



Foreign divestment from emerging markets: A systematic literature review, integrative framework, and research agenda

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ARTICLE INFO

Keywords:

Foreign divestment (FD)
International business (IB)
Emerging markets (EMs)
Integrative framework
Research agenda
Systematic review

ABSTRACT

Despite the significance of context in international business studies, existing reviews on foreign divestment have combined findings from developed and emerging markets, obscuring context-specific antecedents, decisions, and outcomes. In this review, we systematically identify and synthesize theoretical and empirical research on foreign divestment from emerging markets based on 60 articles in reputed academic journals. We develop a conceptual framework that integrates the antecedents, decisions, moderating mechanisms, and outcomes of foreign divestment in emerging markets. While firm-level antecedents of foreign divestment are well-researched, external antecedents, decisions, moderating mechanisms, and outcomes are understudied. Additionally, we highlight that foreign divestment from emerging markets has positive and negative consequences for the firm and the host country. Drawing insights from our review, we delve into prospective research agendas, forging connections between contemporary research themes, divestment, and emerging markets. We propose that a multi-level approach to studying the antecedents and outcomes of foreign divestment will enhance our understanding of international business dynamics within an increasingly volatile global environment.

1. Introduction

Decisions to exit foreign markets have become frequent and can have substantial economic consequences for individual firms and countries (Arte & Larimo, 2019; Iurkov & Benito, 2020). Foreign operations tend to exhibit more violability than domestic ones (Boddewyn, 1979); therefore, firms are more inclined to divest from foreign rather than domestic operations in pursuit of operational efficiency (Iurkov & Benito, 2020). While scholars have acknowledged that foreign divestment (FD) may be driven by firm-related factors (Mohr et al., 2020; Schmid & Morschett, 2020), a substantial body of research emphasizes external factors, encompassing domestic and foreign market conditions (Benito & Welch, 1997; Berry, 2013).

It is evident that foreign markets exhibit significant variations (MSCI, 2014), and the risk and complexity associated with conducting business in emerging markets (EMs) might surpass that in developed markets

(DMs) (Han et al., 2018). Furthermore, the exit of a firm from EMs is likely to have a more pronounced negative impact on the host country than exits from DMs. Yet, most divestment research tends to generalize the antecedents and outcomes of divestment, often with a strong focus on DMs, while failing to consider the nuances across markets. Consequently, theory development from the perspective of EMs regarding this phenomenon remains limited. In this review, we seek to establish a groundwork for future scholarship by integrating the antecedents, decisions, outcomes (Paul & Benito, 2018; Södergren, 2021), and moderators (Giral et al., 2023) of FD in EMs to strengthen theory development relevant to this complex phenomenon.

We follow Boddewyn (1979) and define FD¹ as “the deliberate and voluntary liquidation or sale of all or a major part of an active operation” (p. 21). FD, thus, refers to the reduction of equity held by a multi-national enterprise (MNE) or the sale/liquidation of a foreign subsidiary by the parent company. We focus on divestment of

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¹ We acknowledge that diverse terms such as divesture, exit, closure, dissolution, divestiture, disposal, disposition, and disengagement, among others, have been used as synonyms of divestment. However, in this paper, we classify these different terminologies as foreign divestment. For the literature on closure/divesture and sell-offs, see Hennart et al. (1998). It must also be emphasized that FD not only occurs due to failure but can also be a strategic move to transfer operations to a different location or reinvest (Hennart et al., 1998).

subsidiaries where the MNE holds dominant or full ownership (e.g., Birkinshaw & Hood, 1998) by asking the overarching question: *What are the antecedents, moderating mechanisms, decisions, and outcomes of foreign divestment from emerging markets?*

Our systematic review led to the development of an integrative conceptual framework that focuses on the antecedents, moderating mechanisms, decisions, and outcomes of FD in EMs. This framework serves as an organizational tool for the existing body of knowledge, allowing for the seamless integration of its critical insights by connecting firm-specific factors, external factors, moderating mechanisms, and the divestment decision, as well as outcomes of FD on the firm and host country. We anticipate that this framework will assist future researchers in positioning their studies within the broader literature. Additionally, it will enable the seamless integration of pertinent phenomena, context, and relationships relevant to their central research question.

Several studies have attempted to systematically review or provide meta-analyses of the literature on FD (Arte & Larimo, 2019; Berry, 2013; Coudounaris et al., 2020; Ozkan, 2020; Schmid & Morschett, 2020). Although these reviews have extended our knowledge and understanding of this phenomenon, there are several shortcomings. First, these reviews primarily focus on studies that have DMs as their context and thus conclude that FD is essentially a result of poor subsidiary-level performance (Schmid & Morschett, 2020) or parent company (Berry, 2013) while overlooking the environmental factors which are crucial to firm survival in EMs. Research on EMs has shown that political and economic instability (Witte et al., 2020), lower market liquidity (Hearn et al., 2010), and complex regulatory environments (Xu et al., 2021) lead to divestment. Second, the increasing influence of geopolitical alignment has led to the call for the “friend-shoring of supply chains” (U.S. Department of the Treasury, 2022), leading to Western MNEs decoupling from EMs such as China and Russia to friendly DM markets (Ahn et al., 2023). Yet, these shifting global dynamics have been notably absent in prior reviews. Third, whereas attention has been drawn to the antecedents of divestment (Berry, 2013; Coudounaris et al., 2020; Larimo et al., 2022) and occasionally on the effect of firm competitiveness (Trąpczyński, 2016), the impact of FD on host countries is largely neglected. We propose that a focus on the impact of divestment on host countries would help bring attention to some of the grand challenges (Wickert et al., 2020) emanating from FD.

We contribute to the IB literature by providing a critical and comprehensive review of the scholarship on FD in the EM context. We draw linkages across numerous research strands, synthesize theoretical ideas, and highlight theoretical concepts that have been effective in explaining FD-related phenomena. While the FD phenomenon is intrinsically multi-level, only a few studies connect the internal (firm) and external (country and global) level constructs. Whereas many studies demonstrate the importance of the external environment, few investigate how dynamic shifts in the external environment—such as negative economic growth and greater political risk—lead to divestment. Additionally, while studies on FD mainly focus on the antecedents leading to FD, we show that the outcome of FD has both positive and negative consequences on the firm and host country. Building on these contributions, we outline a future research agenda linking the internal (firm-specific factors) with the environmental factors and moderating mechanisms that lead to FD and its subsequent outcome on the firm and host country. Research in this direction will aid and expand our understanding of the phenomenon and help develop theories relevant to practice.

Following established practice (e.g., Paul & Feliciano-Cestero, 2021; Paul & Rosado-Serrano, 2019), we perform a framework-based review (Paul & Criado, 2020; Paul et al., 2023) to provide a more comprehensive and structured state-of-the-art review of FD in EMs. We adapt Paul and Benito's (2018) antecedents, decisions, and outcomes (ADO) framework by incorporating moderating mechanisms of FD. We focus on research published in peer-reviewed journals ranked in the Chartered Association of Business Schools Academic Journal Guide (CABS AJG).

Hence, our database of articles published since 1999 covers 37 scholarly journals. This resulted in a review of 60 conceptual and empirical articles on FD in the EM context.

The remainder of our paper is structured as follows. We discuss the methodology adopted in this review, after which we offer a compendium of FD research in EMs. We then present an extensive overview of the studies on FD in EMs based on themes and theories and explain how and why EMs provide a distinctive context different from that of developed markets (DMs). We evaluate the literature, build an integrative framework to consolidate previous research, recognize knowledge gaps, and propose a future research agenda.

2. Methodology

2.1. Review design

Systematic literature reviews (SLRs) can be classified in several forms (Paul & Criado, 2020)—structured (e.g., Paul & Feliciano-Cestero, 2021), framework-based (e.g., Basu et al., 2022; Paul & Mas, 2020), bibliometric (e.g., Rialp et al., 2019; Sağkaya Güngör & Ozansoy Çadırçı, 2022), hybrid (e.g., Bahoo et al., 2020), review for theory development (e.g., Paul & Mas, 2020), theory-based (e.g., Gilal et al., 2019; Paul & Rosado-Serrano, 2019), method-based (e.g., Fletcher et al., 2018; Paul & Dhiman, 2021), and meta-analysis (e.g., Stahl & Maznevski, 2021). Among these, framework-based SLRs have gained a reputation for being the most impactful and robust because they rely on established frameworks to guide the review process (Paul et al., 2023). This approach allows the content of the review to be structured meticulously (Lim et al., 2021). Additionally, it utilizes robust structures to extract important insights, highlight research gaps, and provide directions for future research (Paul et al., 2023). Moreover, using an organizing framework facilitates the integration of diverse literature streams and provides the broadest coverage and maximum clarity (Paul et al., 2021). Hence, we adopt the framework-based review in this article to provide a state-of-the-art review on divestment from EMs. This allows us to construct an integrative framework and provide avenues for future research.

To identify the sample, we first conducted a systematic search of the pertinent literature with the following objectives: (1) assess the level of empirical and conceptual research on FD in EM; (2) build an integrative framework that combines FD research in IB within the EM context; (3) recognize knowledge gaps for future research. To ensure the quality of our literature review, we ensured that it followed the 5Cs criteria—*concise, clear, critical, convincing, and contributive* (Callahan, 2014) as a benchmark. Finally, we implement the scientific procedures and rationales for systematic literature reviews (SPAR-4-SLR) protocol (Paul et al., 2021).

2.2. Review protocol: scientific procedures and rationales for systematic literature reviews

Since divestment research is gaining traction in the management, finance, strategy, and IB literatures (Witt, 2019), we use a systematic method to critically survey the extant literature on the country- and firm-specific antecedents, moderators, and outcomes of FD from EMs. Therefore, we designed our literature review following the SPAR-4-SLR protocol (Paul et al., 2021). This protocol is one of the most comprehensive protocols that allow researchers to report their reviews in an orderly, rigorous, and transparent fashion while providing the rationale behind the review decisions that authors use. This approach is suitable for this review as it provides “state-of-the-art insights of and stimulating agendas to advance knowledge in the review domain” (Paul et al., 2021, p. 6). The review protocol consists of three stages: assembling, arranging, and assessing (see Fig. 1).

