



Online-Appendix zu

„Corporate Divestment Decision Factors: A Systematic Review“

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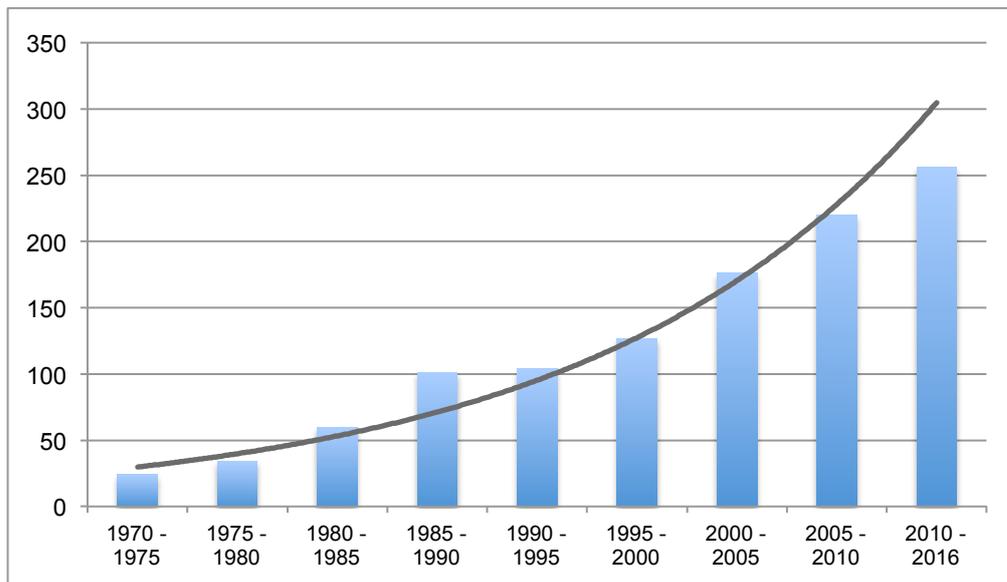
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Appendix 1: Academic Divestment Publications Over Time (own presentation)



This table shows the number of research articles that have “divestment” in their title or keywords and were published in academic journals in the specific years given above. Additionally, an exponential trend line of the number of publications per five-year interval is depicted. The data was compiled through an EBSCO search²⁷⁰ for “divestment” with the limiters academic journal and English language.

²⁷⁰ Available under: <https://http://search.ebscohost.com>

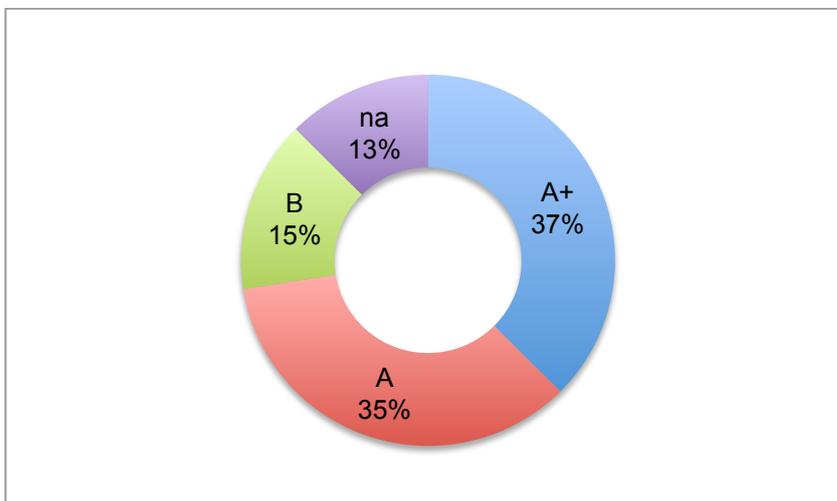
Appendix 2: Major Empirical Studies Cited (own presentation)

