their operations while others are now focusing on strategies aimed at improving their efficiency.

Bodwell and Chermack (2010) on the basis of the framework put forward by Mintzberg and Walters (1985) proposed a scenario planning as a tool for fostering organizational ambidexterity. Organizational ambidexterity is defined as an organization's ability to be aligned and efficient in its management of today's business demands as well as being adaptive to changes in the environment at the same time. In their work Bodwell and Chermack (2010) highlighted the use of scenario planning as a potential tool for developing organizational responsive. The acknowledge that at the center of organization ambidexterity is the ability of an organization to embrace and balance deliberate and emergent approaches to strategy at the same time and it is through this approach that we believe multinationals can effectively manage the divestment strategies/ decision of their company. In their work their relied on Wilson and Ralston (2006) scenario planning hand book as the guide for which companies can implement scenarios planning and thus enables them to make better strategic decisions. They provided detailed steps of how firms can develop and execute different scenario and the effects different scenarios may have on their organization. This approach is similar to the "stress test" a simulation technique used on asset and liability portfolios to determine their reactions to different financial situations. Stress tests are also used to gauge how certain stressors will affect a company or industry and are usually are usually computer-generated simulation models that test hypothetical scenarios. Using such approaches firms could simulate different scenarios and evaluate the effect they may have on the organization and in turn make chose the most suitable strategy in line with their scope of business.

We believe that deliberate strategy should be the basis of all organizations strategy, as an organization without clear cut goals and well defined strategies cannot neither operate effective of efficiently. At the same time due to the nature and dynamics of the international business environment it is inevitable that an organization reserve space for emergent strategy as the global area is every changing.

Having establish that a firm's divestment strategy (decision) falls on the emergent strategy end of the continuum we will now move on to some of the fundamental factors which may determine the divestment strategy of a firm. This is done by using different organization theories to explain the firm decisions. The selection criteria for the theories rest on the basis that the theory should have been useful in understanding and predicting firms' divestment decision making process taking the key players into perspective. The theories should also have clear implications for practice and application and helping scholars and management to better understand the nature of the divestment strategies which firms are utilizing.

Theory development

The purpose of section is to look at the divestment decision framework, incorporating different theories from organization theory. We will look at the individual theories and see how they can be used to explain or determine a firm's divestment strategy as we posit that divestment strategy is emergent which is shaped by the organization theories of bounded rationality, prospect theory and real options theory.

The selection of the theories was first done by going through the analysis of the well-established and supported management and organization theories. Criteria for the theories rest on the basis that the theory should have been useful in understanding and predicting firms' divestment decision making process taking the key players into perspective. The theories should also have clear implications for practice and application and helping scholars and management to better understand the nature of the FD decision making process by incorporating organizational theories. First, which theories are inevitable in order to create a theory for FD decision making? How or in what way do these theories contribute to a holistic theory. Second, how can these theories be utilized together to order to be more effective. We will now outline the three main theories which should be taken into consideration when developing a holistic model to explain the divestment decision on making process.

Bounded rationality

The theory of Bounded rationality is concerned with the analysis and understanding of information that is vital in making a decision. It posits that the decision of rational agent cannot encompass all the potential information which is of outmost importance when making decisions (Hyde 1999; Bruck 1959; Marcum 1997) . This theory recognizes that, decision-makers are not just rational, individualistic optimizing results. Rather, bounded rationality theory asserts inherent limits of rational thought and decision-making. Bounded rationality studies how the actual decision-making flaws affect those decisions, bounded rationality theory demonstrates that apparently irrational behavior often can be fully aligned to the scope of knowledge. This theory is one of the most important prerequisites takes a limited resource, as intelligence. "Strategic decision-making often involves a great deal of uncertainty and ambiguity. Because managers are subject to 'bounded rationality' their cognitive processes may result in systematic decision biases" (Schwenk 1985).

Depending on the nature and the mode of divestment, strategic decisions much be made with the use of the all available information. Firms divest for various reason and found by researcher: lower-cost production and new market opportunities, poor performance, lack of synergy, need for funds, poor management, (Berry 2010; Torneden 1978; Boddewyn 1979; McDermott 1989; Strach & Everett 2007).