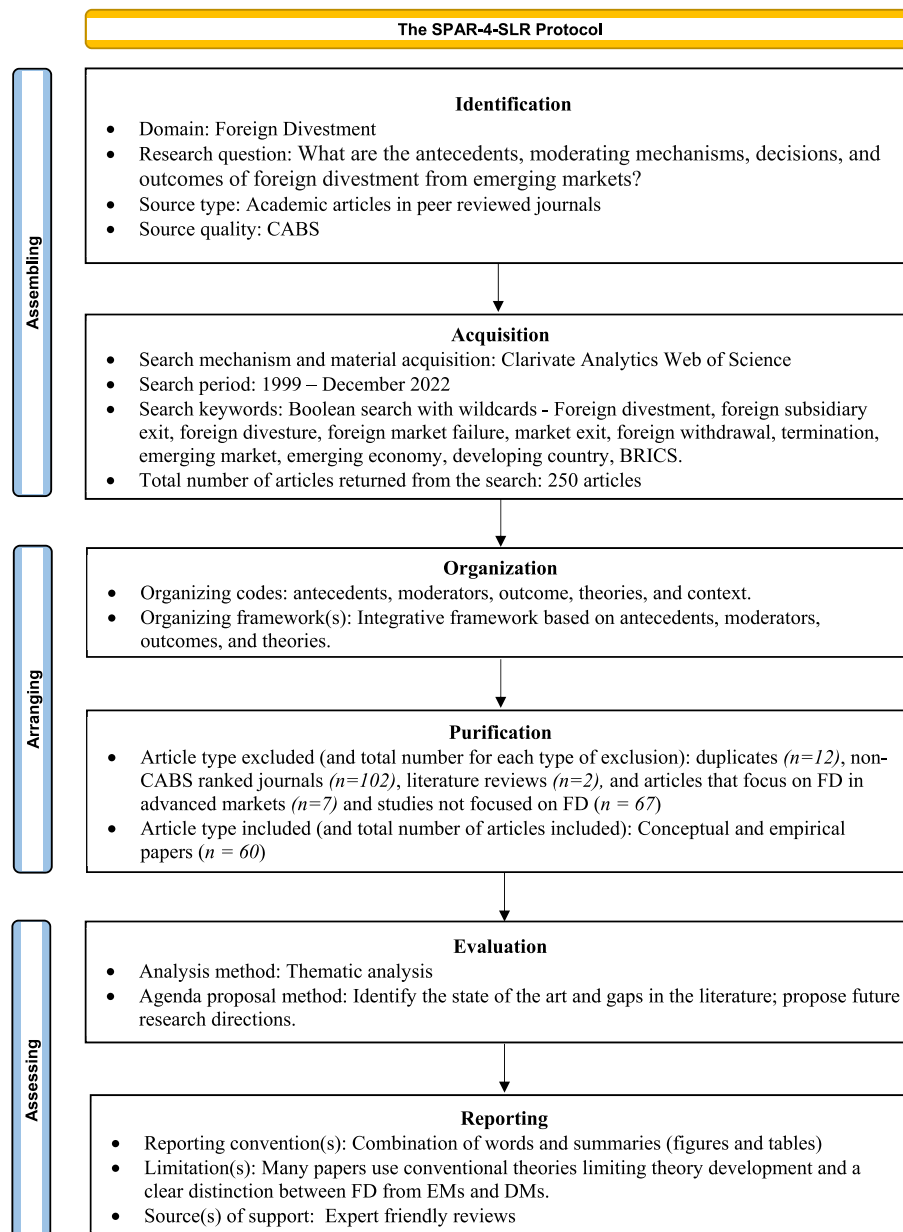


Fig. 1. Overview of the article screening and eligibility criteria.

2.2.1. Assembling

Assembling refers to the “identification and acquisition of the literature that have not been synthesized” (Paul et al., 2021, p. 6). Hence, we follow a two-step process.

2.2.1.1. Identification. To our knowledge, no literature review on emerging market FD has been conducted. Considering that the factors that lead to divestment from DMs and EMs may differ, it is imperative to scrutinize the literature and clarify the differences to scholars. Thus, we performed a multi-disciplinary literature search that covered IB, strategy, human resource management, general management, and economics journals using the Clarivate Analytics Web of Science (WOS) database. We then limited our journal inclusion to journals in the CABS AJG. We chose the CABS AJG (updated in 2021) due to its discipline-specific quality criteria to avoid reconciling the quality threshold of journals in WOS alone. Using this two-stage quality criterion ensures that articles in our sample have been rigorously selected from journals with a stringent review process and that usually accept papers that are

theoretically and methodologically rigorous in explaining a phenomenon. Hence, we can guarantee the quality of the output. We excluded books and book chapters because, typically, authors of books had also published journal articles that included much of the reported results.

2.2.1.2. Acquisition. Based on the title, abstract, or keywords containing “foreign divestment” OR “FD” OR “foreign exit” OR “market exit” OR “foreign subsidiary exit” OR “dissolution” OR “international divestment” OR “international divestiture” OR “market withdrawal” OR “market failure” OR “foreign withdrawal” OR “termination,” AND “emerging market” OR “emerging economy” OR “developing country” OR “BRICS” and their wildcard suffixes to incorporate multiple variations of keywords in the fields of management, finance, international business, and economics, the WOS database contains 242 peer-reviewed articles on FD in the context of EMs in journals featured in the CABS AJG list by December 31, 2022. Although FD can be considered an established domain (Arte & Larimo, 2019), FD from EM research is quite nascent. Consequently, we did not restrict our search period but left the

start date open. Due to the limitations related to time lags associated with WOS (such as the latest issues and in-press articles), we performed a manual search in all the CABS AJG list of journals in our domain and retrieved eight more articles, bringing our total output to 250 articles.

2.2.2. Arranging

Arranging alludes to the “organization and purification of literature that are in the process of being synthesized” (Paul et al., 2021, p. 6). Therefore, we organize and purify the articles as follows.

2.2.2.1. Organization. Having excluded articles from journals not included in the CABS AJG ($n = 102$), we coded the remaining 148 articles. We chose this approach to avoid omission errors, that is, to exclude articles that may appear irrelevant on the surface, which may be the result of poor titles, abstracts, or keywords but may be relevant when read thoroughly. Next, we devised an analytical procedure that consists of (a) bibliographic details, (b) research question, (c) key theoretical perspective, (d) type of article, (e) methodology, (f) sample, (g) geographic location of the study (home and host nations), (h) key findings or arguments, (i) themes, (j) limitations, and (k) future research agenda. All these elements from the articles were coded in an Excel sheet, and a summary of the codes has been provided as a supplementary appendix.²

2.2.2.2. Purification. Once the articles were fully coded, we were fully informed about which articles needed to be included or excluded from the review. We excluded duplicates ($n = 12$), literature reviews ($n = 2$), articles on FD that used developed country data or a context different from that of EMs ($n = 7$), and articles with FD in the abstract, title, or keywords but that did not explicitly focus on FD ($n = 67$). This resulted in a final sample of 60 articles in the review.

2.2.3. Assessing

Assessing entails “evaluation and reporting of literature that have been synthesized” (Paul et al., 2021, p. 6). Hence, we evaluated and reported the synthesized literature as follows.

2.2.3.1. Evaluation. We adopted the qualitative content analysis technique to give a descriptive and analytical approach to the most popular theories, contexts, and themes related to FD in and from EMs. We employed this method because it goes beyond the computation of codes and categorizes and elucidates the articles by focusing on the content and arguments (Paul & Rosado-Serrano, 2019). This method allows for the systematic and theory-guided reduction of a large amount of text data from any form of communication to its essence by categorizing the material into centripetal classifications (Paul & Criado, 2020). Hence, we deductively derived the basic structuring dimensions from the literature. More specifically, we adapted the antecedents-moderators-decision-outcome structure (Paul & Benito, 2018), which allowed us to analyze our collected data without any prior assumptions or preconceptions. By choosing this method, we could critically analyze the content, context, moderating mechanisms, and outcomes of FD in and from EMs. Additionally, this structure is generic enough to explore the field and serve as a foundation for analyzing the broad and diverse literature on FD in and from EMs. Last, the qualitative content analysis approach allowed us to identify gaps in the literature that need further exploration and hence has served as the basis for the future research agenda in the next section.

2.2.3.2. Reporting. The simplistic categories in the framework are building blocks that allow for complex analysis and interpretation of the

findings. Hence, we report our findings using a combination of words and summaries, such as figures and tables. This textual and visual representation of findings caters to the diverse readers of the European Management Journal. Throughout the preparation of the manuscript and review process, we received friendly reviews and feedback from colleagues with expertise in FD research, emerging markets, and crafting and publishing SLRs.

3. Overview of foreign divestment in emerging markets research

Following Chakma et al. (2021), we first provide an overview of how research on the phenomenon has emerged within the period under review (i.e., publication outlets, publication trends, the context examined, methodologies adopted, and key constructs/variables used in the studies). We further discuss the theories used, their rationale, and the antecedents, moderators, decisions, and outcomes of divestment from EMs. Consequently, we recognize gaps in the literature, which leads us to outline underdeveloped and novel research questions that may serve as a foundation for future research on FD from both DMs and EMs to advance the IB field.

FD from EMs has received less attention in the mainstream management literature (Kafouros et al., 2022). The 60 peer-reviewed articles on FD in EMs reflect 23 years of research in 37 renowned journals. Table 1 further shows that the *Strategic Management Journal* ($n = 7$), *Journal of Business Research* ($n = 6$), *Journal of International Business Studies* ($n = 3$), *Global Strategy Journal* ($n = 3$), *Journal of World Business* ($n = 3$), *Journal of International Economics* ($n = 2$), *Journal of Financial Economics* ($n = 2$), *Management International Review* ($n = 2$), *Asia Pacific Journal of Management* ($n = 2$), *Management Decision* ($n = 2$), and *Review of Emerging Markets* ($n = 2$) published most articles. The remaining 25 journals published one article each on FD from EMs. The distribution of articles across a wide range of journals in management, strategy, international business, finance, and economics shows the importance of the topic and how it can be studied from different perspectives in management and economics. Our analysis further indicates that 29 articles were published in CABS 4* and 4–4-ranked journals. Thirteen articles were published in journals ranked 3, and eleven articles in journals ranked 2. The remaining articles ($n = 7$) appeared in CABS level 1 journals. To show the quality of journals in our sample, we highlight these journals' impact factors (IF), which range from 0.636 to 13.419. The average IF for all 37 journals in our sample is 4.904, indicating the quality of the journals included.

We also examined the publication trends by evaluating the articles in our sample. The first paper on divestment in emerging markets was published in 1999. It is worth mentioning that emerging markets did not gain traction in the management literature until 2005 (Khanna et al., 2005). As such, some papers in our sample before 2005 may have used the term “developing countries” or specific countries described as an emerging market today. The two papers published before 2005 focused on divestment in Brazil and Latin America. Fig. 2 shows that from 1999 to 2017, 27 articles were published. Meanwhile, 33 articles have been published in the last five years, indicating that the topic is becoming popular among academics. Considering this, we believe that FD from EMs is becoming increasingly attractive, and more research will be released in the coming years, especially considering the current global and political crisis.

Finally, Table 2 shows that a significant majority (85%) of studies employed the positivist approach that focused on theory testing, mostly using secondary data from databases such as the Thomson Financial Securities data company's mergers and acquisition, the Orbis Corporate ownership database, the CompStat business segments database, and the Chinese National Bureau of Statistics, among others. Other scholars also relied on company surveys such as the country transparency surveys from the IMF, WEF, PwC, and World Bank's investment climate survey, while some studies extracted archival data from registers and reports. Of the 51 quantitative studies, only four used primary survey data acquired

² A summary of the coding of the articles is available as an online supplement [<https://www.sciencedirect.com/science/article/pii/S0263237323001287>].