author(s)	analyzed time period	geo-graphy	sample	divestment modes	paper used to assess relationship between	cited in
Duhaime & Grant	1975-1980	USA	personal interviews with 40 executives of <i>Fortune</i> 500 firms, 59 divestments	not stated	negative DO performance / unit interdependency / negative firm performance & divestment decision	2.1 2.2 4.1
Duhaime & Baird	1972-1980	USA	mail questionnaires and personal interviews with 45 executives from <i>Fortune</i> 500 and 1000 firms, 159 divestments	not stated	negative DO performance & divestment decision	2.1
Hamilton & Chow	1985-1990	New Zealand	postal questionnaire with 36 CEOs of large firms on <i>New Zealand Stock Exchange</i> , 208 divestments	sell-offs, spin-offs, management buy-out, liquidation	negative DO performance / unit interdependency & divestment decision	2.1 2.2
Ravenscraft & Scherer	1975-1981	USA	around 450 large US companies, 285 divestments	sell-offs	negative DO performance / incentive to conceal mistakes / negative firm performance & divestment decision	2.1 3.3 4.1
Kaplan & Weisbach	1971-1989	USA	217 acquisitions by US publicly traded, privately owned, and divisions of firms, 119 divestments	sell-offs, spin-offs, equity carve-outs	negative DO performance / unit interdependency & divestment decision	2.1 2.2
Bergh	1986-1990	USA	183 <i>Fortune</i> 500 firms, 112 divestments	sell-offs	negative DO performance & divestment decision	2.1
Chang	1981-1989	USA	772 public US firms, around 3200 divestments	not stated	negative DO performance / unit interdependency & divestment decision	2.1 2.2
Cho & Cohen	1983-1987	USA	50 largest divestments by US firms during the time period	not stated	negative DO performance / incentive to conceal mistakes / negative firm performance & divestment decision	2.1 3.3 4.1
Zuckerman	1985-1994	USA	around 4000 US firms	not stated	negative DO performance / blockholder impact & divestment decision	2.1
Shimizu & Hitt	1988-1998	USA	70 divestments by publicly traded US firms	not stated	negative DO performance & divestment decision	2.1
Hayward & Shimizu	1988-1998	USA	68 divestments by publicly traded US firms	not stated	negative DO performance & divestment decision	2.1
Shimizu	1988-1998	USA	68 divestments by publicly traded US firms	not stated	negative DO performance / path dependence & divestment decision	2.1 4.3
Porter	1970-1973	USA	310 businesses with ROI < 8%	not stated	unit interdependency / escalation of commitment / incentive to conceal mistakes & divestment decision	2.2 3.2 3.3
Harrigan	1965-1978	USA	exit decisions of 61 firms in 8 industries, additional interviews with 31 of those firms	not stated	unit interdependency / escalation of commitment & divestment decision	2.2 3.2
Bergh	1977 and 1987	USA	135 unrelated acquisitions in 1977 and 140 unrelated acquisitions in 1987, drawn randomly from public records	not stated	unit interdependency & divestment decision	2.2
Berry	1981-2000	USA	190 US firms and their divestment activities	not stated	superior marketplace alternatives & divestment decision	2.3
Lipsey & Weiss	1970	international	US based multinational firms and foreign affiliates in 14 industries	not applicable	new market opportunities & divestment decision	2.3
Clausing	1977-1994	international	US based multinational firms and foreign affiliates in 29 host countries	not applicable	new market opportunities & divestment decision	2.3
Lipsey, Ramstetter & Blomström	1986, 1989, 1992	international	Japanese, Swedish and US multinational firms and foreign affiliates in around 15 industries	not applicable	lower-cost production opportunities & divestment decision	2.3
Blonigen	1970s – 90s	international	Japanese firms' activities in the US, consumer products and automobile industry	not applicable	lower-cost production opportunities & divestment decision	2.3
Head & Ries	1966-1990	international	Japanese multinational firms and foreign affiliates	not applicable	lower-cost production opportunities & divestment decision	2.3
Xuan	1993-2002	USA	230 firms with 715 business segments	not applicable	business segment familiarity & divestment decision	3.1
Huang	1981-2004	USA	423 divestments by 367 diversified firms	sell-offs, spin-offs	business segment familiarity & divestment decision	3.1
Ang, de Jong & van der Poel	1996-2004	USA	121 firms, 923 segment years, 352 of which experience a divestment	sell-offs	business segment familiarity & divestment decision	3.1

