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ORGANIZATIONAL IMAGE, IDENTITY, AND INTERNATIONAL DIVESTMENT: A THEORETICAL EXAMINATION

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International divestment is a prevalent phenomenon and should be viewed as an integral part of the internationalization process. Nevertheless, the field of international business and strategy has paid scant attention to this topic. We develop a conceptual framework to examine a firm's propensity to divest internationally and the type of foreign operations it will divest. We posit that a firm's international divestment decisions are influenced by its organizational image and identity. Premised on this behavioral perspective, this article develops a theoretical model and generates a set of propositions to shed light on the topic of international divestment. Copyright © 2015 Strategic Management Society.

INTRODUCTION

The topic of internationalization has spawned a rich and diverse literature in the field of international business and strategy (e.g., Caves, 1995; Dunning, 2001; Geringer, Beamish, and daCosta, 1989; Johanson and Vahlne, 1977; Nachum and Zaheer, 2005). The strong interest in international firms, or multinational corporations (MNCs) in general, is understandable considering the pervasiveness and economic clout of such organizations as well as the significant impact on a wide array of stakeholders, ranging from national governments to individual workers (Rugman and Verbeke, 2004). However, theory and research on internationalization have to date centered on diversification, or growth and expansion. Much less attention has been paid to the phenomenon of international divestment, or de-internationalization, which is generally understood as the reduction of a firm's international operations (e.g., Benito and Welch, 1997; Boddewyn, 1979; Chng and Pangarkar, 2000). Such neglect is especially surprising given that firms on average divest about half of their formerly acquired businesses internationally or otherwise (Kaplan and Weisbach, 1992; Porter, 1987). A number of scholars began to view international divestment as a purposeful corporate strategy that is part of a firm's global expansion strategies (e.g., Calof and Beamish, 1995; Fletcher, 2001; Welch and Luostarinen, 1988). International divestment, an activity enabling firms to sustain their global strategies, deserves a closer examination. Therefore, we are interested in examining how firms make international divestment decisions and what determines the propensity of international divestment and the type of foreign operations to be divested.

Two factors from a rational, economic perspective have been most commonly used to explain the divestment process in general: economic models and agency theory (Hoskisson, Johnson, and Moesel,

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1994). Using economic models, scholars look at firms' exit activities as largely rational responses to changing economic circumstances such as deterioration of a host country's business attractiveness. Although it may be economically reasonable to calculate risk and return, firms do not always consider such calculations before discarding underperforming units (Decker and Mellewigt, 2007; Shimizu and Hitt, 2005). Extant research that applies agency theory conversely suggests that managers will hold on to underperforming units in order to reap the last benefits and maximize short-term profit (Cho and Cohen, 1997). However, organizational scholars have long argued that decision-making processes are embedded in organizational contexts and, thus, can be influenced by factors other than economic ones (e.g., Weick, 1995). Hence, we wonder how firms make international divestment decisions if the decisions are not entirely economics based and are indeed heavily influenced by factors from a boundedly rational, behavioral perspective.

In this article, we seek to offer the 'human dimension' (Piekkari and Welch, 2010) to the study of MNCs in regard to making divestment decision. Specifically, we adopt an alternative theoretical lens to posit that a firm's international divestment decision can also be influenced by its organizational image and identity. Organizational image is defined as what organizational members believe to be the way others view their organization, whereas organizational identity refers to the organizational members' collective understanding of the central features of their organizations (Dutton and Dukerich, 1991). We suggest that a firm's decisions about international divestment can also be influenced by its organizational image and identity because these relate to how organizational members make sense of who they are and what they do. Weick (1995) described the story of the Mann Gulch fire that claimed the lives of 13 firefighters because they refused to retreat from the fire. According to Weick (1995), the firefighters behaved in ways that could not be reconciled easily with the particular situation, as they were too immersed in their image and identity. Similarly, a firm with foreign operations is likely to strive to maintain its image and identity as an 'international' firm and is not likely to consider divestment as a viable option. Such persistence may reflect the results of the 'tortuous evolution' (Perlmutter, 1969), which refers to the exceedingly time consuming and incremental process of internationalization. As such, a firm's divestment decisions may at times seem at odds with 'common' expectations, but can be comprehended when one employs the theoretical lens of organizational image and identity.

Premised on organizational image and identity, this article develops a conceptual framework and offers a theoretical model and a set of propositions to understand international divestment as informed by a boundedly rational, behavioral perspective. Our article has two main potential contributions to the literature. First, it draws attention to the topic of international divestment that has received very limited scholarly attention. The conceptual framework advances the literature not only by examining the propensity of an international firm to divest, but also by suggesting which types of foreign operations are more likely to be divested. Second, our article adopts a new theoretical lens to view international divestment. In the same spirit as Whetten (1989), we employ insights from the literature on organizational image and identity that have the potential to offer an alternative view of understanding international divestment in the international business and strategic management literature. Considering the organizational image and identity factors, our framework can explain why managers resist or even delay international divestment: because the decision about which foreign operations to divest will affect how the entire MNC is perceived internally and externally. Such a view from a boundedly rational, behavioral perspective provides a plausible explanation of some international divestment decisions that seem implausible if viewed purely from a rational, economic perspective.

INTERNATIONAL DIVESTMENT

Defining international divestment

Internationalization is generally defined as expansion across the borders of regions and countries into different geographic locations or markets (Geringer *et al*., 1989). By and large, most studies view internationalization as either a strategy for gaining competitive advantage (Hitt, Hoskisson, and Ireland, 1994) or exploiting foreign market opportunities and imperfections (Rugman and Verbeke, 2004). In addition to performance-related factors, the environmental and firm-specific factors (e.g., industry globalization, product diversification, and foreign competition in domestic markets) are found to have fundamentally changed foreign-based competition

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which, in turn, affects the degree and scope of internationalization (Wiersema and Bowen, 2008).

In this light, internationalization is unlikely a smooth or linear process of pure international expansion. Oftentimes, the process requires international divestment and, thus, international divestment should be considered part of the holistic view of internationalization. International divestment has been defined through many terms, such as international divestiture, foreign divestment, and de-internationalization, among others. Research on internationalization treats international divestment mostly as a mirror image of international expansion (Brauer, 2006)—a result of poor parent-level and/or foreign operations-level performance that disrupts growth and expansion of international operations (Berry, 2010). As such, MNCs reverting in degree of multinationality are considered to be experiencing a 'regression.' Divestment is, therefore, seen as 'costly, traumatic, embarrassing and increasingly resisted by governments, workers and their unions and public opinion—all resent [its] impact on growth, employment, and labor-capital relations' (Tornedon and Boddewyn, 1974: 87). Considering the synonyms of divestment used in extant literature (e.g. withdrawal, disinvestment, disposal, disposition, abandonment, hiving off, and devolution), one may assume that international divestment is perceived as the 'dark' side of internationalization.