Prospect theory

As outlined by (Kahneman & Tversky 1979) Prospect theory is centered around the key decision makers evaluating alternative which include some level of risk with respect to loss or gains. (Boddewyn 1983) looked at the three Ws (When, Why where) and how. He sought to give us an insight into the decision making process of FD by firms. (Benito 2005) concluded that a low divestment risk is preferable for business when they are considering divest. Such conclusion by Benito should not be generalized as motive for divestment plays an integral role. The degree of risk is always relative to a reference point. A firm which is divesting due to low performance may not consider other alternatives as much as a firm which is divesting for restructuring purposes (focusing on core business for example) or divesting because of better opportunities. With this is mid we need to incorporate prospect theory in order to get a holistic picture of divestment decision making by firms.

Real options theory

A theory borrowed from finance and which has been widely used to explain divestment decision is the Real Option Theory. According to (Myers 1977) this is used as a risk management tool centered around uncertainty and includes the alternative of executing or not executing an options. Real options allow a firms to keep of divest a unit based on different factors such as decline in market situation, poor management etc. (Belderbos & Zou 2009; Keswani & Shackleton 2006). Of the eight proposed theories in this paper Real Options theory is the most widely used theory in attempts to understand divestment decision. (Lambrecht & Myers 2007) used real-options model to analyze takeovers in the context of declining industries and found that closes is the best option as demand decline as upon closing of a firm investors may be compensated. (Musshoff et al. 2013) affirms that "Real options models can predict actual disinvestment decisions better than traditional investment theory". (Driouchi & Bennett 2011) in their study on real options and how it affects multinational decision-making conclude that when utilized properly real options in decision making offers far superior results for MNC. In line with the key assumption of real options theory that states that under high uncertainty firms will not utilize their option (that is to divest) and instead will hold on to it this was confirmed by (Damaraju 2008).

Theoretical framework

The theoretical framework outlines how each of the respective theories contribute to a holistic foreign divestment strategy.

Foreign Divestment decision framework

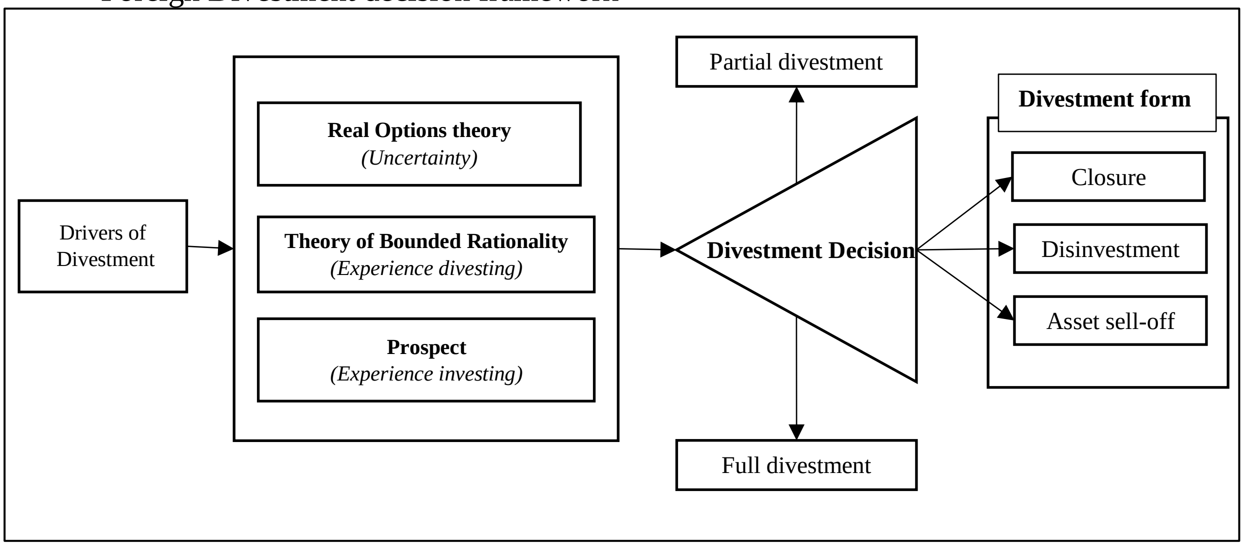

Figure 1

Each of the above mention theories play a vital role in a firm's divestment decision. There is a golden middle is the deciding factor of a firm's decision to divest and how it divests.