author(s)	analyzed time period	geo-graphy	sample	divestment modes	paper used to assess relationship between	cited in
Montgomery, Thomas & Gamath	1976-1979	USA	78 divestments by <i>Fortune 500</i> firms announced in the <i>Wall Street Journal</i>	not stated	negative firm performance & divestment decision	4.1
Jain	1976-1978	USA	more than 1000 sell-off events	sell-offs	negative firm performance & divestment decision	4.1
Sicherman & Pettway	1983-1985	USA	147 divestments of firms on the <i>NYSE</i> or <i>AMEX</i> announced in the <i>Wall Street Journal</i>	no leveraged or management buy-outs	negative firm performance & divestment decision	4.1
Montgomery & Thomas	1976-1979	USA	78 divestments by <i>Fortune 500</i> firms announced in the <i>Wall Street Journal</i>	not stated	negative firm performance & divestment decision	4.1
Denis & Kruse	1985-1992	USA	Around 340 firms which experienced a marked performance decline during the time period	sell-offs, spin-offs, liquidations	negative firm performance & divestment decision	4.1
Meschi & Métais	1988-2008	France, USA	741 acquisitions by French and US firms, divestments as a result of acquisition failure	not stated	path dependence & divestment decision	4.3
Villalonga & McGahan	1990-2000	USA	around 9000 acquisitions, alliances, and divestments of 86 <i>Fortune 100</i> members	spin-offs and sell-offs	path dependence / blockholder impact & divestment decision	4.3
Durand & Vergne	1997-2007	various	202 diversified companies (based in North American, European, Russian, Japanese, Israeli) in the arms industry and over 1000 media attacks by 12 daily newspapers	not stated	media influence & divestment decision	5.1
Wright & Ferris	1984-1990	South Africa	116 divestments from South Africa subsidiaries	not stated	political pressure & divestment decision	5.2
Bethel & Liebeskind	1981-1987	USA	random sample of 93 out of 388 <i>Fortune 500</i> firms that stayed on the list during that period	sell-offs	blockholder impact & divestment decision	5.3
Denis, Denis & Sarin	1984-1989	USA	933 public firms and 290 decreases in the number of business segments	sell-offs, spin-offs, liquidations	blockholder impact & divestment decision	5.3
Sanders	1991-1995	USA	random sample of 250 firms on the <i>S&P 500</i>	sell-offs	blockholder impact & divestment decision	5.3

The table above comprises the 36 empirical studies cited in and most important to this thesis. Furthermore, the four key theoretical research articles for this thesis are Staw (1981) for 3.2, Duhaime & Schwenk (1985) for 3.2, Boot (1992) for 3.3, and Wan, Chen & Yiu (2015) for 4.2.

Appendix 3: Academic Journal Rankings Overview (own presentation)



The diagram above shows the ranking of the academic journals the 40 main empirical and theoretical research articles described in Appendix 2 were published in. The academic journal ranking is obtained from the *Verband der Hochschullehrer für Betriebswirtschaft e.V.'s* (German Academic Association for Business Research's) *Jourqual 3* 2016 full list.²⁷¹ The five most often cited journals are: Academy of Management Journal, Journal of Management, Managerial & Decision Economics, Strategic Management Journal, and The Journal of Finance.

Appendix 4: EOC Behavioral Sources

For further information, I will briefly cover five of the many behavioral explanations and sources for the escalation of commitment: self-justification, external justification, social norms for consistency, loss-aversion, and overconfidence and illusion of control.