In fact, research suggests that international divestment, such as pulling out of a market, downsizing foreign operations, and switching to lower commitment modes of operation, are far from uncommon (Benito and Welch, 1997). International divestment is, and should be, treated as a vital part of the internationalization process. But not until recently has there been an increased emphasis on a more holistic approach to internationalization that includes the process of de-internationalization or international divestment (Fletcher, 2001). Welch and Luostarinen (1988: 36) are first to describe internationalization as '. . . the process of increasing involvement in international operations' and are first to introduce the concept of de-internationalization. Calof and Beamish (1995) also view de-internationalization as a process whereby firms deliberately choose to reduce their international exposure. From this holistic approach, international divestment is regarded as an independent, purposeful, and complex corporate strategy that has proven to be relevant for all firms regardless scope, size, age, or industry background (Markides, 1992).

In this article, we adopt Benito and Welch's (1997) broader concept and define international divestment as *any reduction of a firm's engagement in or exposure to cross-border activities*. We adopt a broader definition of international divestment because the primary purpose of this article is to offer a boundedly rational, behavioral lens to view international divestment. Our view is different from the existing rational, economics perspectives, so we can provide insights on why some firms divest too little too late. As such, this article seeks to provide a novel conceptual framework to improve our understanding of the propensity of international divestment and the selection of divestment targets.

Extant perspectives and factors of international divestment

Extant literature generally relies on several factors from the dominant rational, economic perspective to explain the divestment process. First, firms' exit activities are seen as rational responses to several performance factors, such as poor firm performance (Dranikoff, Koller, and Schneider, 2002; Duhaime and Grant, 1984; Markides, 1992) and weak performance at the business unit level (Chang, 1996; Duhaime and Grant, 1984). For instance, Boddewyn and Torneden (1973) offered the first detailed analysis on foreign divestments using data on the U.S. multinational ownership reduction between the turn of the century and the 1970s, and they found that most divestments are voluntary and usually occur when executives decide to terminate operations based on subsidiary performance and prospects. From the economic perspective, divestment also plays a role in firm growth and expansion. Berry (2010) conducted a study of 190 U.S. firms over a 20-year period and found that managers make decisions to divest not only when dealing with poor operations, but also when making trade-offs between home country and host country subsidiaries as a response to better market opportunities.

Second, divestment may be the result of strategic considerations, such as 'declining' industries using a product life cycle lens (Harrigan, 1981) or misfit and low interdependency operations of a firm using a corporate portfolio lens (Duhaime and Grant, 1984). A well-known example is that within the first four years of Jack Welch's tenure as CEO, General Electric (GE) divested 117 business units amounting to 20 percent of GE's corporate assets that are not 'number one or number two' (Dranikoff *et al*., 2002:

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83). British Telecom (BT) is a less successful example. Only a few years after launching an aggressive global expansion strategy from 1994 to 1999 to posit itself as an MNC, BT reverted to a much more defensive strategy and retreated completely from the U.S. and Asian markets (Turner and Gardiner, 2007).

Third, from the knowledge-based view, organizational learning seems to explain the motivation for internationalization, but is inconclusive in whether learning from mistakes, failures, and the like would result in some reversals from time to time within an overall pattern of international growth (Benito and Welch, 1997). The literature so far has proposed a variety of antecedents pertaining to either exploitation of firms' ownership-specific advantages to gain additional returns or exploration of resources, including learning and acquiring new skills and technology.

Nevertheless, managers often put off or wait too long to make the divestment decisions (Decker and Mellewigt, 2007). In fact, Ghemawat (1991) found that risk-return analysis for strategic decisions is often superseded by factors such as principles, routines, and inactivity. The most commonly used theoretical approach to explain a boundedly rational, behavioral divestment process is agency theory. According to agency theory, firms' exit activities are the result of excessive diversification due to inadequate internal governance. Managers may not realize the poor performance at the business unit level since the overall firm performance is satisfactory. Or managers may hold on to underperforming units in order to reap the last benefits and maximize short-term profit for stock performance (Cho and Cohen, 1997). In a study of the 50 largest divestments completed in the late 1990s, Dranikoff *et al*. (2002) found that more than three-quarters of the divestments not only were done under strained circumstances, but occurred after long delays, when problems had become so apparent that actions were inevitable. Yet, there may not be significant information asymmetries between parent and operations or conflicting goals between principals and agents when firms face decisions to divest. Furthermore, the body of literature has been narrowly focused on the relationship between diversification strategy and firm performance, even though the managerial decision-making process of diversification likely influences performance more directly than does diversification (Dess *et al*., 1995). Hence, we offer a boundedly rational, behavioral perspective that may explain why firms do not always divest in commonly expected ways.

Besides factors from the more predominant rational, economic perspective, four factors from the behavioral perspective—design, network, institutional, and critical—are commonly used in the study of MNCs (Barner-Rasmussen *et al*., 2010). In particular, the institutional factor has been well adapted in the past decade (Dacin, Goodstein, and Scott, 2002; Jackson and Deeg, 2008) since it provides a rich foundation to examine a wide range of issues at multiple levels of analysis between home and host country and between parent and subsidiaries. For example, Kostova and Roth (2002) introduce the concept of 'institutional duality,' where subsidiaries are faced with two distinct sets of isomorphic pressures: one from the home country of the parent company and the other from the local host country. However, Kostova, Roth, and Dacin (2008) point out that it is impossible for MNCs to achieve legitimacy through isomorphism alone, as conforming to multiple and conflicting sources of regulatory, cognitive, and normative institutional expectations is simply not feasible. They, in turn, suggest that legitimacy is more a social construction than a function of isomorphism and that MNCs may engage in practices viewed as socially desirable but not necessarily required by the institutional context. Indeed, scholarly attention on MNCs has turned to incorporating the 'human dimension' (Piekkari and Welch, 2010)—the internal resources, the dynamic competencies, and the experience of working in and managing MNCs. The human dimension captures the elements of social behavior that are traditionally assumed away by economistic and rationalist models of organizations. Following Kostova *et al*.'s (2008) suggestions, image and identity building, communicating, maintaining, and repairing are among the most critical areas to MNCs. In a similar vein, Li, Yang, and Yue (2007) have shown that an image/identity-dependent legitimation process provides a more refined theoretical foundation for investigating the entry of foreign operations. As such, a firm's decisions in international divestment are likewise influenced by its organizational image and identity.