Methodology

The research design revolves around data picking, data sorting, data analysis and comparison with literature the fulfillment of these processes is the basis in which this research is built. In order to analyze FD decision, we will focus on FD from Emerging markets in the case of Russia and we employ a multiple case study approach. A detailed case study approach is a useful strategy as it can provide a much richer, deeper and broader understanding than a large sample quantitative approach (Eisenhardt & Graebner 2007). Also, since the border of this phenomena is currently not clearly defined case studies are most appropriate when dealing with such phenomenon (Hollweck 2015). The comparison between theory and empirical data is the heart of the research as this enables the researcher to get meaningful insight and in-depth understanding FD decisions.

As there is no existing database on FD from Russia, in order to identify potential cases, we first went through all Investments in Russian in the various sectors in the Russia in recent years by reference to journal articles, newspapers and various websites including Rosstat, the Russian tax agency and the Ministry of economic development.

Companies were chosen from different industries according to the financial value to account for diversity. Secondary data sources are the main source from which data is obtained. Secondary data sources such as public documents, media reports, corporate newsletters, company archives and company websites were the basis from which we gathered our data (Hollweck 2015; Yin 2014). As the companies are all multinationals with headquarters located outside of Russia, the Russian subsidiary are managed by country level mangers which are not the key decision makers (McDermott 2010). In light of this interviews are not seen a very reliable means of collecting data as the managers may have not played a vital role in the decision making process.

The sample is composed of 6 companies since it is deemed that theoretical saturation had been reached and that in the analysis an additional case, no relevant theory will emerge. The researcher will seek to identify at least 10 companies so that a 60 % success rate would provide sufficient cases for the research.

- has been active for at least 5 years with Foreign investment in Russia
- Is not of Russian origin;
- has to be active
- Financial value >$10 million US

As is typical for multiple-case, inductive research methodologies (Eisenhardt 1989), we began data analysis by synthesizing the different secondary data. We developed a comprehensive understanding of each case around our research questions through reading and coding the acquired data. Within-case analysis was followed by cross-case analysis. This supports replication logic, where each case is treated as a different experiment, confirming or disconfirming observations(Yin 2014). This validation process is reiterated by continuously comparing findings with what is known in the extant research. This data analysis process helped sharpen constructs and brought a consensus on the final theoretical categories and their relationships with one another.

Description of Cases

General Motors Co (GM)

General Motors Company, commonly known as GM, is an American Global Automotive corporation headquartered in the USA, that designs, manufactures, markets, and distributes vehicles and vehicle parts, and sells financial services. General Motors produces vehicles in 37 countries under thirteen brands. GM has been present in the Russian Market since 1992. In March

2015 GM announced plans to change their business model in Russia and have ceased manufacturing, eliminated Opel brand distribution and reduced Chevrolet brand distribution in the year ended December 31, 2015. This decision impacts 300 dealers and distributors and 1,130 employees. Costs related to the change the change in our business model in Russia of $337 million in (Genral Motors Europe) GME and $91 million in GM International Operations GMIO. In Russia industry sales to retail and fleet customers decreased 36.1% to 1.6 million vehicles compared to the corresponding period in 2014. Since 2016 the company has decided to focus the premium segment of the Russian automotive market and offers the luxurious brand Cadillac and legendary American models such as the Chevrolet Corvette, Camaro and Tahoe.

LafargeHolcim

LafargeHolcim is a manufacturer of building materials which claims to be the largest in the world, with a presence in 90 countries and 115,000 employees. LafargeHolcim in Russia develops Cement and Aggregates businesses. Lafarge Group (since July'15 2015 a member of LafargeHolcim) has been operating in Russia since 1996 developing two divisions: cement and aggregates and concrete. It currently employs 2,600 people and operates four cement plants located in the Moscow Region (Voskresensk, Kolomna), in the Kaluga Region (Ferzikovo) and in the Saratov Region (Volsk), as well as three aggregates quarries (Republic of Karelia, Tula Region). LafargeHolcim products are used in the production of ready-mix concrete, precast, infrastructure construction, and is certified for use in railway track ballast bed and production of asphalt concrete.