Firstly, the notion of self-justification conveys that individuals may escalate their commitment to a failing course of action because they seek to justify and prove the appropriateness of their earlier decision to pursue a certain endeavor.²⁷² This is because individuals generally strive to protect and maintain their self-image²⁷³ and self-esteem²⁷⁴.²⁷⁵ DMs especially tend to further invest despite negative performance, if an exogenous cause for failure is accepted and they still have hope to be able to recoup their costs.²⁷⁶ Problematically, selective information filtering can lead individuals to find external causes of setbacks and unreflectingly accept information confirming their opinions, while scrutinizing and discounting disconfirming information, and therefore stay committed to their decisions.²⁷⁷ Secondly, individuals may be motivated to escalate their commitment by what has been labeled external justification: DMs may try to demonstrate to others that their earlier decision was substantiated and reasonable, especially if they face or fear negative consequences should others view them adversely.²⁷⁸ Thirdly, norms for consistency may drive EOC. DMs who stick to their past choices and are consistent in this regard are often viewed more positively, thus are reinforced in behaving consistently in contrast to frequently quitting previously pursued opportunities.²⁷⁹

²⁷¹ The full list can be found under: <http://vhbonline.org/vhb4you/jourqual/vhb-jourqual-3/gesamtlste/>

²⁷² Cf. Staw (1981), p. 579; Brockner (1992), p. 39.

²⁷³ Self-image (or self-concept) may be defined as "the totality of the individual's thoughts and feelings having reference to himself as an object" (Rosenberg, 1979: 7)

²⁷⁴ Self-esteem describes a general sense of self-worth and self-acceptance and can be seen as the evaluative component of self-image. (Cf. Petersen, Schulenberg, Abramowitz, Offer & Jarcho, 1984: 94)

²⁷⁵ Cf. Staw (1981), p. 580.

²⁷⁶ Cf. Ibid., p. 580.

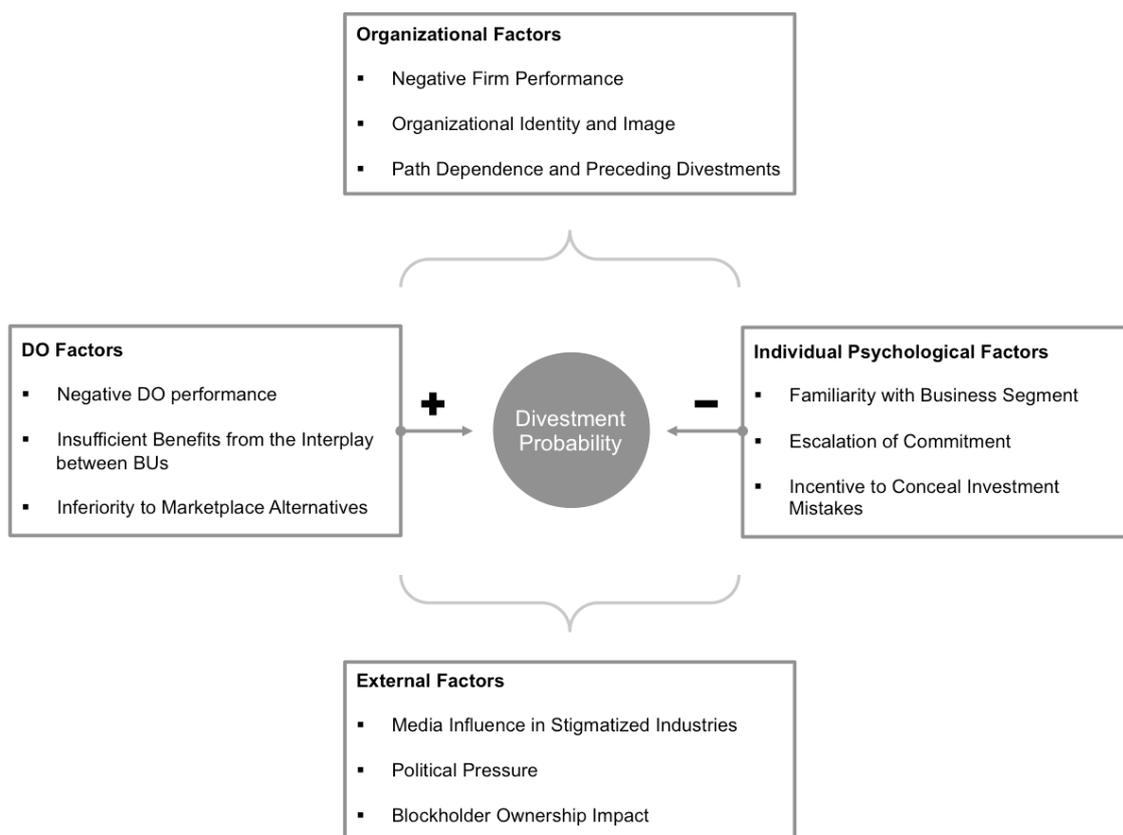
²⁷⁷ Cf. Lord, Ross & Lepper (1979), p. 2098; Caldwell & O'Reilly (1982), p. 133; Staw (1981), p. 580.