ORGANIZATIONAL IMAGE AND IDENTITY

'Traveling' from sociology, image and identity are 'novel' theories (Oswick, Fleming, and Hanlon, 2011) that have been well employed in the management literature to describe and explain individual

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and organizational behavior (Whetten and Godfrey, 1998). In Dutton and Dukerich (1991)'s seminal work, the authors concluded that an organization's image and identity guide and activate its members' responses to the environments regarding an issue and motivate its members for action. These interpretations and motivations, in turn, affect patterns of organizational action over time. Although organizational image and organizational identity are closely related to, and sometimes intertwine with, each other (Dutton and Dukerich, 1991; Hatch and Schultz, 1997), most scholars view organizational identity as distinct from organizational image (Albert, Ashforth, and Dutton, 2000). Generally speaking, organizational image reflects external appraisals of the organization, while organizational identity represents the internal perceptions of the organization (Gioia and Thomas, 1996; Hatch and Schultz, 1997).

There are mainly three ways scholars view organizational image: (1) as a construed external image; (2) as a desired, projected image; and (3) as an overall impression or reputation (Gioia, Schultz, and Corley, 2000). Construed external images are organizational members' perceptions of how outsiders perceive their organization (Dutton and Dukerich, 1991). Desired image is the vision an organization would like all stakeholders to see sometime in the future (Gioia and Thomas, 1996), while projected image is created and communicated to stakeholders but may or may not represent the reality (Bernstein, 1984). Impression is perceived either through direct observation or interpretation of symbols provided by an organization (Berg, 1985), while reputation is the relatively stable, long-term, collective judgment of an organization's achievements (Fombrun and Shanley, 1990). The multiple forms of image sometimes overlap or conflict with one another, suggesting that image is a wide-ranging concept connoting perceptions that are both internal and external to the organization and are both projected and received. Most scholars subscribe to the definition that organizational image is the way organizational members believe others see their organization (Dhalla, 2007; Dutton and Dukerich, 1991). Thus, organizational image is conceived of as a congruent message invoked by organizational members in their communications with outsiders. This process is referred to as self-presentation (Baumeister, 1998; Mead, 1934). Organizational image is comprised of 'relatively current, and temporary perceptions of an organization, held by internal or external audiences, regarding an organization's fit' (Elsbach, 2003: 300). In other words, organizational image is *a self-presentation process of building and maintaining a set of stakeholders' perceptions regarding an organization*.

Organizational identity answers the question of 'who are we?' (Dutton, Dukerich, and Harquail, 1994; Elsbach, 1999) and represents the very definition of an entity—an organization, a group, or a person. Thus, it becomes the root construct in organizational phenomena and organizational behaviors (Albert *et al*., 2000). Organizational identity examines the origins and role of the shared values and norms that constitute an organization's central and distinctive character (Albert and Whetten, 1985; Dutton and Dukerich, 1991). Identity can inspire organizational members' (insiders') emotional attachment and deep commitment to the definition of 'who we are' (Kogut, 2000). Albert and Whetten (1985) first describe organizational identity as enduring and stable. Although this continues to be the generally accepted view, more recent studies have suggested that organizational identity is enduring yet flexible (Gioia and Thomas, 1996). Identity is actually contained in the stability of the labels used by organization members to express their beliefs of the organization (Gioia *et al*., 2000). Organization identity is, therefore, said to be flexible and constructed by organizational members who are simultaneously engaged in the construction of identities through processes of self-categorization (Kramer, 1991), cognitive identification (Dutton and Dukerich, 1991), and self-affirmation (Brown, 1997). Whether enduring and stable or enduring yet flexible, organizational identity is *a self-categorization process in which organizational members internalize their perceptions and express their beliefs about their organization*.

While organizational image and identity are not usually visible or tangible, the actions to manage them—including building, communicating, maintaining, and repairing—are visible and tangible to internal and external audiences (Elsbach, 2003) and are readily observable by researchers. Verbal accounts, categorizations, physical markets, and symbolic behaviors are forms of visible actions. These actions may be figurative, practical, or somewhere in between. For example, adopting a Total Quality Management program may be practical if the action is based on a desire to improve product quality, but may also be figurative if the adoption is done with excessive fanfare or publicity. Organizations commonly convey verbal accounts through internal communication tools (e.g., publications, manuals,

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Table 1. Organizational image and identity

	Organizational image	Organizational identity
Definition	External appraisals • A construed external image: the way organizational members believe others see their organization • A desired, projected image: the way organizational elites would like others to see the organization; may or may not represent the reality • An overall impression or public perception regarding an organization's fit with particular character(s) • An organization may possess several distinct images at a time	Internal perceptions • Central and distinctive character: the way organizational members view their own organization • Enduring and stable: members construct identities through self-categorization, cognitive identification, and self-affirmation • Enduring and flexible: members construct identities strategically via external and internal factors • The desire to maintain high status in an organization's relevant comparison group
Approach	Self-presentation	Self-categorization
Audiences	Insiders and outsiders	Insiders
Actors	TMT at parent and foreign operations level	TMT at parent and foreign operations level Employees
Goal	Distinctiveness	Distinctiveness Status

posters, e-mails) and external communication tools (e.g., annual reports, company newsletters, web sites, paid advertisements). Organizations also display temporary or permanent physical artifacts (e.g., office buildings, type of furnishings and décor, company logos, signs, letterheads) to signal their images and identities. In this article, we focus on three 'symbolic' behaviors discussed in Elsbach's (2003) work, including: (1) visible actions related to an organization's primary business activities, signaling organizational image and identity through products, services, or markets; (2) formal or informal affiliation with other groups or organizations to create the perception of being in the same league as others; and (3) escalation of commitment to a chosen course of action in order to maintain a newly construed organizational image. Such symbolic behaviors are not simply figurative, but involve both routine and special actions used to indicate an organization's image or identity (Arnold, Handelman, and Tigert, 1996). These behaviors are also effective because they showcase how the organization 'lives' its image and identity. Table 1 summarizes the distinctions between the main components of organizational image and identity.

Grounded in interpretivism, we presume that organizational image and identity are subjective, socially constructed phenomena. We also consider internationalization a context 'within which interpretations of organizational identity are formed and intentions to influence organizational image are formulated' (Hatch and Schultz, 1997: 357). The ontological and epistemological assumptions underpinning our approach are aligned with previous literature (e.g., Gioia *et al*., 2000; Hatch and Schultz, 1997) to encourage future research on robust and effective alternatives to theorizing as well as empirical testing (Delbridge and Fiss, 2013). Thus, we now turn to the discussion of organizational image and identity in the internationalization context.