LafargeHolcim announces 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 construction sector and to support the company's viability. Of their 3 cement producing plants Schurovo (Moscow region), Ferzikovo (Kaluga region) and Voskresensk cement plant (Moscow region) latter is closed permanently. The company claims that over the years efforts to increase competitiveness have been proven futile. They hold that given the current market contraction and long lasting market oversupply situation the plant is no longer viable.

Carlsberg

The Carlsberg Group is a Danish brewing company founded in 1847. The company's flagship brand is Carlsberg Beer but it also brews Tuborg, Kronenbourg, Somersby cider, Russia's best selling beer Baltika, Belgian Grimbergen abbey beers, and more than 500 local beers. The Russian beer market is one of the largest in the world. In 2011 total volume of the Russian beer market was 91 million hectolitres making it the fourth largest beer market in the world (Euromonitor).

According to the Russian Brewers' Union there are now approximately 250 breweries in the country. More than 80% of the Russian beer market is held by five key players of which included Baltika Breweries (Carlsberg Group).

Carlsberg operate in the Russian market using the Baltika brand-
1990: Baltika Brewery founded
1992: Baltika became part of a joint venture owned 50% by Carlsberg
2006: Merger with brewing companies Vena, Pikra and Yarpivo was completed
2008: Baltika Breweries is owned 88.86% by the Carlsberg Group
2012: Carlsberg Group increases shareholding in Baltika Breweries to 100%

The Carlsberg Group is a strong market leader in the region's main market, Russia, and no. 2 in the second largest market, Ukraine. In 2014 Carlsberg suspended 2 of its 10 Russian breweries upon evaluating the closed plants they decided in 2015 to close two of its 10 breweries in Russia. The two breweries are located in. The closures will reduce the Russian capacity by approximately 15% and will impact 5-600 employees.

Maratex (River Island, American Esprit, Italian OVS)

Empik Media & Fashion Group (EM&F Group) is the leading operator of consumer brands in the region. The EM&F Group is listed on the Warsaw Stock Exchange and consists of 20 trade companies, operating on the lifestyle market, and Empik Media & Fashion S.A. as the holding company. EM&F Group, the Polish-based business agent that controls the East European outlets of the Esprit, OVS and River Island retail brands through Maratex, has closed down its Russian operations of the three chains. It is believed that the company has been adversely affected by currency fluctuations with its conversion-related losses almost doubling so far this year. “In 2014, the Group continued the restructuring of the Fashion segment, the entire operations in Russia and Ukraine were closed down.

Stockmann

Stockmann plc (OMX: STCBV) is a Finnish listed company engaged in the retail trade. Its three business divisions are the Department Store Division and the Lindex and Seppälä fashion chains. Stockmann was established in 1862 and has 16 department stores and over 700 stores in 16 countries.

Stockmann started operations in Russia in Moscow in 1989. On February 13, 2014, the company issued a press release in which it announced the intention to close 20 of 36 Russian clothing stores Seppala, and in October he decided to say goodbye to this network. The trend continued as within a year they decided to get rid of 3 Stockmann’s department store. In addition, in an announcement dated 13.2.2015. Stockmann stated that it will gradually close the stores of Finns Lindex, which comprise of 19 stores in Russia.

Stockmann's seven stores — five in Moscow, one in St. Petersburg and one in the Urals city of Yekaterinburg — were bought for 5 million euros ($5.3 million) by Reviva Holdings Limited, which owns the Russian franchisee of the international department store chain Debenhams.

Stockmann’s largest department store in Russia is located in St Petersburg in the Nevsky Centre shopping. Stockmann's fashion chains Seppälä and Lindex have several shops in Russia.

Mol Group

MOL Group is a leading integrated Central & East European oil and gas corporation headquartered in Budapest, Hungary. It has operations in over 40 countries and employs almost 30,000 people worldwide. MOL’s exploration and production activities are supported by more than 75 years’ experience in the hydrocarbon field. MOL is the second most valuable company in Central and Eastern Europe and placed 402 on the Fortune Global 500 list of the world's largest companies in 2013. MOL's revenue was equal to one fifth of Hungary's GDP at the time.