Table 1

Key journals in the literature on foreign divestment in EMs.

#	Journal Name	N ^o of articles	CABS Ranking	Clarivate Analytics IF	References
1	Strategic Management Journal	7	4*	8.641	Blake and Moschieri (2017); Chang and Wu (2014); Jia and Mayer (2017); Liu et al. (2022); Makino et al. (2007); Sohl and Folta (2021); Soule et al. (2014)
2	Journal of International Business Studies	3	4*	11.382	Mohr et al. (2018); Mohr et al. (2016); Sartor and Beamish (2020)
3	Global Strategy Journal	3	4	7.571	Getachew and Beamish (2017); Tan and Sousa (2018); Wan et al. (2015)
4	Journal of Financial Economics	2	4*	6.988	Anderson (1999); Khwaja and Mian (2005)
5	Journal of World Business	3	4	8.513	Demirbag et al. (2011); Kafouros et al. (2022); Weng and Peng (2018)
6	Journal of International Economics	2	4	3.373	Gopinath (2004); Lane and Milesi-Ferretti (2012)
7	Management International Review	2	3	3.721	Schmid et al. (2021); Tan and Sousa (2019)
8	Journal of Business Research	6	3	9.418	Akdeniz and Talay (2022); Lee et al. (2022); Min et al. (2022); Nguyen et al. (2022); Pedada et al. (2021); Sandberg et al. (2019)
9	Asia Pacific Journal of Management	2	3	5.616	Hui et al. (2021); Pajunen and Fang (2013)
10	Management Decision	2	2	4.957	Park et al. 2011, 2021
11	Emerging Markets Review	2	2	4.073	Gama et al. (2017); Wang et al. (2018)
12	Review of Financial Studies	1	4*	5.838	De Haas and Van Horen (2013)
13	Management Science	1	4*	4.883	Chen and Jorgensen (2018)
14	Journal of The Academy of Marketing Science	1	4*	9.418	Pedada et al. (2020)
15	Journal of Management	1	4*	13.419	Zheng et al. (2017)
16	Journal of Finance	1	4*	7.544	Gelos and Wei (2005)
17	British Journal of Management	1	4	6.567	Marshall et al. (2021)
18	Journal of Management Studies	1	4	7.388	Zheng and Xia (2018)
19	Journal of Corporate Finance	1	4	4.249	Humphery-Jenner and Suchard (2013)
20	Review of Economics and Statistics	1	4	6.548	Aguiar and Gopinath (2005)
21	International Marketing Review	1	3	5.326	Tan and Sousa (2020)
22	International Business Review	1	3	5.915	Deng et al. (2014)
23	Industrial and Corporate Change	1	3	3.085	O'Brien and Folta (2009)
24	Research in International Business and Finance	1	2	4.091	Stolbov and Shchepeleva (2020)
25	Managerial and Decision Economics	1	2	0.975	Goel and Saunoris (2020)
26	Journal of Small Business and Enterprise Development	1	2	3.292	Lafuente et al. (2015)
27	Journal of Emerging Market Finance	1	2	0.636	Chinchwadkar and Seth (2018)
28	Economic Systems	1	2	3.208	Toraganlı and Yazgan (2016)
29	Critical Perspectives on International Business	1	2	1.179	Tan (2022)
30	Economic Modelling	1	2	3.875	Luo et al. (2022)
31	Applied Economics Letters	1	1	1.157	Bermana and Héricourt (2011)
32	Journal of Asian Economics	1	1	2.159	Yi et al. (2021)
33	Journal of Economic Integration	1	1	1.222	Georgopoulos and Sogiakas (2019)
34	Pacific Accounting Review	1	1	1.524	Farooq et al. (2021)
35	Journal of General Management	1	1	1.023	Chakrabarti and Mondal (2017)
36	International Journal of Public Sector Management	1	1	1.962	Chhibber and Gupta (2018)
37	International Journal of Emerging Markets	1	1	2.488	Lafuente et al. (2018)
Total Number of Journal Articles		60			

Note: CABS = Chartered Association of Business Schools; IF = Impact factor.

Table 2

Widely used methods in foreign divestment from emerging markets research.

Article type	Method and design	No. of articles	Examples
Conceptual (8.3%)	N/A	5	
Purpose			
Descriptive		1	Kafouros et al. (2022)
Explanatory		1	Tan (2022)
Formal		2	Gopinath (2004); Wan et al. (2015)
Propositions			
Predictive		1	Chen and Jorgensen (2018)
Empirical (91.7%)		56	
Qualitative (6.7%)	Content analysis	4	Pajunen and Fang (2013); Park et al. (2021); Pedada et al. (2020); Schmid et al. (2021)
Quantitative (85%)	Secondary datasets (surveys from databases, registers, reports, etc.)	51	Getachew and Beamish (2017); Lane and Milesi-Ferretti (2012); Liu et al. (2022); Nguyen et al. (2022); Park et al. (2011); Zheng et al. (2017)

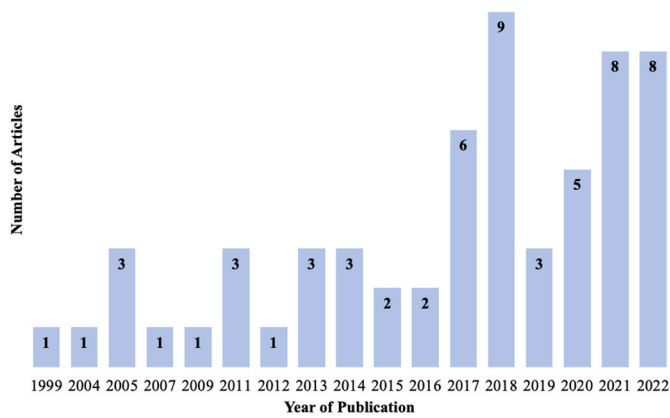


Fig. 2. Number of articles on FD in EMs published in leading journals (1999–2022).

directly from firms (e.g., Jia & Mayer, 2017; Tan & Sousa, 2020). It is worth mentioning that four articles employed the qualitative method to build or refine theory on divestment in the context of emerging markets to provide an empirical justification for the uniqueness of EMs (e.g., Pajunen & Fang, 2013; Park et al., 2021; Pedada et al., 2020). Among the empirical papers, the most widely used constructs/variables are provided in Table 3. The majority of the studies focused on divestment as their dependent variable. Thus, scholars were mostly interested in the antecedents of divestment. This indicates that further research is needed to understand the mechanisms and outcomes of FD in EMs. Finally, five articles explored different concepts within the divestment literature specific to emerging markets. For example, Tan (2022) explained firm strategies in declining industries in emerging economies. Similarly, Wan et al. (2015) showcased how firms make international divestment decisions by exploring what determines the propensity of international divestment and the type of foreign operations to be divested.

4. Towards an integrative conceptualization of FD in EMs

Having reviewed the extant literature on FD from EMs, we organized the findings into a framework that integrates the theoretical perspectives adopted in the studies. The core ideas and arguments are presented in Fig. 3. The EM context extends our knowledge of FD, particularly that related to country-level antecedents and outcomes of FD from these markets. Even though the research on EMs is context-specific, it contributes to the broader FD theme.

4.1. Theoretical perspectives

Prior research has adopted various theoretical perspectives for studying divestment (see Table 4). To understand the theoretical perspectives adopted in explaining FD from EMs, we evaluated each article in detail to identify the theoretical foundation applied. Of the 60 papers, 42 (70%) examined and discussed any management theory. Of these 42 papers, 6 applied the resource-based view (RBV), 5 used institutional theory, and three used the resource dependency theory, while other theories were used at least once. Eighteen papers (30%) did not specify any theoretical foundation for studying the phenomenon.

From the internal perspective, the RBV of the firm (Barney, 1991) has been applied to explicate which firm resources and capabilities offer a competitive advantage and are crucial for minimizing the probability of divestment. Similarly, the Knowledge-Based View (KBV; Grant, 1996) has been used to explore how knowledge transfer within the MNE influences divestment. Resource Dependency Theory (RDT; Pfeffer & Salancik, 1978) examines how organizations' external resources affect the firm's behavior and the likelihood of divestment. Real Options Theory (ROT; Chi et al., 2019) has been adopted to analyze the

decision-making relating to international portfolios and operations under conditions of uncertainty, while Organizational Learning Theory (OLT; Argyris & Schön, 1978) is useful in explaining the role of international experience concerning divestment.

From an external perspective, institutional theory (North, 1991) has been employed to assess the impact of the foreign institutional environment on the decision to divest. It is worth mentioning that institutional theory has become ubiquitous in IB research (Buckley et al., 2017) as researchers perceive that the set of rules and regulations in a country has an impact on firm performance, ultimately leading to divestment from certain markets. Instead of solely focusing on the economic perspective of institutions (Lounsbury & Crumley, 2007), as much research on FD from DMs has done (Arte & Larimo, 2019), the sociological perspective of institutions (DiMaggio & Powell, 1983) has proven useful in understanding the complexities of EMs, which significantly impact firm performance and divestment. Additionally, agency theory (Jensen & Meckling, 1976) has proven essential in explaining how the opportunistic behavior of contractual parties in the face of institutional voids leads to the dissolution of international joint ventures (IJVs). Drawing on the resource-based view, Gregorič et al. (2020) found that, to reduce ownership risk and restrictions in some EMs, MNEs form alliances with local firms. However, the opportunistic behavior of these firms leads to the breakdown of the partnership, leading to the MNE exiting the market (Mohr et al., 2016).

4.2. Antecedents of foreign divestment from emerging markets

The antecedents of FD from EMs can be examined from two levels: firm-specific factors and environmental factors. Firm-specific factors like experiential knowledge, foreign market performance, firm internationalization strategies, the behavior of firms, alliances, partners, and firm performance can influence the divestment decision of the MNE. Environmental-specific factors include exchange rates, economic crises, economic policy uncertainty, institutional environments, and industry-specific factors such as competition, which may impact the MNE's decision to exit a given EM.

4.2.1. Firm-specific antecedents of divestment

4.2.1.1. Subsidiary level. Many divestment studies have focused on firm resources and capabilities (Sandberg et al., 2019; Tan & Sousa, 2019, 2020), thus adopting the RBV as their theoretical lens. The fundamental logic behind these studies is that certain resources and capabilities are unique to firms and help them to compete in foreign markets (Barney, 1991; Barney et al., 2021). For example, innovative firms are less likely to divest from EMs due to their prolonged competitive advantage and ability to capture new markets and secure higher profit margins (Sandberg et al., 2019; Tan & Sousa, 2019). Firms with the resources to innovate (even if they are late movers) can compensate for less accumulated experience through innovation and are more likely to survive in emerging markets, irrespective of the lack of prior market experience (Sandberg et al., 2019). Similarly, in studying 1000 Chinese outward foreign direct investments (OFDI) to EMs, Tan and Sousa (2019) find that highly innovative firms are less likely to exit the market than firms that do not have the resources to innovate. They argue that innovative firms have the potential to create value for their customers and are less likely to exit a market due to failure. However, firms lacking the resources and capabilities to adapt to the changing environment in EMs are more likely to fail (Gama et al., 2017).