MNC'S IMAGE AND IDENTITY

What is an international firm or MNC? Defined by its activities, an MNC is a parent company that: (1) engages in production through its affiliates located in other countries; (2) exercises direct control over the policies of its affiliates; and (3) implements strategic decisions in key products and functions (e.g., production, marketing, finance, and human resource) that transcend national boundaries (Root, 1994). International diversification likely helps establish a firm's organizational image and identity as a successful business enterprise because it affords the firm

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the opportunity to enjoy economies of scale, scope, and learning (Kogut, 1985). Through standardizing products and rationalizing production across borders, an international firm is able to amortize investments in critical functions (such as R&D) and build brand image in the global marketplace. More recently, research also found that a firm's foreign subsidiaries in disparate host countries could help improve its knowledge base and capabilities through experiential learning (Barkema and Vermeulen, 1998). Therefore, it is not surprising that many firms have a 'going global' goal (Bonaglia, Goldstein, and Mathews, 2007). However, the more we dive into the living reality of an international firm, the more we find it necessary to consider the way members of a top management team (TMT) think, because divestment is a decision made at the TMT level (Amburgey, Kelly, and Barnett, 1993; Prahalad and Bettis, 1986; Shimizu and Hitt, 2005). A firm's degree of multinationality is determined not only by external indices, but also by internal attitudes among TMT members. Defined by its state of mind, an MNC may be home country oriented, host country oriented, or world oriented (Perlmutter, 1969).

As MNCs evolve from home country oriented to world oriented, there are varying degrees of ethnocentricity, polycentricity, and geocentricity in all firms. As a result, management's perception of a firm does not usually correlate with public perception about the firm's multinationality (Perlmutter, 1969), and the perception of management at the parent level may be different from that of management at the foreign operations level. It is more challenging for MNCs than domestic firms to build consistent organizational image and identity and it is, therefore, reasonable to assume that MNCs would strive to maintain and protect their hard-built image and identity around internationalization. Facing international divestment decisions may activate the internal and external perceptions that a firm is no longer successful, because a firm should learn from the accumulated knowledge of international experiences and improve its performance (Barkema and Vermeulen, 1998). Thus, we suggest that—in addition to conflicting issues previous literature examined, such as events in high velocity environments (Gioia and Chittipeddi, 1991), environmental jolts (Meyer, 1982), and stigma (Fiol and Kovoor-Misra, 1997)—the possibility of international divestment may also trigger concerns for organizational image and/or identity.

Besides, a TMT is an important intraorganizational factor that shapes organizational identity (Dhalla, 2007). A TMT generally signals organizational identity explicitly to organizational members through enhancing an organization's place within the industry and competition. An MNC's place is likely in the international arena, and its identity likely rests in international success. Internationalization likely is the dominant logic (Prahalad and Bettis, 1986) of these top managers. Being an MNC is an organizational image and identity most members of an organization prefer to maintain after establishing their firm as an international one in the eyes of its stakeholders. Also, it is probably how members perceive of their own firm. To maintain and protect this hard-built image and identity, TMT members may respond to the environments by resisting international divestment and, if such divestment is inevitable, by considering which foreign operations to divest.

When facing the possibility of international divestment, a firm may be more or less guided by its organizational image or identity, depending on its international context. Different levels of experience in internationalization, different paces of international growth, or different directions of internationalization (from developed countries to emerging markets or vice versa) result in different international contexts. Once international divestment is deemed inevitable, organizational image and identity may also come into play and activate the response as to which foreign operations to divest, depending on the organizational context. Foreign operations that enhance a firm's image or are integral to its identity are more likely to guide the international divestment decisions. Over time, the patterns responding to international divestment decisions may, in turn, enhance an organization's image or identity. Visible actions relating to primary business activities such as international divestment signal changes in organizational image and identity, while activities such as resistance to international divestment signal stability in organizational image and identity. Modeling after Gioia *et al.*'s (2000) process of change, Figure 1 presents our overall conceptual framework—a theoretical model depicting the process of how MNCs may respond to the possibility of international divestment and resist international divestment given the consideration of organizational image and identity factors.

Next we discuss how organizational image and identity may influence international divestment actions, namely the resistance of international divestment decisions in general and the selection of divestment targets in specific. We focus on the resistance and the selection process but do not discuss

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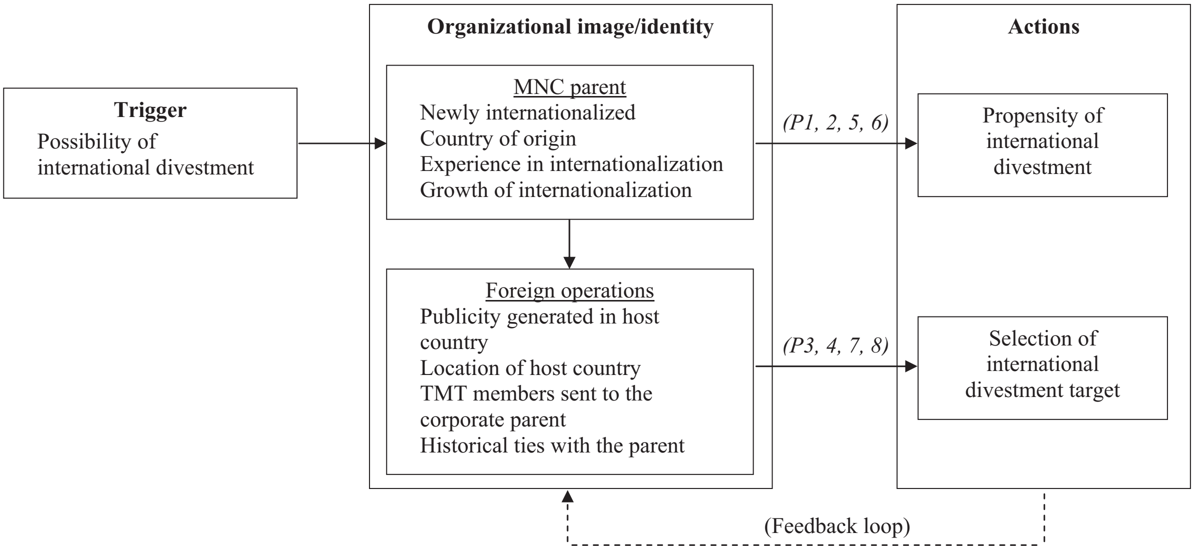

Figure 1. Theoretical model of an MNC's image and identity in international divestment decisions

either the antecedents to the possibility of international divestment or the feedback loop between actions and organizational image/identity for two reasons. First, the antecedents and feedback loop illustrated in Figure 1 are not unique to the organizational image and identity factors influencing firms' international divestment decisions. For example, Berry (2010) discusses domestic-international tradeoffs as an antecedent for divestments. Second, because the relationship between the parent company and its foreign operations for investment and divestment decisions has raised academic interest and stimulated discussions for some time (Duhaime and Grant, 1984), our proposed framework focusing on resistance and selections may be more relevant and contribute more to the existing literature. Figure 2 presents the propositions under the overall conceptual framework.

