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Left Behind. Research on Foreign Divestment and Local Employees

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1 Introduction

Since February 2022, over 1000 multinational enterprises (MNEs) have withdrawn their subsidiaries from Russia, under pressure from investors and customers regarding the Russia–Ukraine war (Yale, 2022). The exit has occurred across different business sectors and at different times during the conflict (New York Times, 2022). While some are temporary, for example, pausing sales in Russia, many exits amount to the permanent closure of subsidiaries (New York Times, 2022). For some years now, the world economy has been dealing with several geopolitical tensions and natural disasters, that is, the COVID-19 pandemic, US-China trade tensions, Brexit, and global warming. These events have produced a trend for de-globalization, where foreign divestment, in the form of liquidating or selling off a foreign subsidiary, is of particular interest to the

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international business literature (Coudounaris et al., 2020; Schmid & Morschett, 2020).

The prior research has provided knowledge on why and how MNEs divest their foreign subsidiaries. Nevertheless, while both academic researchers and business experts have discussed the impact of the exit decision on MNEs' perspectives, for example, exit costs and value creation after the divestment announcement (Cao et al., 2008; Meschi, 2005; Shepherd et al., 2014; Wright & Ferris, 1997), there is a lack of attention paid to the circumstances of the divested subsidiaries and, of particular interest, that of the local employees. This is a striking omission, given that local employees, especially low-skilled workers, have often suffered severely from significant changes in their earning outcomes, living standards, and career development, which may increase social inequalities (World Investment Report, 2020; World Inequality Report, 2022). More importantly, as the linkage between unemployment persistence and foreign subsidiary divestment has a significant impact on the welfare of the economy (Alvarez & Görg, 2009), we argue that the disregard for the impact of foreign divestment on local workers should be addressed, as it may enhance inequality effects in host locations.

It is important to explore the linkage between foreign divestment and local employees, in terms of social inequality, career development, and unemployment persistence. For instance, the World Inequality Report (2022) has shown that national incomes in 2020 fell between 6 and 7.6% in different countries, whereas the gap between the top of the wealth distribution and the rest of the population has widened remarkably during the pandemic. This inequality—economic, social, and in opportunities—has grown partly because of job losses, declining business transitions and development, skill-biased technological change, or reconfiguration in global value chains. Foreign divestment is a notable phenomenon in this context. It relates to closing or selling off an active business unit in a host country. Employees who worked in the divested unit are likely to lose their job, see a reduction in earnings, or experience changes in their career development. More importantly, the accumulation of specific human capital or bounded skills that local employees acquired during their time at the divested unit may result in persistent unemployment. However, our understanding on the consequences of foreign divestment mainly concerns the MNEs or senior headquarters executives, while its impact on local employees has been largely neglected. The World Social Report has included the reduction of individual inequality as a development goal for the 2030 Agenda (UNDESA, 2021). Hence, our study aims to support this goal by exploring how foreign divestment influences local employees, both subsidiary managers and non-managerial staff.

In this research, we focus on the two-way relationship between foreign divestment and local workers, that is, the impact of local workers on foreign divestment and vice versa. In general, local workers refer to all local employees working at the foreign subsidiaries, for example, subsidiary managers, and production and non-production workers. We do not consider expatriates working for the parent firm on foreign assignment as local employees.[1] In addition, we focus mainly on two levels of subsidiary hierarchical structure, that is, local subsidiary managers and non-managerial local workers who are not involved in the decision-making process at the subsidiary. Precisely, we aim to explore how local workers influence foreign divestment propensities and divestment modes, and, more importantly, how the divestment decisions affect different aspects of the local worker's life, for example, in terms of economic and social outcomes.

Our study aims to contribute to the foreign divestment literature and international management research in two ways. First, we synthesize the previous findings on the relationship between foreign divestment and local workers. The synthesis takes stock of our knowledge on the impact of foreign divestment on local workers and, more importantly, offers new future research avenues. Our review shows that previous scholars have paid scant attention to the relationship between local workers and foreign divestment. This is a striking omission given that local workers have a significant connection with foreign divestment. As noted, the relationship between local workers and foreign divestment is two-way, that is,

[1] We do not consider expatriates in our study, largely because they may not be affected by the divestment of the foreign subsidiaries. Compared to local workers, they may easily move back to the parent headquarters or be transferred to other foreign subsidiaries (Fang et al., 2010; Harzing, 1995; Wang et al., 2009). In addition, the connection between expatriates and divested subsidiaries is significantly different from the linkage between local workers and divested units (Sartor & Beamish, 2018, 2020). The connection may be looser, compared to the expatriates' relationship with the headquarters.

local workers influence foreign divestment propensities via human capital or labor productivity, while the foreign divestment also changes local workers' career and personal development path—for example, job loss, persistent unemployment, future salaries—as well as workers' attitude and reaction toward the sell-off process and post-divestment performance. Therefore, our review will retrieve primary studies discussing both directions of the relationship.