Additionally, the low performance of the subsidiary can lead to foreign divestment (Han, 2021). Investors perceive EMs as risky and expect higher returns if the goal of the MNE is to create value (Smimou, 2015). Managers of MNEs are more likely to exit a poorly performing foreign affiliate if there is a high level of product relatedness between the foreign affiliate and its core business (Tan & Sousa, 2018). To

Table 3
Most widely used variables/constructs in the studies.

	Dependent variable	Independent variable	Control variable
Dissolution/Exit/ Survival/Sell-off	Tan and Sousa (2018), Tan and Sousa (2019), Tan and Sousa (2020), Sohl and Folta (2021), Schmid et al. (2021), Sartor and Beamish (2020), Goel and Saunoris (2020), Chang and Wu (2014), De Haas and Van Horen (2013), Yi et al. (2021), Toraganlı and Yazgan (2016), Demirbag et al. (2011), Getachew and Beamish (2017), Hui et al. (2021), Sandberg et al. (2019), Liu et al. (2022), Zheng et al. (2017), Chinchwadkar and Seth (2018), Luo et al. (2022), Nguyen et al. (2022), O'Brien and Folta (2009), Park et al. 2011, 2021	Chakrabarti and Mondal (2017)	
Partial exit	Goel and Saunoris (2020), Humphery-Jenner and Suchard (2013), Luo et al. (2022)	Chhibber and Gupta (2018)	
IJV termination	Akdeniz and Talay (2022), Pedada et al. (2021), Makino et al. (2007), Mohr et al. (2016), Pajunen and Fang (2013), Pedada et al. (2020)		
Parent company/ Subsidiary size		Soule et al. (2014), Gama et al. (2017), Luo et al. (2022)	Aguiar and Gopinath (2005), Zheng et al. (2017), Weng and Peng (2018), Tan and Sousa (2018), Tan and Sousa (2020), Sartor and Beamish (2020), Chang and Wu (2014), Demirbag et al. (2011), Sandberg et al. (2019), Pedada et al. (2021), Lafuente et al. (2015), Lee et al. (2022), Mohr et al. (2016), Nguyen et al. (2022)
Firm age		Gama et al. (2017)	Zheng et al. (2017), Weng and Peng

Table 3 (continued)

	Dependent variable	Independent variable	Control variable
			(2018), Tan and Sousa (2018), Tan and Sousa (2019), Tan and Sousa (2020), Deng et al. (2014), Pedada et al. (2021), Lafuente et al. (2018), Min et al. (2022)
Parent firm international experience		Tan and Sousa (2019), De Haas and Van Horen (2013), Wan et al. (2015), Sandberg et al. (2019), Pedada et al. (2021), Makino et al. (2007), Mohr et al. (2016), (2018), Park et al., 2011	Aguiar and Gopinath (2005), Sartor and Beamish (2020), Hui et al. (2021), Lee et al. (2022)
Industry		Chinchwadkar and Seth (2018)	Aguiar and Gopinath (2005), Zheng et al. (2017), Sartor and Beamish (2020), Chang and Wu (2014), Hui et al. (2021), Jia and Mayer (2017), Zheng and Xia (2018)
Return on investment	Chakrabarti and Mondal (2017), Chhibber and Gupta (2018)	Soule et al. (2014), Deng et al. (2014), Hui et al. (2021), O'Brien and Folta (2009)	Chang and Wu (2014)
R&D intensity/innovation		Deng et al. (2014), Gama et al. (2017), Sandberg et al. (2019), O'Brien and Folta (2009), Park et al. (2011)	Demirbag et al. (2011), Hui et al. (2021), Nguyen et al. (2022)
GDP		Anderson (1999), Demirbag et al. (2011), Gopinath (2004), Jia and Mayer (2017), Luo et al. (2022)	Goel and Saunoris (2020), Chakrabarti and Mondal (2017), Chhibber and Gupta (2018), Lee et al. (2022)
Institutional development		Zheng et al. (2017), Anderson (1999), Chang and Wu (2014), Demirbag et al. (2011), Getachew and Beamish (2017), Khwaja and	Yi et al. (2021), Min et al. (2022)

(continued on next page)

Table 3 (continued)

	Dependent variable	Independent variable	Control variable
Corruption		Mian (2005), Liu et al. (2022)	
Governmental support		Sartor and Beamish (2020), Goel and Saunoris (2020)	
Political risk		Tan and Sousa (2018), Zheng et al. (2017)	
Internationalization speed		Blake and Moschieri (2017), Schmid et al. (2021), Soule et al. (2014), Gelos and Wei (2005), Jia and Mayer (2017), Liu et al. (2022), Nguyen et al. (2022)	
Host country competition		Yi et al. (2021), Kafouros et al. (2022), Mohr et al. (2018), Nguyen et al. (2022)	
Exchange rate dynamics		Schmid et al. (2021), Chakrabarti and Mondal (2017)	
Ownership structure		Anderson (1999), Bermana and Héricourt (2011), Toraganlı and Yazgan (2016), Gopinath (2004)	Akdeniz and Talay (2022), Zheng et al. (2017), Demirbag et al. (2011), Getachew and Beamish (2017), Lee et al. (2022), Mohr et al. (2016), (2018)
Global Economic conditions		Sartor and Beamish (2020), Chang and Wu (2014), Gama et al. (2017), Makino et al. (2007)	
Financial performance after divestment	Chakrabarti and Mondal (2017), Chen and Jorgensen (2018), Chhibber and Gupta (2018), Kafouros et al. (2022)	De Haas and Van Horen (2013), Lane and Milesi-Ferretti (2012)	

effectively employ firm-specific resources, MNEs will likely exit a market and redeploy resources from the poor-performing subsidiary to other subsidiaries if there are more related siblings (Sohi & Folta, 2021). This indicates that, even though MNEs are more likely to diversify their investment in EMs due to less competition in certain industries, they are also more likely to leave those markets when the subsidiary is not performing as expected (Lee et al., 2022).

Finally, the behavioral theory of the firm (Surdu et al., 2021) suggests that the ex-post opportunistic behavior of alliances and partners in EMs leads to the dissolution and divestment (Akdeniz & Talay, 2022;

Pedada et al., 2020, 2021). When a firm enters into a joint venture or alliance with a partner in an EM, they rely on each other to achieve common goals. Pedada et al. (2020) find that EM firms tend to form alliances with international firms to access higher-order resources such as technology. On the other hand, MNEs expect to establish legitimacy and have immense knowledge about customer preferences in these EMs. However, due to lower contract enforcement mechanisms, local firms often breach the contract, cannot deliver their side of the bargain, or engage in unethical practices, causing a breakdown in the relationship (Pedada et al., 2021). The ex-post opportunistic behavior leads to the dissolution of these alliances, ultimately leading to MNEs leaving the EM host country (Makino et al., 2007).

4.2.1.2. *Parent firm level.* First, the priority of a subsidiary to the parent firm’s portfolio is a significant factor that can lead to divestment from emerging markets. When a subsidiary is not a strategic fit with the parent firm’s overall portfolio, it may be considered a low priority for investment and may not receive the necessary resources and attention to succeed. Due to the scarcity of resources (particularly human capital), the KBV suggests that subsidiaries that commercialize products unrelated to the MNE’s core business are more likely to cease operations due to the intricacy of managing such diverse activities and the limited scope for knowledge transfer between the MNE and its subsidiaries in EMs (Getachew & Beamish, 2017; Kafouros et al., 2022; Park et al., 2011). Further, O’Brien and Folta (2009) found that MNEs are more likely to exit industries or sell subsidiaries unrelated to the rest of their portfolio of operations if the sunk costs of exiting that industry or market are not sizeable. As a result, divestment may be the best option for the parent firm to focus on its core businesses and improve its overall performance.

Second, the low performance of the parent company leads to divestment from emerging markets (Lee et al., 2022). When a parent company is struggling financially, it may need to focus on its core businesses and divest non-core assets to raise capital and improve its financial position. In such cases, divestment from emerging markets may be a strategic move to reduce costs and improve overall profitability. This is because most of the firm’s revenue comes from developed markets; hence, scaling down operations due to limited resources emanating from poor performance may mean that markets with lower revenues are more likely to be divested (Luo et al., 2022).

Third, the strategic refocus of the parent company leads to divestment from emerging markets. Parent firms may refocus their business strategy for various reasons, such as changing their target markets, products or services or repositioning their brand (Schmid et al., 2021). In such cases, the subsidiary operating in emerging markets may not align with the new business strategy or contribute to achieving the parent firm’s objectives (Schmid et al., 2021). This misalignment may make divestment from emerging markets necessary to achieve strategic goals. Schmid et al. (2021) found that a parent firm that had previously focused on developing a diverse portfolio of products or services, including those targeting emerging markets, may decide to change its business strategy and focus on a specific product or service line, which may not be suitable for emerging markets. In such cases, the parent firm may decide to divest from its subsidiary operating in emerging markets and reallocate its resources to its core business.

Finally, parent firm size and experience are crucial factors influencing the decision to divest from emerging markets (Luo et al., 2022). Smaller parent firms may lack the financial resources and operational capacity to succeed in emerging markets. These firms may not have the scale to achieve economies of scale or the ability to invest in the necessary infrastructure to establish a competitive presence in these markets. Additionally, parent firms with limited experience in emerging markets may face significant challenges when operating in these markets. Emerging markets are characterized by complex regulatory environments and cultural differences, which may require specialized knowledge and expertise to navigate successfully (Ameyaw &