ORGANIZATIONAL IMAGE AND INTERNATIONAL DIVESTMENT

Corporate parents

Based on the research and theory related to personal self-presentation motives, Highhouse, Brooks, and Gregarus (2009) suggest two self-presentation motives of organizations: desire for approval and desire for status. Such desires trigger the self-presentation process and motivate firms to influence stakeholders' perceptions toward the firms. Facing cultural, political, and economic differences in the new environment, new firms or newly internationalized firms have the disadvantage of liability of foreignness compared to local firms or locally established international firms (Agmon and Lassard, 1977; Zaheer, 1995). After becoming established in the new environment, new/newly internationalized firms are likely to take pride in the fact that they overcame the liability of foreignness and that they now, as an MNC, should be treated with respect. Firms may try to distinguish themselves from other firms and present their initial success in foreign countries through dissemination of publicity to shape the perceptions of external stakeholders such as customers and suppliers (Barnett, Jermier, and Lafferty, 2006). Home country stakeholders would welcome the new image and perceive the firms as 'international,' while stakeholders in host countries finally overcome the unfamiliarity and accept the firms. Because newly internationalized firms have less stable relationships with stakeholders in host countries and smaller stocks of local resources to create new relationships, they would strive to construct and maintain the new image by investing heavily in psychological and material resources. However, these firms' TMTs are confronted with a repeated decision dilemma—whether to continue the course of actions: (1) when uncertainty surrounding the success in host countries is high; and (2) when facing negative feedback about prior resource allocations. Because consistency in behavior over time is a valued trait (Staw and Ross, 1987), TMTs may continue investing resources toward their original

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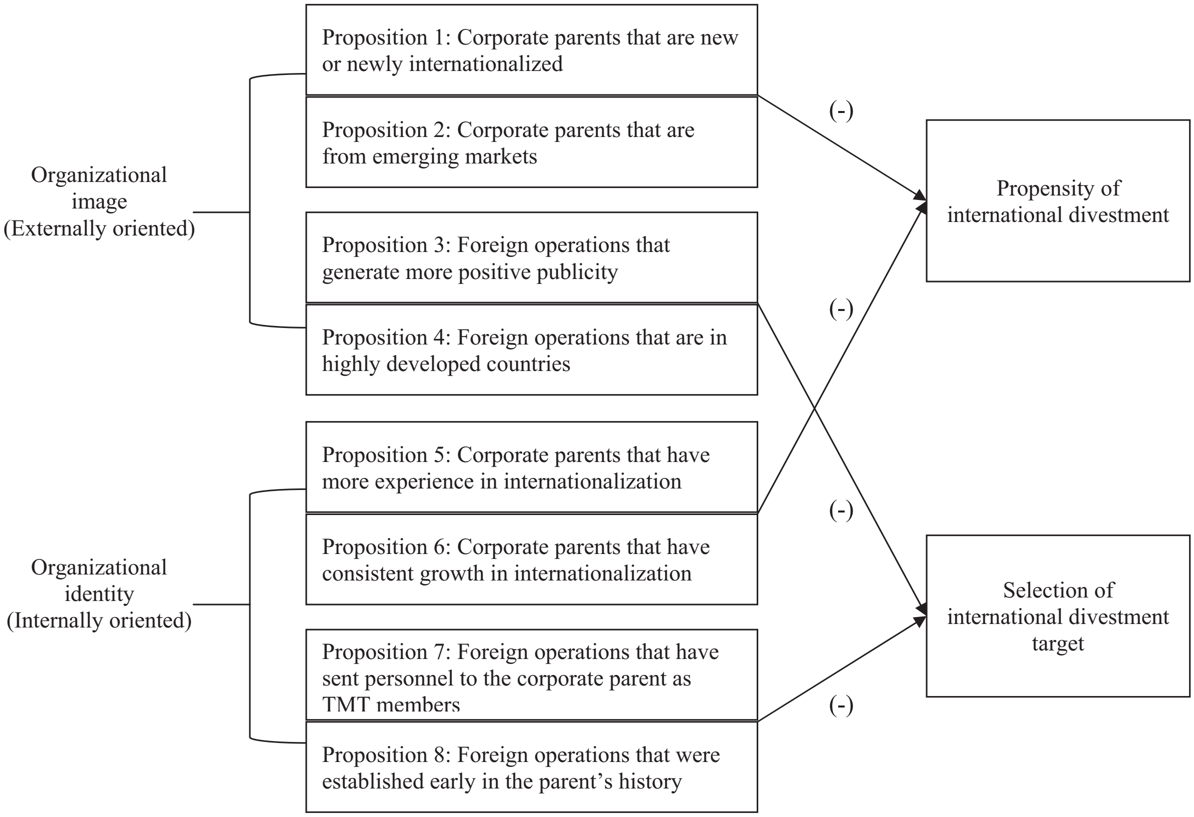

Figure 2. Summary of propositions

plans as a symbolic means of defending their investment decisions and justifying the correctness of their past actions (Ross and Staw, 1993). TMTs are likely to display escalation of commitment behavior (Brockner, 1992) to maintain the newly constructed organizational image.

Typically, escalation situations arise when decision makers have not yet attained goals and are not certain whether additional investments will be sufficient to attain them. New/newly internationalized firms would be extremely cautious in making decisions to reduce the scope of international activities when the outcome of recent global expansion is not yet clear or when facing negative feedback of such expansion. Drawing from Staw (1976), a TMT that is responsible for a firm's recent internationalization will feel more of a need to justify the correctness of the initial expansion decision and will have a greater likelihood of escalation. For example, both Arcadia in the 1980s and Marks & Spencer in the 1990s should have divested their international operations earlier, but it was not until the arrival of new TMT members that the divestment decision became possible (Nicholas and Quinn, 2002). The need to manage consistency is further intensified in less cohesive groups (Ross and Staw, 1993), such as is demonstrated in new/newly internationalized firms. Escalation stems not only from their need to justify previous decisions in their own eyes and the eyes of external stakeholders, but also in the eyes of other TMT members. In order to maintain the organizational image recently constructed, new/newly internationalized firms would avoid activities conflicting with the new image by escalating the commitment to internationalization. Considering this tendency to avoid conflict with the new image, together with firms' desire for public approval, we expect new/newly internationalized firms to be reluctant in making an early international divestment decision. As a result, firms in this category are expected to avoid divestments or postpone decisions.