²⁷⁸ Cf. Staw (1981), p. 580.

²⁷⁹ Cf. Festinger (1957), p. 1 et seq.; Staw (1981), p. 581; Cialdini, Trost & Newsom (1995), p. 319.

Fourthly, loss-aversion could explain EOC.²⁸⁰ Individuals tend to dislike losses and experience a larger decrease in utility from a loss than increase in utility from a gain of the same magnitude.²⁸¹ Fifthly, overconfidence and the illusion of control may be sources of EOC.²⁸² A broad body of research has documented that individuals often make distorted cost-benefit projections on which they base their investment and divestment decisions. Typically, DMs tend to overestimate probabilities of favorable and underestimate the probability of unfavorable events and see themselves as performing better than others in a variety of situations and as able to prevent future failures.²⁸³ Consequently, top executives may hesitate to divest because they perceive investment odds as unrealistically promising.²⁸⁴ Overconfidence is related to the illusion of control, i.e. the sometimes unjustified belief that one can actively exert influence over risks and events affecting one's outcomes, discounting the role of chance.²⁸⁵

Appendix 5: Overview Divestment Decision Factors (own presentation)



²⁸⁰ Cf. Hafenbrack, Kinias & Barsade (2014), p.2.

²⁸¹ Cf. Kahneman & Tversky (1979), p. 279.

²⁸² Cf. Staw (1997), p. 198.

²⁸³ Cf. Pruitt & Hoge (1965), p. 483; Sherman (1980), p. 211; Weinstein (1980), p. 806; Marks (1984), p. 203; Taylor & Brown (1988), p. 197; Staw (1997), p. 198; Camerer & Lovallo (1999), p. 314; West & Stanovich (1997), p. 387.

²⁸⁴ Cf. Malmendier & Tate (2005), p. 2661; Brown & Sarma (2007), p. 358; Ferris, Jayaraman & Sabherwal (2013), p. 137; Graham, Harvey & Puri (2013), p. 103; Eichholtz & Yönder (2015), p. 139.

²⁸⁵ Cf. Langer (1975), p. 311; Taylor & Brown (1988), p. 196; Budescu & Bruderman (1995), p. 109; Staw (1997), p. 198; Yarritu, Matute & Vadillo (2014), p. 38.

Appendix 6: Questions for Future Research

- To what extent can e.g. positive DO performance prevent divestment despite factors increasing divestment likelihood such as negative firm performance?
- To what degree do divestment determinants differ by mode of BU exit?
- What role does a DM's character (e.g. pride, narcissism, optimism, etc.) and personal experience (e.g. certain strategic failures) play in divestment decision-making?
- How do social dynamics within the TMT affect BU divestment?
- What influence does board of directors composition in general have on divestment?
- What specific values, norms and basic assumptions within an organizational culture facilitate or hamper divestment of certain business entities?
- Under which circumstances are companies especially prone to which stakeholder's influence (e.g. to media influence during a reputation / economic crisis)?
- To what extent do divestment decisions vary by industry?
- What role does institutional isomorphism play concerning divestment decisions (e.g. mimetic forces when facing divestment uncertainty, normative forces from common educational backgrounds of CEOs)?
- How and to what degree do general (e.g. national economic prosperity, business model and strategy trends, etc.) conditions affect divestment?