MOL is vertically integrated and is active in every area of the oil and gas industry, including exploration and production, refining, distribution and marketing, petrochemicals, power generation and trading. It has minor renewable energy activities in the form of biofuels. It has operations in over 40 countries worldwide, it has nearly 2,000 service stations in 11 countries (mainly in Central and Eastern Europe) under seven brands, and it is a market leader in Hungary, Slo-

vakia, Croatia. MOL's downstream operations manufacture and sell products such as fuels, lubricants, additives and petrochemicals. The company's most significant areas of operations are Central and Eastern Europe, Southern Europe, North Sea, Middle East and Russia.
MOL has foreign exploration licences in (with date of announcement):

Russia, Baituganskoe Oilfield, Surgut-7 block and Matjushkinsky block 2006-2007

MOL has foreign production facilities in (with date of announcement):

Russia, Zapadno-Malobalyk oil field (with Yukos, later Russneft) 2002

In a statement for the capital market participants MOL Hungarian Oil and Gas Public Limited Company (MOL) announced that in line with the company's portfolio optimization, they have executed Share Purchase Agreements with two Russian companies for the divestiture of MOL's 50% stake in OOO Zapadno-Malobalykskoye. This company is the holder of the Zapadno-Malobalykskoye (ZMB) hydrocarbon license in Russia. They also announced that negotiation about the sale of MOL's 100% stake in OOO MOL Western Siberia, which the company owns the exploration license of Surgut-7 block is also in advanced phase. Surgut-7 exploration block is strongly linked to ZMB infrastructure and thus it could be part of a favorable package deal.

Results and analysis

In-case analysis

For the in-case analysis all the theoretical constructs presented in the theoretical framework was linked to the empirical data of the companies described above. Each case is analyzed and after all the individual analyses the results are summarized based on the key theoretical constructs as the basis for the cross-case synthesis. By synthesizing the data, we developed a comprehensive understanding of each case through reading and coding after which within-case analysis was followed by cross-case analysis.

Individual case analysis of the companies

	Companies (year operations started in Russia)	**Summary**
1	**General Motors Co (GM) -1992**	In a press released by the top management GM on May 18th, 2015, the decision to withdraw from the Russian market rest on the fact them taking decisive action to protect their business, in that, to return the European business to profitability in 2016 as Gm was experiencing significant loss in the Russian market. The form of divest was full as they have closed (idle) their car manufacturing plant in Russia. “Economic and market conditions in Russia remain and are expected to continue to be very challenging for the foreseeable future. In addition, we do not have appropriate localization levels for key vehicles built in Russia and we would need to make significant future capital investments in order to improve our localization levels so that our products are competitive in the Russian market. As a result of these conditions we determined that our Russia business model was not sustainable over the long term.”
2	**Carlsberg -1992**	Following suspension of production at two Russian breweries in 2014 stating that they will resume operation once the market improves. However, upon evaluating the structure of their Russian business the Carlsberg Group decided to close two of its 10 breweries in Russia. The closures reduced the Russian capacity by approximately 15% and will impact 5-600 employees. Carlsberg has been hit by market decline as the Russian beer market is being impacted by the macroeconomic slowdown and weaker consumer sentiment due to new regulations that were implemented in recent years. Jørgen Buhl Rasmussen, Carlsberg’s chief executive, told the Financial Times in an inteview that “Pulling out is not on our agenda at all. This is a very important contributor to Carlsberg, and I think in any developing market you have to expect, sometimes, some ups and downs. You take a little more risk . .. but the opportunities are a lot bigger”. He also said that despite the consistent problems over the past few years, that the brewer would enjoy long-term growth in the Russia.
3	**Maratex (River Island, American Esprit, Italian OVS)- 2003**	The Russian clothing business has become unprofitable because of currency fluctuations, the group's losses from currency conversions doubled in the first half of 2014 Clothes by American brand Esprit, Italian OVS and British River Island were sold on the franchise, owned by “Maratex”, a member of the Polish group EM&F. Maratex’s management announced that in line with restructuring of the Fashion