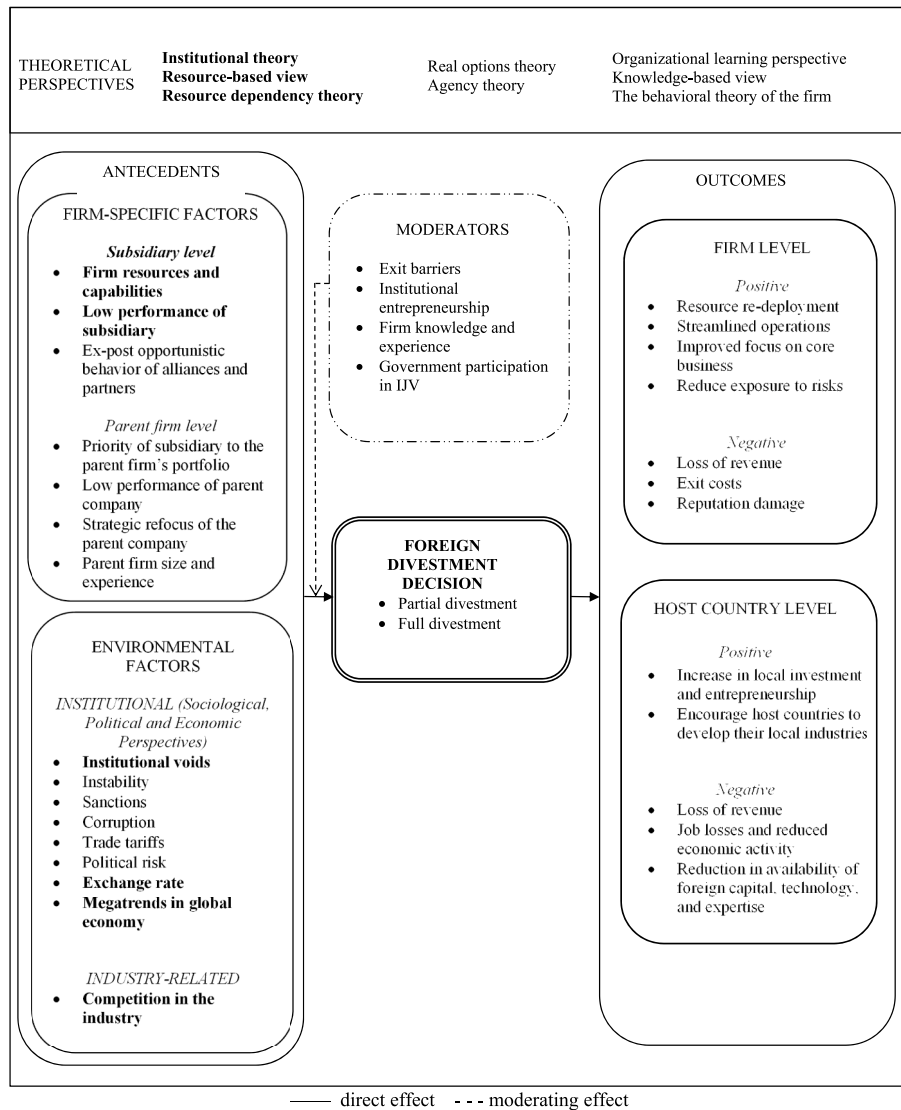


Fig. 3. Integrative Framework of FD in EMs (bold text represents aspects mostly investigated in prior research).

Panibratov, 2023). Parent firms with limited experience in these markets may struggle to establish the necessary business relationships, build effective distribution channels, and adapt to local market conditions (Luo et al., 2019), which could hurt their profitability and market share and ultimately lead to divestment.

4.2.2. Environmental factors that drive firms to divest

Using institutional theory (North, 1991) as a foundation, we presume the formal (laws and regulations) and informal (cultures, customs, and norms) “rules of the game” and various isomorphic pressures (DiMaggio & Powell, 1983) in EMs to be a major driver of foreign subsidiary exit from EMs. The complexity of the institutional fabrics in EMs presents an arduous task for MNEs, which increases divestment from these markets (Kumar et al., 2020). When operating in markets characterized by political risk, instability, corruption, and institutional voids, managers must devote time and resources to understanding and addressing these complexities, which diminishes them from the organization’s operations and increases the likelihood of failure (Getachew & Beamish, 2017).

Unlike DMs, where the rule of law guides economic actors, in emerging markets, these strong formal institutions are often lacking (Doh et al., 2017), resulting in institutional voids where unethical behaviors such as corruption become “acceptable” (Martin et al., 2007). However, this institutional logic in the host country may differ from that

of the MNE’s home country, and conforming to such practices may lead to the firm being punished by their home country (Bahoo et al., 2020). Hence, the MNE will likely exit this EM (Goel & Saunoris, 2020; Sartor & Beamish, 2020). For instance, Getachew and Beamish (2017) found that subsidiaries with a market-seeking focus are more likely to build local networks and conform to the host country’s institutions, increasing their chances of survival than firms that do not conform. They further iterate that the difference in institutional logic between Japan and many African countries decreases the likelihood of firm survival on average compared to Japanese investment in OECD markets. Similarly, Goel and Saunoris (2020) found that corruption in the host country decreases the chances of firm survival if the firm does not conform to the rules of the game. Sartor and Beamish (2020) show that the differences in home and host country institutional logic will lead to MNEs exiting EMs if corruption is high. Notwithstanding the complexity of institutions in EMs, firms with a profound knowledge of the complexities are more likely to survive (Anderson, 1999; Chang & Wu, 2014; Demirbag et al., 2011). Hence, we argue that firm survival is contingent on the institutions in the host country; therefore, understanding the dynamics of the institutions in EMs is crucial.

Additionally, the opportunistic behavior of managers in EMs from the agency theory perspective entails that corruption may lead to managers diverting corporate resources to maximize personal benefits at

Table 4
Widely used theories in studying FD from EMs.^a

Theory	Examples of studies that used the theory to study FD in EMs	Key Findings
Resource-based view	Deng et al. (2014); Lafuente et al. (2015); Pedada et al. (2020); Sandberg et al. (2019); Tan and Sousa (2019)	<ul style="list-style-type: none"> • Divestment is driven by limited firm resources. • Governmental financial support reduces the likelihood of exiting a poorly performing business in a foreign market. • Innovation capability moderates the relationship between performance and exit decisions. • Latecomers in international markets have greater survival rates than pioneers do because latecomers have stronger resource commitments
Institutional theory	Anderson (1999); Chang and Wu (2014); Demirbag et al. (2011); Getachew and Beamish (2017); Goel and Saunoris (2020); Tan and Sousa (2020)	<ul style="list-style-type: none"> • High economic freedom distance has a negative relationship with subsidiary survival. • The inability of a firm to adapt to the complexities of an EM host country leads to divestment. • State participation reduces the risk of international joint venture (IJV) dissolution, and the strength of this effect differs depending on the type of state-controlled actor that is involved in an IJV. • Political ties can help firms exit through selloffs, but these effects are primarily from ties to actors with executive authority rather than legislative authority.
Resource dependency theory	Mohr et al. (2016); Zheng et al. (2017); Zheng and Xia (2018)	<ul style="list-style-type: none"> • Firms are more likely to exit industries unrelated to the rest of their portfolio of operations. • Uncertainty dissuades firms from exiting an industry, but only when the sunk costs of entering and exiting that industry are sizeable. • Exploratory behavior in the overseas market greatly influences a firm's survival.
Real options theory	Akdeniz and Talay (2022); O'Brien and Folta (2009)	<ul style="list-style-type: none"> • Firms are more likely to divest from EMs in crisis years. • Subsidiaries that develop local networks and build a better local knowledge base are less likely to exit.
The behavioral theory of the firm	Aguiar and Gopinath (2005)*; Tan and Sousa (2018); Toraganlı and Yazgan (2016)*	<ul style="list-style-type: none"> • The top management team's knowledge of dealing with institutional complexities in EMs helps them develop better strategies to survive these markets.
Knowledge-based view	Park et al. (2011); Yi et al. (2021)	<ul style="list-style-type: none"> • Firms that learned from their experience with divestment in similar markets are less likely to divest again. • Performance shortfalls lead to foreign divestment until the organization undertakes
Organizational learning	Hui et al. (2021); Pedada et al. (2021)	

Table 4 (continued)

Theory	Examples of studies that used the theory to study FD in EMs	Key Findings
Agency theory	Chakrabarti and Mondal (2017)	<ul style="list-style-type: none"> • a sufficiently large number of foreign investments. • Opportunistic behavior of partners in EMs leads to divestment. • The opportunistic behavior of managers and the difficulty in contract enforcement increases the likelihood of divestment.

Note: * No explicit theoretical anchoring; however, the arguments are consistent with the assigned theory.

^a Detailed description of each study is provided in the online supplement.

the cost of shareholders due to the absence of incentives (Jensen & Meckling, 1976). In countries with institutional voids, contract enforcement tends to make handling these issues through formal institutional fabrics difficult (Doh et al., 2017). Hence, these corrupt managers may get away with such opportunistic behaviors, which creates investment risks and leads to poor firm performance and the closure of subsidiaries in EMs (Chakrabarti & Mondal, 2017).

The extant literature has focused on the institutional environment of the host country as an antecedent while ignoring the home country's institutional factors related to FD (Li et al., 2018). For example, firms might be coerced to divest to achieve their home country's political and social objectives (Rodrigues & Dieleman, 2018). Sanctions imposed by MNEs' home countries may significantly destruct their operations in the host country (Meyer et al., 2023). These sanctions will destruct their supply chain, create manufacturing challenges, and increase the risk of failure. They may also cause the host country to develop animosity toward the MNE. Host countries being sanctioned are likely to impose counter-sanctions, creating further challenges for MNEs (Hincica et al., 2020). Hence, it is not surprising that MNEs are divesting from countries that are perceived as "unfriendly" by their home country towards a "friend-shoring" of supply chains by relocating to "friendly" countries (Panibratov et al., 2022), as we have seen in the case of the mass exodus of MNEs from Russia recently (Jeffrey & Tian, 2022). Similarly, socio-political factors in home markets may imply that foreign production generates stakeholder conflict, making it difficult to maintain foreign operations in certain markets due to consumer animosity (Funk et al., 2010). This explains why Western firms still operating in Russia are stigmatized (Early & Jadoon, 2016), forcing many to leave the Russian market to safeguard their reputation (Jeffrey & Tian, 2022).

The rise in populism and skepticism regarding globalization in several countries has led to nationalistic policies, such as imposing trade tariffs and restricting foreign firm activities (Panibratov et al., 2023; Witt, 2019). This trend may be influenced by economic hardships in many countries due to COVID-19 and the current geopolitical crisis, which has forced many governments to implement policies to safeguard jobs and domestic firms' economic interests (Ciravegna & Michailova, 2021). For example, the Trump administration's implementation of trade tariffs on products coming to the United States meant that American firms producing in China, Mexico, and elsewhere had to rethink their strategy—leading to a back-shoring (Amiti et al., 2019).

Other studies suggest that economic factors such as exchange rates and megatrends in the global economy are drivers of foreign market exit. Toraganlı and Yazgan (2016) explore the effects of exchange rates on MNEs' survival in Turkey. They found that real exchange rate appreciation decreases the probability of survival in manufacturing industries. The vulnerability of EMs to exchange rates presents a higher business risk to firms, especially in the manufacturing sector, which must pay more for the same raw materials and machinery. The same sentiments were echoed by Bermana and Héricourt (2011) in their study of 4783

subsidiaries in multiple countries. In their research to find the causal relationship between systematic risk, economic policy uncertainty, and firm bankruptcy, Stolbov and Shchepeleva (2020) show that in emerging markets, bankruptcies are triggered by systematic risks and monetary policy uncertainty. Other studies find that firms are more likely to focus on their core competencies during a global economic recession (Krüger & Strauss, 2015; Lane & Milesi-Ferretti, 2012). They would exit from low-performing markets, which usually tend to be EMs (Aguilar & Gopinath, 2005; De Haas & Van Horen, 2013; Lane & Milesi-Ferretti, 2012).

The final group of studies maintains that industry-specific factors determine divestment from EMs. Some industries are more competitive than others; hence, FD is likely to be higher in highly competitive industries than in industries with less competition (Park et al., 2021; Tan, 2022). Deng et al. (2014) find that innovation increases the chances of firm survival in a highly competitive industry. However, firms that do not innovate are less likely to survive in the international market. Similarly, Sandberg et al. (2019) show that the lack of prior domestic market experience and innovation increases a firm's likelihood of exit from EMs.