Second, building on our findings, we propose a set of future avenues pertaining to the linkage between local workers and foreign divestment. The proposition constitutes a stepping stone to move the current literature on foreign divestment to the next level, from the causes of foreign divestment to its consequences. We further highlight the importance of understanding both foreign divestment and divestment implications—for example, divestment mode choices or the divestment implementation process—since the effects of divestment decisions on local workers will be contingent on different modes of divestment, for example, sell-off versus liquidation. In this respect, our research encourages future studies to delve into specific linkages between local workers and foreign divestment decisions.

2 An Encompassing Definition of Foreign Divestment

As noted above, although foreign divestment has emerged as a central topic in different fields of research, there are still misconceptions about foreign divestment and its implications that may affect the generalizability and reliability of previous findings. Boddewyn (1979, p. 21) was among the first scholars to define foreign divestment, as selling "deliberate and voluntary liquidation or sale of all or a major part of an active operation." Later, scholars simply defined de-internationalization, de-investment, or divestment as any reduction of a firm's engagement in or exposure to cross-border activities (Chang & Singh, 1999; Wan et al., 2015). Moschieri and Mair considered foreign subsidiary divestment as a form of corporate divestment, which refers to the disposal of a parent company and sales of assets, facilities, product lines, subsidiaries, business units, and divisions. Recently, researchers have referred to foreign divestment as the full liquidation or sell-off of foreign subsidiaries by MNEs (Arte & Larimo, 2019; Schmid & Morschett, 2020; Song, 2021). This definition is popular in the extant literature because it provides a consistency across empirical studies.

International business and management scholars have further defined foreign divestment modes based on changes in a corporate structure. For instance, Cefis and Marsili (2005) divide divestment modes into closure, mergers, and acquisitions (M&A), and radical restructuring. Irfan et al. (2018) also consider three types of divestment mode, voluntary liquidation, involuntary liquidation, and acquisition. Nonetheless, foreign divestment is not emphasized in the two articles. Very few scholars have differentiated between full and partial divestment (Donald, 2001; Flickinger & Zschoche, 2018). International business researchers, for example, Benito and Welch (1997), have considered divestment as one of the different approaches to de-internationalization that other approaches have included, such as reduction of operations, switching to modes of operation with lower levels of commitment, sell-off or closure of foreign subsidiaries, reduction of an ownership stake, and seizure by local authorities.

It is worth mentioning that the finance and accounting literature has focused more on the differences in financial structure or status of the parent MNEs, thereby categorizing divestment into spin-off, equity carve-out, split up, and sell-off (Brauer, 2006; Brauer & Wiersema, 2012; Hamilton & Chow, 1993; Prezas & Simonyan, 2015; Kolev, 2016; Damaraju et al., 2014). In addition, Villalonga and Mcgahan distinguished divestment from alliances and acquisitions, based on different phases along the integration continuum. Kolev (2016) and Flickinger and Zschoche (2018) further referred to restructuring and divestitures as two types of divestments when focusing on changes in financial situation. However, the international aspect is not emphasized in this stream.

For the purposes of this research, we focus on only two types of divestment mode: sell-off, which refers to the outright sale of a subsidiary, and liquidation or closure, referring to the shutdown of a subsidiary (Konara & Ganotakis, 2020; Mata & Portugal, 2000). The main reason behind this focus is that the two types are significantly different from each other in terms of the relationship of the divested unit and parent firm. Moreover, there are important changes in the corporate portfolio and financial status after the divestment. In addition, we discuss the involvement of local workers in the foreign divestment process and outcomes. The term process fundamentally refers here to the period starting with the announcement of the divestment up to the moment of its conclusion (Cairns et al., 2008; Defren et al., 2012; Nees, 1981). Furthermore, primary studies have deemed divestment outcomes the value creation for the MNEs after the divestment is announced (Zschoche, 2016). We acknowledge that research on the divestment process and outcome has not received the attention it deserves, compared to that on foreign divestment propensities and modes. Hence, we maintain that our discussion could provide an extensive understanding on the topic of foreign divestment.

In this review, we define foreign divestment as ***a strategic decision by which an MNE withdraws its subsidiaries from host countries in two different ways: either selling off their full assets or stocks and liquidation, that is, closing targeted subsidiaries.*** By definition, we exclude studies that discuss partial divestment or a minor change in ownership levels. In the present study, “divestment” refers to foreign divestment, unless otherwise specified, and “divestment process” refers to the implementation of a divestment announcement up to divestment completion. Further, we define divestment outcome, or the consequences of foreign divestment, as the changes in local employees once the divestment process is completed. Table 2.1 highlights definitions of foreign divestment and divestment modes in prior studies.