		segment, the entire operations in Russia and Ukraine will be closed down. At the end of September 2014 "Maratex" announced the closure of all 64 retail outlets in Russia.
4	**MOLGROUP-2002**	A company with a great deal of investing experience, MOL, an integrated oil and gas company, is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks stem from long crude oil position. Commodity prices are determined primarily by international markets and global supply and demand. The impact of substantial variation in the market can result in material and adverse movement in the group's financial performance. According to the company crude oil production has been falling in the Zapadno-Malobalyk (ZMB) field for years and has reached its peak production level in 2005 with MOL's working interest of above 27 thousand barrels per day. The company informed stake holders that in line with the company's portfolio optimization, MOL had executed Share Purchase Agreements with two Russian companies for the divestiture of MOL's 50% stake in OOO Zapadno-Malobalykskoye. This company is the holder of the Zapadno-Malobalykskoye (ZMB) hydrocarbon license in Russia The company claims that they remain very committed to continue its operations in Russia and has the financial flexibility to re-invest in promising new upstream assets to provide future growth in the region and beyond.
5	**Stockmann-1989**	Stockmann pulled out of Russia by selling its seven department stores to Reviva Holdings Limited, which owns the Russian franchisee of the international department store chain Debenhams, for 5 million euros ($5.3 mln). The company stated that Russian department store business has been unprofitable for the past several years and the significant devaluation of the ruble has deepened their losses. " Stockmann is targeting a turnaround in its profitability, and therefore we have decided to withdraw from the entire Russian department store business. The planned transaction offers continuity both for our Russian customers and personnel, which is very important to us," says Per Thelin, CEO of Stockmann.
6	**LafargeHolcim-1996**	According to the company and analysts the emerging economic recession in Russia led to a decline in public investment, and as a result demand for building materials declined across the Group company's presence. Cement volumes were down due to this challenging environment. Despite network optimization and cost containment measures, financial performance of the Group company decreased slightly – also impacted by one-off costs. A significant decline in public and private construction spending led to lower cement volumes in Azerbaijan. Financial performance declined and measures were implemented to reduce fixed costs. In light of this, the company closed one of its three plants with

		the remaining 2 plants leveraging their competitive cost structure. Guillermo Brusco, CEO LafargeHolcim Russia says: "With the reorganization of its cement production structure in the Central region of Russia the company ensures its viability and is well positioned in the country to meet customer requirements and make a valuable contribution to the Group."

Table 1

All the companies have acknowledged poor performance /market decline as the driver for their divestment decision and this is coupled with the real option theory about uncertainty as most of the company above don't see any level of certainty in the near future and have opted to decrease their operations. General Motors, Maratex and Stockman opted for full divest for different reasons whereas Carlsberg, MOLGroup and LafargeHolcim have opted for partial divestment. This may be due to the nature of the business and the industry, and we are not arguing that there aren't industry specifics but arguing that regardless of the industry or the driver of the divestment, the decision to divest is shaped not only by uncertainty but by the company's ability to adequately evaluate the market and other options which are rooted in bounded rationality and prospect theories.

The table below summarizes the findings:

Theory of bounded rationality – (experience divesting) was based the number of foreign divestment completed by the company since 2012

Prospect theory – (experience investing) was based on the number of foreign investment projects completed by the company since 2012

Reals option theory – uncertainty was by the economic situation in the Russian Federation.

Consolidated analysis

	Companies	**Divestment form**	**Reals option theory**	**Theory of Bounded Rationality**	**Prospect Theory**
			Uncertainty	Experience-divesting	experience-investing
1	General Motors Co (GM) **-1992**	Plant Closure	**x**	**x**	**x**
2	Carlsberg **-1992**	Suspension-Closure	**x**	**x**	**x**
3	Maratex (River Island, American Esprit, Italian OVS)- **2003**	Closure	**x**		
4	MOLGROUP-**2002**	Closure	**x**	**x**	**x**
5	Stockmann-**1989**	Sales	**x**	**x**	**x**
6	LafargeHolcim- **1996**	Plant closure	**x**	**x**	x

Table 2

As shown in table 1, in three out of the five cases, the divestment decision cannot be explained by a single theory and thus this evidence is in line with the proposed theoretical framework. The two organizational theories above are centered on “decision making” with regards to divestment (bounded rationality, real options theory). Certain aspects of these theories have implications for the leadership and decision making of FD by firms. Based on initial findings it is concluded that a firm decision to divest is both affected by uncertainty, as well as their experience in divesting.

The comparison between the separate cases, thus the cross-case analysis, shows that different combinations of different determining theories form the basis of a company’s decision. As internal and external factors become catalyst for divestment the ultimate decision of a firm to divest and how they divest rest on the level of uncertainty, experience divesting and experience investing.