4.3. Factors that moderate foreign divestment from emerging markets

The primary objective of this study is to explore the underlying causes of FD from EMs. Even though the antecedents of FD from EMs are clear, we introduced moderators to fully conceptualize FD from EMs. We argue that moderators can increase or decrease the likelihood of a firm divesting from a particular EM.

First, drawing on the resource-based view, a firm's initial and subsequent resource commitment may create an exit barrier for the firm. When the value of an investment in certain EMs is too high, for instance, due to the provision of infrastructure, the sunk cost of abandoning such investments may prevent the firm from leaving (Marquis & Raynard, 2015). For example, Zheng and Xia (2018) find that when a firm has more investments in an industry, it is less likely to terminate the investment with syndicate partners with higher exit costs. Similarly, Sartor and Beamish (2020) find that an increase in the foreign-investing MNE's equity ownership share negatively moderates the positive relationship between corruption and the likelihood that foreign subsidiaries established by DMNEs will exit the host EMs when corruption is high. Additionally, investment in highly specialized assets such as technology may increase the exit barrier of a firm, hence making it less likely that the firm may divest from a particular EM.

Second, from the institutional theory perspective, firms are likely to exit a market if they experience liability of foreignness due to the inability to conform to the host country's institutions (Zaheer, 1995). However, firms cannot always isomorphically conform to the host country's rules of the game (Minbaeva et al., 2021). This happens when there are conflicting institutional logics between the firm's home and host countries. In this regard, firms that can co-create new institutions are more likely to overcome the liability of foreignness, establish legitimacy, and keep operating in a particular EM (Newenham-Kahindi & Stevens, 2018; Rana & Sørensen, 2021).

Third, by examining firm experience from the knowledge-based view, it can be argued that firms with experience in emerging markets are more likely to succeed in other EMs. Comparing how firms from DMs and EMs survive institutional complexities, Newenham-Kahindi and Stevens (2018) find that firms from emerging markets better understand the complexities of doing business in other emerging markets due to their history of dealing with similar complexities in their home country. They argue that this experience helps EMNEs quickly adapt to institutional complexities in other EMs, and hence, they are more likely to succeed in such markets than DMNEs. A similar comparative analysis was done on Korean firms investing in emerging markets. Park et al. (2011) found that latecomers with strong resource commitment and knowledge of the emerging market have greater survival rates than

those without. Similarly, Getachew and Beamish (2017) found that subsidiaries operating in the African market that have developed local networks, experience, and knowledge lower their exit likelihood.

Finally, the resource dependency theory (RDT: Pfeffer & Salancik, 1978) shows how the external resources of organizations influence firm strategy and performance. Because organizations depend on other organizations, a social relationship is developed, which may affect or constrain the social context of these organizations. Hence, organizational survival is contingent on interest groups upon which the organizations depend for resources and support. The firm can acquire and maintain the resources needed for survival by transacting with other organizations and the external environment. RDT suggests that firms with governmental support are more likely to succeed. The firm establishes legitimacy with government ownership in an IJV. It gets favors from the ecosystem in the operating environment, thereby increasing the chances of survival (Mohr et al., 2016).

4.4. Foreign direct investment decision

Even though there is consensus that divestment refers to the withdrawal from foreign markets (Kafourous et al., 2022), it is less clear what exit mode a firm may choose. To clarify these types of exit modes, we argue that divestment should be considered as either *partial* or *full*. Partial divestment refers to situations in which companies reduce their foreign market commitments. In this case, a company may liquidate or sell some of its foreign subsidiaries and reduce its resource commitment, operations, and involvement in a specific country. Weng and Peng (2018) found that changes in labor protection laws may lead to firms partially divesting from a country. These firms may reduce operations in a particular country while using offshoring as a partial exit strategy to cope with institutional challenges in one emerging market. Similarly, Chhibber and Gupta (2018) contend that state-owned enterprises (SOEs) are more likely to partially privatize operations to increase firm performance. This strategy is adopted when an SOE's performance is below expectation (especially in emerging markets where corruption is high), and the partial sell-off is done to ensure proper management of the firm rather than fully exiting the market.

In contrast to partial divestment, full divestment of the firm refers to cases in which the firm completely ceases operations in a particular market. On the one hand, this happens when divestment is forced on the firm through economic boycotts, changes in trade agreements, and home government policies towards a host country, negatively impacting the MNE's operations. It can be argued that the Russian invasion of Ukraine and the subsequent sanctions on Russia have forced many firms to divest from this market (Panibratov & Gaur, 2022). Similarly, protectionism and deglobalization trends have forced some MNEs to divest from certain emerging markets (Lewin & Witt, 2022). On the other hand, full divestment may happen voluntarily—strategic reorganization of the firm's portfolio of foreign activities (Berry, 2013). This occurs when certain markets lose their appeal while others become more appealing. Hence, firms may exit one market because they have found better locations (Goel & Saunoris, 2020; Rasiah et al., 2010).

Finally, firms may voluntarily leave a market due to difficulty responding to new institutional requirements and restrictions imposed by host-country governments. In emerging and frontier markets, where continuity of governance is a major challenge, a new political regime is more likely to implement new regulations or cancel old contracts with MNEs. If not favorable to the MNE's operations, these new regulations may increase the likelihood of the MNE fully divesting from this country (Chen & Jorgensen, 2018; Goel & Saunoris, 2020).

4.5. Outcomes of foreign divestment from emerging markets

4.5.1. Firm level

Unlike the antecedents of divestment, the outcomes of divestment have not received much attention in the extant literature (Mohr et al.,

2020). FD can have both positive and negative implications for the firm. Using the OLT and the RBV, scholars have argued that reducing foreign operations can decrease financial resources (Luo et al., 2022; Marshall et al., 2021). The decrease in financial resources resulting from FD can significantly impact a company's financial performance (Chhibber & Gupta, 2018; Park et al., 2021). This can lead to several challenges, such as reduced cash flow, decreased profitability, and a weaker financial position overall (Marshall et al., 2021).

Additionally, FD can incur significant costs (e.g., taxes, fees, and legal expenses), leaving the parent firm with less money to invest in critical areas such as research and development, marketing, and employee training (Mohr et al., 2020). This can make it difficult for the firm to remain competitive in its core markets, and thus may lead to a decline in revenue and market share (Chen & Jorgensen, 2018). Furthermore, divesting from an EM can also result in significant write-downs of assets, such as goodwill and intangible assets (Chakrabarti & Mondal, 2017). In some cases, it may affect the firm's brand as FD may signal instability or a lack of commitment to stakeholders or as an indicator of financial trouble, thus reducing the firm's value (Marshall et al., 2021).

On a positive note, FD results in a proactive restructuring of the company's foreign and domestic operations (Hui et al., 2021; Kafouros et al., 2022). By divesting from underperforming markets, the firm can streamline operations by reducing coordination costs, improving management of the remaining operations and allowing for resource optimization (Chakrabarti & Mondal, 2017). Thus, MNEs may choose to divest from EMs to focus on their core operations and invest in opportunities that offer higher returns (Hui et al., 2021). This can include investing in new markets or products, acquiring new technology or talent, or improving existing processes. The ability to redeploy resources can lead to significant improvements in the company's operations, making it more efficient and competitive (Kafouros et al., 2022). For example, a company that previously invested heavily in a foreign market that did not yield significant returns may redirect those resources to invest in a new market that offers a higher potential for growth (Sohl & Folta, 2021). This can help the company diversify its revenue streams, reducing risk and improving long-term financial stability.

Finally, by divesting from a market where a company is struggling to compete, it can focus on its core strengths and better allocate its resources (Weng & Peng, 2018). This can lead to improved product quality, increased efficiency, and, ultimately, increased profits. Furthermore, FD can help a company reduce its exposure to political and economic instability in EMs (Liu et al., 2022). For example, if a company divests from a market that experiences significant political unrest or economic volatility, it can reduce its risk profile and increase its financial stability (Liu et al., 2022). Thus, FD can be a strategic decision to significantly improve a company's financial performance and value creation.

4.5.2. Host country level

FD can negatively impact the host country's economy and industries. First, FD can reduce the availability of foreign capital, technology, and expertise, hindering the host country's economic development and competitiveness in the global market (Lafuente et al., 2018). This is because FDI can bring in much-needed capital for investment in infrastructure, research and development, and other key areas that can drive economic growth (Ameyaw & Panibratov, 2023). Foreign companies may also bring new technologies and business practices to enhance productivity and competitiveness in the host country's industries (Osabutey et al., 2014). When these MNEs divest from the host country, it can result in a loss of these resources, which may impede the ability of most EMs to compete in the global market (Hobdari et al., 2017).

Second, foreign divestment can result in job losses and reduced economic activity, significantly impacting the local workforce and communities (Weng & Peng, 2018). This is especially true in cases where the foreign company was a major employer or a significant contributor

to the local economy. When MNEs divest, they may close operations or sell assets, resulting in job losses and reduced economic activity, which can be particularly challenging for EM host countries that may already be grappling with high levels of unemployment (Kodzi, 2021). The job losses resulting from FD can have a ripple effect on the economy. When people lose their jobs, they have less money to spend, leading to reduced consumer spending and lower demand for goods and services. This, in turn, can lead to a decline in production and economic growth, further exacerbating the unemployment problem (Kodzi, 2021).

Third, FD can lead to a loss of tax revenue for the host country (Marshall et al., 2021). When MNEs divest, they may no longer be paying taxes on their profits in the host country. This can reduce the host country's tax base and put pressure on government finances. As a result, the host country may struggle to fund key social programs and public services, leading many EM countries to go back to seeking aid to ensure the survival of their economies (Orji et al., 2019).

While FD is often seen as a negative development for the host country, there can also be potential benefits. First, FD can lead to increased local investment and entrepreneurship. When MNEs divest from a particular market, it can create opportunities for local businesses to step in and fill the gap, leading to the growth of local industries and the creation of new jobs. Additionally, the exit of MNEs may foster the development of entrepreneurial talent within the host country as individuals seek to take advantage of new opportunities (Ramoglou, 2021). FD can also encourage host countries to develop local industries (Kodzi, 2021). When MNEs divest, it can create an opportunity for host countries to build their own industries in sectors previously dominated by MNEs. For EMs, this is particularly important as it can lead to increased economic diversification, reducing the host country's reliance on a single industry or sector.

5. Research agenda

Based on the integrative framework presented in Fig. 3, we have considered what we do not know, or that has not been extensively explored in the extant literature. Subsequently, in Table 5, we have identified several dimensions and research questions that, if addressed, will deepen, change, challenge, and extend our understanding of the phenomenon.