Proposition 1: Corporate parents that are new or newly internationalized are less likely to divest internationally.

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It is widely accepted that the name of a country can often act similarly to the name of a brand that adds or subtracts the perceived value of a product (Olins, 2001). For example, common associations—such as 'German efficiency' and 'Japanese innovation'—reflect that consumers generally favor products made in certain countries over products made in other countries due to the reputation of these countries as the world's top manufacturers. It seems that country of origin evokes consumers' positive or negative associations with the country (Melewar and Karaosmanoglu, 2006). Notably, there has been a reversal of direction in globalization that brands from developing countries and emerging markets have made their way into developed markets in the past two decades. The reasons for international expansion could be acquiring strategic resources abroad and reducing market constraints at home (Luo and Tung, 2007) and the reasons for international divestment could be trade-offs across geographic markets (Berry, 2010). Regardless of the reasons, firms from developing countries and emerging markets are likely to take pride in their ability to successfully enter markets of developed countries and earn reputations as leaders in certain industries. Stakeholders are likely to notice the firms' ability to overcome the liability of foreignness. Embraer of Brazil, Lukoil of Russia, Tata of India, and Lenovo of China may be examples of firms from developing countries and emerging markets that have earned the public approval as international firms.

Batra *et al*. (2000) further suggest that the associations between consumers and their home countries are stronger among people from developing countries. Consumers in the home or host countries may identify with symbolic anchors from their own countries that they feel familiar, comfortable, or even proud of. An internationally known firm could be such a symbol. Thus, a firm may represent not only a specific product or service, but also an image related to a culturally defined group. This transfer process is even more prevalent for firms that represent symbols of a particular culture through the awareness of the culture's own ethnicity and consumers in other parts of the world (Usunier and Cestre, 2007). Hence, it is more difficult for firms from developing countries and emerging markets to act on international divestment simply based on perceived risks and returns using economic models. To maintain the desired image, firms of this sort are more likely to consider their organizational image that is perceived by others, especially people from their home countries.

Proposition 2: Corporate parents that are from emerging markets are less likely to divest internationally.

Foreign operations

Stakeholders generally consider information received from media and other independent sources as more credible, influential, and, hence, superior than that from the firms (Rindova *et al*., 2005). Therefore, firms often signal information about their characteristics and activities to their constituents through substantive actions, such as investments in social capital, human capital, or product development and diversification, as well as through symbolic actions, such as investments in advertising, public relations, or social responsiveness (Mahon, 2002). Activities that are considered acceptable will generally result in favorable media attention, while activities that are not image reinforcing will result in negative media attention (Elsbach and Bhattacharya, 2001). More favorable media attention and positive publicity will result in a stronger organizational image.

Firms may go too far in their concern for external appearances and abuse the usage of image-making public relations to develop their reputation and sometimes disguise their weaknesses. By manipulating the beliefs of non-organizational members to make its subsequent decisions, firms exploit organizational image to the fullest extent. Operations that have generated more positive media attention and publicity are deemed to be more valuable in constructing favorable organizational image. Facing the decision to reduce their international exposure by divesting foreign operations, firms will be extremely cautious in dropping these high profile operations from their portfolios. The anticipation of stakeholders' reactions is likely to influence firms' selection processes on which operation to divest.

Proposition 3: Foreign operations that generate more positive publicity are less likely to be divested.

More specifically, when firms make divestment decisions, a foreign operation's location likely contributes to the consideration for positive media attention and publicity. In general, research has found that a manufacturing nation's image has a significant impact on how consumers perceive and evaluate the quality of products from that country and on their

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propensity to buy those products (Roth and Romeo, 1992). Furthermore, consumers generally use country-of-origin information to reduce uncertainty in their purchasing decisions. By the same token, firms will subscribe to consumers' perceptions and weigh foreign operations according to their locations in firms' international divestment decisions. Perhaps when facing the decision to divest between two operations, the one in the more developed country is less likely to be divested, because it offers better consumer perceptions, publicity, and overall impressions and, therefore, a stronger organizational image. For instance, even though Kingfisher, Tesco, and DSG International had recognized the critical importance of investing in emerging markets, it took these firms quite some time to divest from developed markets—such as the U.S., France, Germany, and Canada—and shift limited resources to emerging markets (Cairns *et al*., 2010). In contrast, negative publicity likely damages organizational image because people tend to weigh negative information heavier than positive information (Dean, 2004). As such, firms would be hesitant to drop operations located in a developed country, where consumers expect to receive better quality products and services.

Proposition 4: Foreign operations that are in highly developed countries are less likely to be divested.

ORGANIZATIONAL IDENTITY AND INTERNATIONAL DIVESTMENT

Corporate parents

After years of 'tortuous evolution,' some firms finally progress from home country oriented or host country oriented to world-oriented multinational corporations. It seems that the more multinational a firm is, the greater its total constructive impact on host and home countries is perceived to be. MNCs, thus, earned the status and are commonly regarded as more progressive, dynamic, and geared toward the future. Just as individuals develop a narrative of 'who they are,' firms reflect the multinational context to construct their core, enduring, and distinctive (Albert and Whetten, 1985) identities. Identity grants members a sense of belonging that provides emotional coherence, inspires emotional attachment, and deepens commitment to 'who we are.' A number of factors—such as routines and standard procedures, core values, cultures, and practices (Dutton and Dukerich, 1991; Elsbach and Kramer, 1996; Gioia and Thomas, 1996)—form the core characteristics and influence the identity construct of an organization. A firm is expected to align its activities with its organizational identity in order to maintain coherence. Consequently, organizational identity manifests itself in some combination of an organization's core businesses, operating principles, organization structures, or decision-making processes (Bouchikhi *et al*., 1998). The identity of an MNC may be anchored in its geographic locations, international expansion strategies, and perhaps its core mission and philosophy. For example, Wal-Mart emphasizes its presence in 27 countries and its employment of 2.2 million associates worldwide in its 2013 annual report and on its corporate Web site. In fact, taking visible actions related to primary business activities is the most common way firms signal their organizational identity (Elsbach, 2003). The downside of a core, enduring, and distinctive identity is that once a firm's operations, strategies, and core philosophies are aligned, it is extremely difficult to adapt to the evolving environment. Since it is more challenging for an MNC than other firms to build a consistent organizational identity, it is reasonable to assume that an MNC would strive to maintain and protect its hard-built identity. In particular, divesting foreign operations may be viewed as severing from the collective memory or even a firm's identity.