Limitation of the research strategy

Although case study is generally argued as lacking representativeness and generalizability (Aberdeen 2013; Fisher & Buglear 2010). Generalization about organizational processes, which in this study would be the determinants of divestment decision, to reduce commitment in foreign markets, might be transferable and used in other settings (Yin, 2009). In order to strengthen the made assumptions and increase the generalizability a multiple case study approach is employed in this study.

Conclusion

Research on foreign divestment (FD) decision making in organizations started decades and has been studies and analyzed from different perspectives. (Spanhel & Boddewyn 1982) have noted that FD decision is much harder to make compared to domestic decisions and the decisions vary with regards to who is involved (Nees 1978; Gilmour 1973; Ghertman 1988). There still, however, to this date there no comprehensive model of the divestment decision making process. We use Mintzberg and Walters 1985 "Of deliberate and emergent strategies" framework to provide the context of Foreign divest decision. Each strategy has its advantages and disadvantages; following a deliberate strategy approach provides clarity of purpose and unambiguous focus on set objectives; if this method proves successful, meaning, if such strategies supported the achievement of the predetermined objective, such success can legalize and promote the acceptance of acceptance such strategy getting the support from all the interested parties. Utilizing emergent strategies may offer all the interested parties with the flexibility of trying new courses of action and based on feedback is able to pinpoint the effective strategy for reaching the desired objectives. Also we propose the use of stress test as a method which organizations can use to estimate their divestment decisions.

We propose that the three management and organizational theory above (bounded rationality, prospect theory, real options theory) are the basis from which divestment strategies are formed. Each of these theories on their own explains some aspect of the basis from which divestment strategy is rationalized, and as a whole the theories provide a more comprehensive explanation of a firm's divestment strategy. Over the years there seem to be a progress in the divestment strategies of firms as more and more firms are deeming it as corporate restructuring, and researchers have found divestment to be a purposeful response by a firm consistent with strategic views (Haynes et al. 2003). In the paper "divestment: a corporate failure or a strategic success" Sachdev (1976) studied issues concerning corporate divestment and concluded that management deem divestment as a failure and not a strategic choice, however in the light of argument put forward in this paper divestment decision should not be deemed as a failure but rather an emergent strategy and through the utilization of tools such as stress test and organizational ambidexterity organizations can simulate different scenarios and using the results as a guide from which they better construct deliberate strategy or as a reference for when faced with emerging strategic decisions.

We argue that a firm's propensity to divest and the form and path of divestment is routes in the theories of, bounded rationality, prospect theory and real option theory. As has be noted by researchers, real options theory amicably explains divestment decisions (Driouchi & Bennett 2011; Keswani & Shackleton 2006; Damaraju et al. 2011; Musshoff et al. 2013; Lambrecht & Myers 2007; Song 2014) . However, we are left with the question of why firms in the same industry being of relatively the same status may at times decided differently with regards to divestment or even if they both decide to divest their decisions varies in connection with the form and type of divest.

It was observed that firms a higher degree of divesting experience, even in the event of high uncertainty, due to skills again and lesson learnt will option for a more sequential approach as in the case of Carlsberg who at first suspended the operations of their plans for several months before deciding to close them. This may have been done to analyze the effect the absence of 2 plans may have on the company.

On the other had a company with limited or lack experience due to market uncertainty may opt to dispose of assets in the quickest was possible. As with bounded rationality, prospect theory plays an integral role, in that, with experience of investing firms are better capable of evaluating alternatives in a better manner by comparing their current situation with other options. No company wants to divest its operations and invest in another only after sometime to be face with a similar situation. Companies with investing experience are more likely to opt to ride out the waves in an unfavorable situation if from investing experience are better able to evaluate alternatives.

In this paper we our aim is to put forward a framework which research show pay keen attention to when studying divestment decisions by firms. One may argue that there are other management and organizational theories which may be used to explain the divestment decision by companies, this may be true, but our aim in this paper is not to exploit all the possible international business theories which may have impact FD decisions, but rather highlight the theories which are at the core of the decision.

Combing the three theories we hold 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. It is through the research and analysis of these constructs that we will be able to create a holistic theory explaining FD decision by companies.

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