5.1. Economic determinants of foreign divestment

Despite the importance of economic drivers of FD from EMs, many underlying factors that lead to FD from EMs remain under-explored. Megatrends in the global economy hurt firm performance, which increases the likelihood of divestment (Miroudot, 2020). However, the impact of this global economic crisis (emanating from the pandemic and the current geopolitical turmoil) differs from country to country. The extant literature shows that emerging and frontier markets are more negatively impacted by the global economic downturn than developed markets (Dheer et al., 2021). Hence, one would expect that firms would divest from these emerging markets, and yet, as some firms have reduced their investment commitments, others keep operating as usual (Moore, 2021). Therefore, it would be vital to use theories such as prospect theory (Tversky & Kahneman, 1992) to measure the perceived risk of an investment that leads to divestment from EMs. This approach will allow researchers to explore when and how economic crisis leads to foreign subsidiary exit and under what conditions firms are more likely to exit EMs rather than DMs in times of economic crisis.

5.2. Country institutional determinants of foreign divestment

Unlike DMs, the institutional complexities in EMs increase the probability of market exit. While divestment from DMs focuses on firms because of the existing framework, in EMs, institutions appear to be the predominant determinant of market exit. As EMs are characterized by

Table 5
Selected opportunities for future research on FD in EMs.

Issue	Relevant theories	Potential Research Questions
Economic factors	Real options theory; Prospect theory	<ul style="list-style-type: none"> • When and how does an economic crisis lead to a foreign subsidiary exit from EMs? • How does FD economically impact EM host countries?
Institutional factors	Institutional theory	<ul style="list-style-type: none"> • How do developments in institutional conditions and competitive intensity across EMs influence the exit likelihood of subsidiaries? • How do firms divest from a country subject to international sanctions? Does the decision to divest differ between EMs and DMs?
Resources and capabilities	Resource-based view	<ul style="list-style-type: none"> • What is the impact of divestment on firm resources and capabilities?
Knowledge and experience	Knowledge-based view; Organizational learning theory	<ul style="list-style-type: none"> • How does knowledge loss due to divestment affect firm performance? • How does divestment from an EM country affect different types of knowledge within the MNE?
Inter-organizational networks	Organizational learning theory; Contract theory; Transaction cost economics	<ul style="list-style-type: none"> • How do intended and unintended termination decisions influence the formation and termination of subsequent LJV in EMs? • What is the influence of LJV termination on developed and emerging market partners?
Subsidiary-level determinants and inclusion of subsidiary-level data	The behavioral theory of the firm	<ul style="list-style-type: none"> • How does the relationship between a subsidiary and headquarters impact the decision to divest from a particular EM? • Under what circumstances do subsidiaries develop disparate and competing goals relative to those of the headquarters, and how does it lead to subsidiary divestment from a particular EM?
Organizational decision processes	Discourse-based view; The behavioral theory of the firm	<ul style="list-style-type: none"> • How do managers arrive at the decision to divest from a specific EM country? • How do firms communicate the decision to divest from emerging markets to their employees, and how do regulations in EMs safeguard employees who lose their jobs because of this decision?
Talent management	Human capital theory	<ul style="list-style-type: none"> • How does the availability and retention of skilled talent in EMs influence the likelihood of FD, and are there differences across industries?

Table 5 (continued)

Issue	Relevant theories	Potential Research Questions
Hybrid and remote work	Organizational learning theory; dynamic capabilities theory	<ul style="list-style-type: none"> • What strategies can EM governments and MNEs implement to mitigate the negative impact of brain drain on the local workforce? • How do hybrid and remote working models influence MNEs' necessity of physical presence in EMs, and what contributes to the decision to downsize or divest from local offices? • How has the COVID-19 pandemic accelerated or reshaped the strategies of MNEs regarding their presence and potential divestment in EMs?
Digitalization	Disruption theory; organizational learning theory	<ul style="list-style-type: none"> • How do digital advancements, particularly automation and artificial intelligence, impact the operational strategies of MNEs in EMs, and what role do these advancements play in decisions to divest from specific regions or industries?

political instability, corruption, and weak institutions, firms are exposed to risks, increasing the likelihood of FD. Also, institutional void and its negative impact on firm performance and market exit are more associated with EMs than DMs.

Moreover, as each country is characterized by different institutions (formal and informal), there are institutional distances between the MNE's home and host country (Cuervo-Cazurra et al., 2019). This distance is manifested in the cognitive, regulative, and normative pillars. In DMs, the distance between the regulative environment of one country and the other is not as vast. However, that is not true for EMs, where institutions vastly differ. As a result, there is a risk of tensions arising from disparities in culture, laws, regulations, and rules (Ameyaw, 2023). These factors will have a significant impact on the decision to divest. For this reason, the effect of institutional variations on FD from EMs is worth examining. This can focus on the institutional distance between home and host countries, especially by exploring DMNEs' exit from EMs.

Furthermore, developed countries have a history of imposing economic sanctions on emerging markets that do not conform to their political expectations (Panibratov & Gaur, 2022). These sanctions hurt MNEs operating in these EM countries. Even though MNEs try to survive these forms of crisis, they are more likely to exit the market if sanctions intensify and the risk of doing business therein rises (Oh & Oetzel, 2010). Accordingly, it is worth exploring when and how firms exit a market owing to increased political risk from exogenous shocks such as sanctions on the host country.

Finally, the extant literature has shown that firms may divest from a market in response to violent conflict in the host country as a risk mitigation strategy (Oetzel & Getz, 2012). However, there are cases, such as the Russian invasion of Ukraine, where the host country is the aggressor, forcing MNEs to respond to such aggression through divestment (Jeffrey & Tian, 2022). Even though some firms have fully divested from Russia, others have partially exited, while some are operating as usual. Therefore, the effect of divestment on firm performance is worth exploring.

5.3. Resources and capabilities

Despite the extensive research on how resources and capabilities impact firm divestment (Kafouros et al., 2022), little is known about the importance of context-specific resources. A firm's resources and capabilities to deal with a complex institutional environment may help it succeed in a market that requires such capabilities. However, the same capabilities will be worthless in markets that do not need them. Therefore, firms are required to complement their internal and external market capabilities under different market conditions. How firms do that is less explored in the extant literature. Additionally, the impact of the firm's decision on its resources and capabilities is less clear in the extant literature and provides an avenue for future research.

5.4. Knowledge and experience

Firm knowledge and experience, especially in the context of EMs, significantly affect their strategy and decision to exit a market (Surdu & Narula, 2020). Nevertheless, little is known about how the decision to leave a certain market impacts various forms of knowledge. Indeed, it is argued that firms learn more from their failures than their successes (Miles & Snow, 1984). When a firm closes its subsidiary in a certain country, it is expected to use the knowledge and experience gained from that market. However, how such knowledge is used is not highly researched. Additionally, the effect of divestment on the different types of knowledge in the MNE needs further exploration.

5.5. Interorganizational linkages

While partnership conflicts are perceived to increase IJV dissolution, few studies have focused on this phenomenon. Although Mohr et al. (2016) and Pajunen and Fang (2013) examined the impact of partnership conflicts and opportunism on IJV dissolution, they used resource dependency theory and a dialectical tensions perspective, respectively. However, since opportunism is an element of transaction cost from a contract theory perspective, we encourage future studies to examine partnership conflicts and IJV opportunism using contract theory, internalization theory, or transaction cost economics (TCE).

Furthermore, organizational learning theory insinuates that firms learn through inter-organizational linkages with foreign partners (Kafouros et al., 2022). Although firms benefit from such linkages, it is essential to understand the direction of knowledge transfer, if such linkages lead to opportunistic behaviors where one firm benefits more than the other, and its impact on the propensity to dissolve such partnerships.

5.6. Subsidiary-level determinants and inclusion of subsidiary-level data

The paucity of subsidiary-level variables and determinants of FD in this review indicates significant factors have been overlooked. Given the hazard rate of subsidiaries in FD, it is paradoxical that most studies focus on the parent company rather than on subsidiary-level factors. Few studies capture the relationship between subsidiary behavior and market exit by focusing on the parent company while overlooking the subsidiary. We call on future research to focus on the subsidiary level using subsidiary-level data. Even though the dearth of subsidiary-level variables can be attributed to data inaccessibility, as many firms do not report subsidiary-level data in their annual reports, we entreat researchers to adopt different methodologies such as qualitative methods (case-study, fuzzy set qualitative analysis, etc.) to study subsidiary behavior and how it leads to divestment from EMs.

5.7. Organizational decision process

The IB literature tends to focus on firm and country levels of analysis while ignoring the behavior of managers (Kano & Verbeke, 2019).

However, firm decisions are made by managers, and understanding how the decision to divest is arrived at is critical to understanding the underlying process of divestment. We contend that the decision to divest is characterized by knowledge, power, and resistance, with legitimacy attained after dominant discourse results in better firm performance associated with divestment (Treviño & Doh, 2021). Hence, we argue that the managerial decision process underlying divestment can be guided by the discourse-based view (Treviño & Doh, 2021) and the behavioral theory of the firm (Cyert & March 1963).

From the behavioral theory perspective, firms measure their performance in comparison to an aspiration level. When performance falls below this threshold, they may take greater risks by expanding or reducing risk through divestment. However, under what circumstances firms divest owing to performance below a level of aspiration is less explored in the extant literature. Additionally, whether managers are likely to expand operations in DMs while cutting back on investment from EMs owing to deficient performance should be investigated.

5.8. Talent management

With the introduction of different migration programs by governments in many developed countries to attract talent from around the world, many skilled professionals migrate to them in search of better opportunities (Ikubolajeh Logan & Thomas, 2012). This can weaken the labor pool in EMs, and hence, companies may find it challenging to staff their operations with skilled employees, which can lead to operational inefficiencies. Yet, while brain drain has been extensively studied in the human resource management literature (Bhardwaj & Sharma, 2023), IB scholars have been slow to study the impact of this phenomenon on FD. Thus, future research should investigate how MNEs design and implement talent retention strategies to mitigate the adverse effects of brain drain on their operations in EMs. Scholars should explore how MNEs develop human resource policies that incentivize knowledge transfer and employee loyalty, thereby reducing the likelihood of divestment. Additionally, future research should assess how governments can collaborate with MNEs to create conducive environments that foster knowledge retention and attract skilled professionals back to their home countries, ultimately deterring divestment. Leveraging the human capital theory, scholars can investigate how investments in human capital, by both MNEs and governments, act as a buffer against the negative implications of brain drain on FD, offering valuable insights for policymakers and business leaders in emerging markets.

5.9. Hybrid and remote work

COVID-19 has expedited the widespread adoption of hybrid and remote work arrangements, necessitating rapid technological investments, normalizing remote work as a viable option, and triggering the shift towards hybrid models, impacting office spaces, work-life balance, talent recruitment, and cybersecurity considerations, while also sparking discussions on future work policies and flexible arrangements (Kähkönen et al., 2021). While these types of working arrangements are encouraged (Choudhury et al., 2021), their impact on foreign operations needs to be explored. In the context of MNEs seeking cost-effective labor in a specific country, a pertinent question arises: does it remain logical to maintain a physical presence in a particular EM country if labor can be outsourced remotely? This questions whether divesting from physical operations in favor of hiring individuals remotely from such locations would represent a more rational strategic choice.