Furthermore, given that internationalization often involves large commitments of financial and human resources, firms may be subject to strong inertial forces that work against divesting a foreign operation: others within the organizations may see divesting as a reversal of the initial decision to acquire. Benito and Welch (1997: 13) maintain that for MNCs, with operations in many countries and in many forms, divesting international operations would be 'very difficult to contemplate, let alone suggest.' Shimizu and Hitt (2005) argue that because of stronger resistance, larger, more established firms are less likely to divest. Such resistance is particularly salient to the international divestment decision because managers are often committed to their acquisition strategy (Porter, 1987) and subsequent integration processes (Hitt, Harrison, and Ireland, 2001). Once a firm has committed to international expansion, it is difficult to quickly make the decision to divest a foreign operation. We argue that if a firm has pioneered international expansion in its field and

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has gone global for a long period of time, internationalization has already become part of its characteristics, culture, core values, processes, and practices. Internationalization is part of the firm's primary business activity and the firm's core identity. As such, it is difficult to give up a foreign operation due to organizational members' desire to maintain cognition and emotional coherence.

Proposition 5: Corporate parents that have more experience in internationalization are less likely to divest internationally.

Even firms that are less accomplished but are still on the upward trajectory of the 'tortuous evolution' may be subject to divestment resistance. Santos and Eisenhardt (2005) assert that TMTs have the desire to maintain cognitive coherence and emotional coherence. Identity sets boundaries on how a firm should act and also how much it can change but still remain the same in the eyes of its key constituencies (Bouchikhi and Kimberly, 2003). Given bounded rationality and environmental complexity, TMTs are likely to fixate identity into 'cognitive frames that reduce ambiguity and facilitate decision making' (Santos and Eisenhardt, 2005: 500). Once cognitive frames are formed, TMTs create cognitive coherence and guide firms' subsequent actions. Key constituencies—such as employees, customers, suppliers, retailers—also draw much of their personal identity from the firms with which they affiliate (Ashforth and Mael, 1989). TMTs' attempts to de-emphasize firms' international expansion are likely to trigger two reactions. First, it may cause emotional distress among individuals clinging to a current definition of their firms—firms on the upward trajectory of international expansion. These individuals reinforce the identity of the firms as organizations with consistent growth in internationalization. Second, any change disrupts 'the balance of power between the constituencies that have vested interests in the current identity and those whose interests would be better served by a new identity' (Bouchikhi and Kimberly, 2003: 22). Firms with consistent growth in internationalization may already have a blueprint laying out the next foreign countries to conquer and number of foreign operations to establish. Divestment at this point can act as a disruption to the master plans as well as to the professional and personal plans of employees, suppliers, retailers, and other key constituencies.

On the flip side, excessive growth results in managerial, market, and financial constraints (Probst and Raisch, 2005). A shortage of suitable managerial personnel to coordinate the increased complexity during expansion, limits in organic growth, and high risk of insolvency due to high leverage are but a few constraints. Since expansion has its limit and contraction is inevitable, it is rational to stabilize growth. Instead of consistent international growth, firms should utilize divestment as a strategy to absorb previous expansion. Nonetheless, many high profile organizational crises—such as that of WorldCom, Time Warner, Enron, DaimlerChrysler, and British Telecom—may be the result of unsustained high growth. Divestment decisions may contradict a TMT's belief in the firm's identity as the firm continues to grow internationally. To restore emotional consistency and reduce the psychological discomfort from cognitive dissonance, a firm's TMT is expected to allocate additional resources and continue the growth in internationalization. However, TMTs may unconsciously delay response to a poorly performing unit because of the assumption regarding the overall success of the firm's global expansion strategy. The operations of international growth and expansion become the cognitive frame guiding the firm's activities.

Proposition 6: Corporate parents that have consistent growth in internationalization are less likely to divest internationally.

Foreign operations

Dhalla (2007) proposes that organizational identity can be strategically constructed to the organization's advantage via intraorganizational factors, specifically organizational members such as TMTs. For example, TMT members may influence organizational identity through leadership skills and strategic decisions (Dhalla, 2007), through increasing levels of interactions with other organizational members, and through their multiple roles both as 'insiders' and 'outsiders' (Hatch and Schultz, 1997) of the core operations. More explicitly, during the identity construction process, a TMT member may self-categorize, identify, and affiliate with some operations more than others, particularly the department, division, or operation within the firm from where the TMT member was promoted. Top management's perception of a firm does not always correlate with public perceptions about the firm's multinationality

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(Perlmutter, 1969) and the perception of management at the parent level may be different from that of management at the foreign operations level. Similar to idiosyncratic human resource appointment or nepotism in the MNCs (Doz and Prahalad, 1986), managers may develop personal, operation-specific loyalty rather than corporate loyalty. Dieter Zetsche, CEO of DaimlerChrysler, for example, admitted that Chrysler offers no serious advantages of scale to the Mercedes Car Group. However, Zetsche, the former president and CEO of Chrysler, insisted that a spinoff wasn't under consideration and said management's first priority was to fix the problems at Chrysler (Edmondson, 2006). DaimlerChrysler eventually sold Chrysler in 2007 and Chrysler went bankrupt in 2009. We expect, therefore, that top management's relation with operations is likely to influence a firm's decision on which operation to divest. TMTs develop personal loyalty to the foreign operations from which they originated and sway the divestment decision away from these foreign operations.

Proposition 7: Foreign operations that have sent personnel to the corporate parent as TMT members are less likely to be divested.