The evolving relationship between MNEs, governments, and workforce strategies should be at the forefront of future FD research. Research can explore how MNEs adapt their organizational structures and workforce management practices to accommodate remote work and leverage these models to optimize their global presence. This agenda should also assess the role of governments in creating regulatory

frameworks that support remote work and its potential impact on FD decisions. Drawing on organizational learning theory and dynamic capabilities theory, scholars can investigate how MNEs learn to harness the benefits of remote work, adapt to technological advancements, and develop dynamic capabilities that enable them to thrive in EMs. This research can guide policymakers and corporate leaders in crafting strategies to harness the potential advantages of remote work while addressing any divestment-related challenges.

5.10. Digitalization

With the advancement of digital technology, the future of work has been under discussion (Lewicki et al., 2019). As MNEs reshape their business models to enhance operational efficiency, market dynamics will likely be altered. For example, MNEs may increasingly harness digital technologies to streamline operations, centralize functions, reduce overhead costs, and optimize their global footprint. This may diminish the need to be physically present in certain markets considered less strategically critical. Moreover, the emergence of digital disruptors and new market entrants will intensify competition, compelling MNEs to reevaluate their investments and divest from underperforming assets. This provides an excellent avenue for future researchers to explore how digitalization impacts foreign divestment.

Future research could investigate how MNEs adapt their business models, operations, and supply chains in response to digitalization and how these adaptations influence FD-related decisions. Furthermore, researchers should investigate the influence of governments on shaping the digital landscape, including their role in establishing regulatory frameworks, making infrastructural investments, and implementing digital literacy programs. Understanding how these elements impact foreign investment or divestment is of paramount importance. Leveraging disruption theory, research can explore how digital innovations disrupt established industries, potentially leading to divestment in legacy businesses, and how firms respond to such disruptions. Furthermore, organizational learning theory can be applied to understand how MNEs acquire and leverage digital capabilities to thrive in foreign markets, potentially altering their divestment strategies (i.e., choosing partial over full investment or vice versa).

6. Discussion and conclusion

6.1. Are the antecedents of FD in EMs different from those in DMs?

Through this systematic literature review, we have developed a holistic overview of the current understanding of FD from EMs. Notwithstanding our focus on EMs, several environmental-level antecedents are similar to those of DMs. Even though these factors may be similar, the rationale behind those antecedents somewhat differ. We, thus, provide a comparison between FD from EMs and DMs (Fig. 4).³

Even though both EMs and DMs may be characterized by similar antecedents, as shown in Fig. 4, we argue that these antecedents are much more apparent in EMs than in DMs. This is because EMs are often characterized by fluctuations in economic growth, inflation, and currency values, leading to uncertainty and risk for foreign investors (Doh et al., 2017). For instance, economic instability can lead to political instability and social unrest, creating further risks and uncertainties for foreign investors (Dai et al., 2013) and causing them to reduce their exposure by exiting the market (Liu et al., 2022). Similarly, fluctuations in the value of the local currency can create volatility in the market, leading to foreign investors suffering losses when converting their profits back into their home currency (Bermana & Héricourt, 2011). This may cause MNEs to divest EMs in favor of more stable investment opportunities elsewhere (Bermana & Héricourt, 2011).

Additionally, inadequate infrastructure in some EMs limits growth prospects for businesses. Without reliable infrastructure such as roads, telecommunications, and power, businesses may struggle to operate efficiently and effectively (White et al., 2019). For example, constant power outages in Ghana and Nigeria caused MNEs to pause operations or use alternative power sources during outages, which increased operating costs (Peprah et al., 2022). This reduces profitability and limits the growth prospects of MNEs, leading to divestment from these markets (Goel & Saunoris, 2020). Also, corruption can create an unfavorable business environment and reduce the trust and confidence of foreign investors in EMs due to inefficient and unfair business practices, which can increase costs and reduce profitability (Sartor & Beamish, 2020). This may create legal and reputational risks for foreign investors, forcing them out of the market (Sartor & Beamish, 2020). Finally, the lack of transparency in EMs can create difficulties for foreign investors in accessing accurate and reliable information. Without access to reliable information, investors may be unable to make informed investment decisions, which can increase their risk of suffering losses (Soule et al., 2014). This lack of transparency increases transaction costs and forces MNEs to make unethical decisions such as bribery, which causes them to lose legitimacy and thus may lead to poor performance and ultimate divestment (Soule et al., 2014).

The second circle examines research on antecedents of FD from DMs. Although the list is not exhaustive, some of these antecedents include high taxes, stiff competition, high labor costs, and market saturation. First, high taxes can reduce the profitability of foreign companies operating in DMs (Arte & Larimo, 2019). This may decrease the return on investment, making it less attractive for foreign investors to invest in DMs. Second, with developed markets often being mature, there can be a limited number of growth opportunities for foreign companies (Berry, 2013). This puts pressure on companies to maintain their profitability and can lead to a race to the bottom in terms of prices, which can be unsustainable for MNEs that may have higher operating costs. Third, the higher wages demanded by workers in developed markets and the relatively higher minimum wage laws in DMs may force MNEs to keep manufacturing in DMs (Preiss, 2014). To ensure lower operating costs, MNEs are likely to offshore certain operations to EMs where the cost of labor may be cheaper (Boussebaa et al., 2014). Fourth, market saturation can limit growth opportunities for foreign companies in developed markets (Schmid & Morschett, 2020). When a market is saturated, there may be limited scope for new entrants to gain a foothold and for existing companies to expand. This can make it difficult for foreign companies to achieve the level of growth necessary to justify their investment in DMs.

Finally, certain antecedents overlap, as shown in Fig. 4. Unfavorable business conditions, such as economic, market, and operational factors, can make it difficult for MNEs to operate profitably in a particular market (Ozkan, 2020). For example, high levels of competition, low demand, and high operating costs can all contribute to unfavorable business conditions (Arte & Larimo, 2019). These conditions can lead to lower profits and reduced returns on investment, which can result in divestment. Furthermore, restrictive labor laws, excessive tariffs, and burdensome bureaucratic procedures may lead to difficulty in doing business (Goel & Saunoris, 2020). These regulations can make it difficult for MNEs to operate efficiently and profitably, leading to lower investment returns and divestment. Finally, political risks, such as social unrest, terrorism, and geopolitical instability, can also lead to foreign divestment (Liu & Li, 2020). Due to the bad intergovernmental relationships between host and home countries, host countries can become hostile to MNEs by introducing policies that restrict the MNEs' activities or increase the cost of doing business (Moschieri et al., 2022). Thus, political risks can create a volatile business environment, making it difficult for companies to operate safely and predictably (Liu et al., 2022). This uncertainty can lead to lower investment returns, ultimately leading to divestment from both EMs and DMs.

³ We thank an anonymous reviewer for suggesting this point.

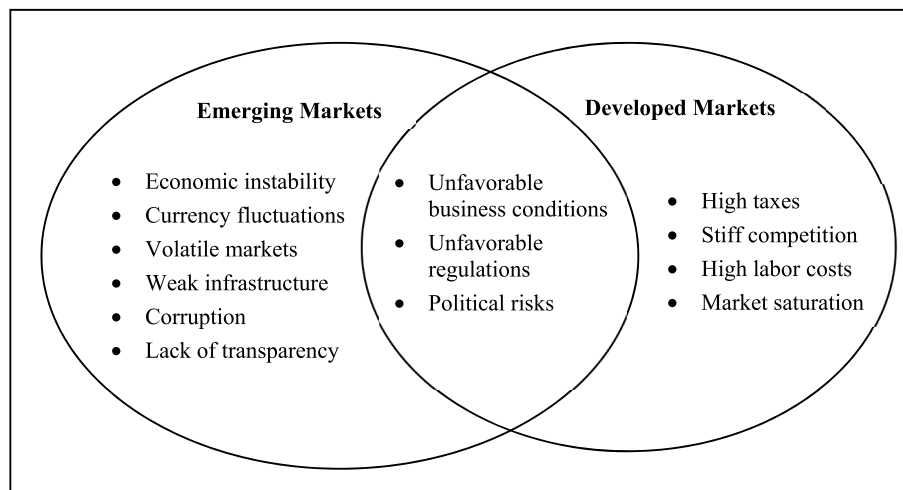


Fig. 4. Comparing antecedents of foreign divestment from emerging markets to developed markets.

Note: These factors are not mutually exclusive and may interact in complex ways. Additionally, specific cases of FD may have unique factors that are not included in this Venn diagram.

6.2. Towards outcome-based FD research

Our review has revealed that the existing literature has predominantly focused on the antecedents of FD, with relatively limited attention given to the outcomes. We posit that understanding the outcomes of FD is equally crucial in the context of EMs. Divestment can yield both positive and negative consequences for EMs. On one hand, FD can create a niche in the market, potentially fostering entrepreneurship. However, it may simultaneously lead to job losses, as new ventures may not possess the capacity to employ as many individuals as the departing MNE.

Furthermore, in some firms, divestment may necessitate reallocating resources and restructuring to enhance operational efficiency. Conversely, for others, it may translate into a loss of revenue and convey a negative performance signal to investors. Given the absence of a consensus on the multi-faceted implications of FD for firms and host countries, this area represents a promising domain for scholars seeking to delve into the nuanced outcomes of FD.

6.3. Theoretical implication

Our findings reveal that in EMs, the external environment and firm-specific factors drive divestment—indicating that FD is intrinsically multi-level. We note a limited number of studies that establish meaningful linkages between internal (firm-level) and external (country- and global-level) constructs. While much research has explored the firm-level antecedents of FD, limited attention has been focused on the external environment. With the rise in geopolitical crises and the subsequent divestment from EMs, it is appropriate for scholars to build or extend theories that would explain the impact of the external environment on divestment. This, therefore, provides an opportunity for scholars working on EMs to use the context as a laboratory for theory building.

Additionally, we show that the predominant focus on the antecedents leading to FD has obscured the consequences of FD. We argue that the divestment decision is a process. Antecedents are a prior to the divestment decision, and by stopping at the antecedents leading to the divestment decision, we are ignoring the other end of the divestment process. By exploring the negative and positive consequences of FD, scholars can better suggest managerial and policy implications that may deal with grand challenges. This may be an avenue to use FD research to contribute to the corporate social responsibility and sustainability research audience.

Finally, our research lays the groundwork for future studies by identifying the antecedents, decisions, moderating mechanisms, and outcomes of FD in EMs. We draw linkages across numerous research strands by synthesizing theoretical ideas using an integrative framework. Through this, we chart a future research agenda that seeks to forge connections between the antecedents, moderating mechanisms, and outcomes of the divestment decision. Pursuing research in this direction may enrich our comprehension of the FD phenomenon and lay the foundation for developing theories that hold practical relevance.

Acknowledgments

We thank our editor, Justin Paul, and seven *European Management Journal* anonymous reviewers for highly constructive and useful feedback that allowed us to improve our article. We gratefully acknowledge Len J. Treviño and participants of the Academy of International Business Conference in Warsaw, Poland (2023), for feedback on early versions of this manuscript. All errors remain ours.

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