Chang and Singh (1999) found that operations that have been with the parent firm for longer periods of time are less likely to be divested. Some scholars argue that the likelihood of divestment decreases as managerial attachment increases with the length and extent of a firm's activities in a specific market or industry (Brockner, 1992). The likelihood of divestment also decreases as an established or acquired operation has been institutionalized within the larger organization (Nelson and Winter, 1982). Furthermore, the endowment effect (Kahneman, Knetsch, and Thaler, 1991) suggests that sellers typically think of selling as a loss of something they own, and buyers typically think of buying as a gain of something they do not have. Therefore, sellers expect to suffer more than buyers expect to benefit, and sellers would demand more compensation than buyers are willing to provide. The effect is more pronounced for goods that sellers have owned for a long time (Strahilevitz and Loewenstein, 1998). In addition, retaining older establishments can be used as an internal communication to absorb strategy into organizational identity and instill loyalties in the organization. Thus, we suggest that firms identify themselves more with foreign operations that they have owned for a longer period of time. In addition, a firm would identify with foreign operations that are major milestones in its history because those operations are symbols of the MNC's past performance and glory.

Proposition 8: Foreign operations that were established early in the corporate parent's history are less likely to be divested.

DISCUSSION AND CONCLUSIONS

The existing literatures on organizational image and identity, international business, and strategy developed separately and have rarely been used to inform one another. Although the constructs of organizational image and identity have prominently developed in the organizational literature, these constructs were seldom utilized in strategic management and international business research. It is, thus, the purpose of our article to introduce and make use of the constructs of organizational image and identity to help inform our theorizing of international divestment. International divestment is an understudied topic, and our article sought to draw attention to this important area of research. Many firms find that building, communicating, maintaining, and repairing their images and identities have become increasingly difficult (Albert and Whetten, 1985). Such difficulty may be due to the media's growing interest in exposing divergence activities, the instantaneous exposure to critical voices via the Internet, and the increasingly networked stakeholders who may simultaneously be employees carrying internal knowledge and community activists needing such knowledge (Hatch and Schultz, 2002). This issue is perhaps particularly salient to international firms, as constructing collective organizational image and identity with organizations and organizational members across regional and national borders is especially critical but challenging.

Premised on organizational image and identity, we developed a theoretical model and a set of propositions that offer a new perspective on international divestment. We advanced the core argument that international firms, depending on their image and identity, would reach their international divestment decisions differently from those made largely on rational, economic perspectives. Our inquiry has led to a novel conceptualization of international divestment that firms that consider being MNCs as part of

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their images and identities may resist divesting internationally or may select divesting targets based on such concerns.

Our article's primary contribution stems from the integration of two fields of research—international business and strategic management, on the one hand, and organizational image and identity in the organizational literature, on the other hand. These literatures have traditionally not informed each other in a significant manner, but our article contributes to both. Such cross-fertilization between two different fields of inquiry enriches extant studies and future research. To international business and strategic management, we provide in-depth theorizing on international divestment premised on organizational image and identity. Drawing from the organizational literature has allowed an interesting extension of the constructs of organizational image and identity to international business research. This extension aids the understanding of firms' propensity to divest internationally, as well as the types of foreign operations to be divested. The proposed framework adds to the short list of research on international divestment and offers an alternative to the more prevalent economic models by explaining the divestment process. Incorporating organizational image and identity rationales to existing theoretical perspectives—such as economic, network, and institutional (Barner-Rasmussen *et al*., 2010)—further advances the understanding of the way in which the international divestment phenomenon fits into the bigger picture of internationalization. Furthermore, employing the theoretical perspective herein may shed new light on other interesting international divestment topics, such as partial or complete exit, change of geographic and product/function scope (Vermeulen and Barkema, 2002), outward- versus inward-oriented operations such as exports and imports (Pauwels and Matthyssens, 1999), and domestic-international trade-off (Berry, 2010). Our article also contributes to the organizational literature. The context of corporate divestment has allowed us to understand more of the management implications of organizational image and identity. The external-oriented construct of organizational image and the internal-oriented construct of organizational identity allow us to probe further in regard to how the behavioral aspects of organizations would have significant impact on firms' international decisions. In addition, the image and identity of an international firm likely will be an interesting aspect that organizational scholars may want to probe further. Rather than escalating the discussion of fit to the level of national image and identity, we proposed a closer examination at the level of organizational image and identity for international firms. Recognizing the importance of organizational image and identity allows an examination of a wide range of organizational constructs to generate new insights in international business and strategy that have been overlooked previously. Moreover, future research may bring organizational image and identity further down to the level of groups or individuals within an international firm. Responding to environmental triggers, the interplay of dual images and identities at individual, group, corporate, national, and institutional levels may be applied in temporal adaptation (e.g., Pérez-Nordtvedt *et al*., 2014), agglomeration effects (e.g., Canina, Enz, and Harrison, 2005), and entrepreneurship (e.g., Dobrev and Barnett, 2005).

The argument presented in this article can serve as a basis for future research in internationalization from a more holistic approach. Using the theoretical perspective suggested in this article, researchers interested in international divestment may consider exploring additional areas of inquiry. For example, is the divestment decision forced or voluntary, driven by environmental or intraorganizational factors? Is the decision to fully or partially cease international operations? How should inward-oriented international activity be treated? What about re-internationalization, subsequent reentry after withdrawing from inward and outward international operations? Indeed, international divestment can be a liquidation or sale of all or of a major part of an active operation (Boddewyn, 1979). A partial international divestment decision may concern only certain products and functions in certain geographical markets, while a full divestment decision results in total withdrawal from international markets and a focus entirely on serving domestic markets. Even with total withdrawal of outward-oriented international activities such as exports (Pauwels and Matthyssens, 1999), a firm's domestic activity could well include imports, thereby maintaining international involvement. Moreover, it has been shown that withdrawing from outward-oriented international activities while maintaining inward-oriented ones stimulates re-internationalization (Freeman, 2007)—reentering the international arena after an international time-out period (Welch and Welch, 2009). Likewise, as much as the mode of international operations represents an important research topic in international strategy, the question of

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whether a certain mode will be divested first may be equally important. Although we do not discuss in detail all of these international divestment topics, they represent interesting topics for researchers to examine in the future.

Furthermore, the performance implication of the proposed relationships in our article is a worthwhile topic, because the speed of international divestment and the choice of foreign operations to be divested should be two important factors affecting the outcome of divestment. Another potential fruitful avenue for future research relates to the dual or multiple identities and image (Pratt and Foreman, 2000). There are various management groups in an international firm (e.g., domestic versus international/host country managers, managers located in different geographic locations). For example, host country managers, because of their familiarity with the local environment, likely identify with the operation and are concerned with the organizational image as seen through the host country. Domestic managers, in contrast, may identify more with headquarters or the home country environment and, therefore, are concerned with the organizational image as seen through the eyes of the home country stakeholders. This duality creates a tension that likely will have a significant impact on international divestment decisions. Such an extension would be challenging from a theoretical point of view, but this inquiry likely will be fruitful in light of the highly global nature of many firms nowadays.

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