3 What We Know About the Relationship Between Foreign Divestment and Local Workers

As stated, the main objective of this work is to explore the diverse relationship between foreign divestment and local employees, for example, local subsidiary managers and non-managerial local workers. Thus, we

Table 2.1 Definitions of foreign divestment and divestment modes

Author(s)	Definitions
Foreign divestment	
Boddewyn (1979)	The deliberate and voluntary liquidation or sale of all or a major part of an active operation.
Bane and Neubauer (1981)	The failure of an activity in a business context is often not black and white but a matter of degree, and furthermore "can only be judged in relation to the management's original aims for the activity…the act of liquidation as given by the data as a surrogate for failure."
Tsetsekos and Gombola (1992)	Plant closure referred to the closure of foreign plant that does not reopen during the research period.
Benito (1997)	Forced divestments refer to the seizure of foreign-owned property, i.e., actions referred to as nationalization, expropriation, or confiscation, where change of ownership is forced upon the investor. Deliberate divestment is based on strategic considerations leading to the voluntary liquidation or sale of all or a major part of an active operation.
Luo (1998)	"IJV success" is generally defined as the accomplishment of the parent firm's strategic for the venture. Otherwise, it is "IJV failure."
Bergh (1998)	Acquisition success was defined in terms of whether the acquisition was divested (unsuccessful) or retained (successful).
Benito (2005)	Foreign divestment can be seen as an adjustment, a failure, or a result of restructuring.
Palmer and Quinn (2007)	Foreign divestment is not always a reactive measure or a sign of market failure, but quite often an emerging strategic action.
Moschieri and Mair (2008)	Corporate divestment refers to the disposal of the parent company and sale of assets, facilities, product lines, subsidiaries, business units, and divisions. Hence, foreign subsidiary divestment is a form of corporate divestment.
Wan et al. (2015)	International divestment, or de-internationalization, is generally understood as the reduction of a firm's international operations.

(*continued*)

Table 2.1 (continued)

Author(s)	Definitions
Our review	***Foreign divestment refers to the full exit of an active foreign subsidiary of a multinational enterprise (MNE) from a host country. Two elements that differentiate foreign divestments from others, i.e. corporate divestment, domestic divestment, are the foreign aspect (compared to domestic) and the subsidiary level (compared to a small reduction in ownership, market exit, or corporate divestment). The subsidiary exit may or may not relate to market exit, depending on how many subsidiaries the MNE operates in the host country. Foreign divestment could be a form of corporate divestment, especially when the MNE wants to refocus on its core products or strategies. Foreign divestment is not always caused by issues that stem from problems, i.e., poorly performing units, but might be a strategic reaction.***
Foreign divestment modes	
Benito and Welch (1997)	MNEs could take several approaches to de-internationalization strategies, including reduction of operations, switching to modes of operation with lower levels of commitment, sell-off or closure of foreign subsidiaries, (reduction of ownership stake and seizure by local authorities), and foreign divestment.
Mata and Portugal (2000)	There are two types of divestments: sell-off, referring to the outright sale of a subsidiary; liquidation or closure, referring to a subsidiary shutdown.
Alexander et al. (2005)	Divestment is a facet of corporate restructuring, and takes different forms: financial restructuring, portfolio restructuring, organizational restructuring, and multinational and spatial dimensions of restructuring.
Villalonga and McGahan (2005)	There are three types of divestments, including liquidation, alliances, and acquisitions, differing from each other based on the integration of the continuum.
Palmer and Quinn (2007)	There are different forms of foreign divestment. Depending on operational and non-operational dimensions to navigate the differences amongst them.

(*continued*)

Table 2.1 (continued)

Author(s)	Definitions
Cefis and Marsili (2005)	There are three types of divestments: closure, mergers, and acquisitions (M&A), and radical restructuring.
Coe et al. (2017)	There are different forms of foreign divestment, including closure of a number of stores or channels; financial restructuring in terms of the ownership and/or profit expectations of a subsidiary; organizational restructuring with respect to retail processes or formats; and/or total exit from a particular territory.
Irfan et al. (2018)	There are three types of divestment mode: voluntary liquidation, involuntary liquidation, and acquisition.
Flickinger and Zschoche (2018)	Depending on changes in the financial situation, there are two divestment modes: restructuring and divestitures.
Our review	***There are several approaches that MNEs pursue to divest their foreign subsidiaries. Depending on changes in financial status, the integrated continuum process, or levels of divestment, foreign divestment modes would in this review be considered sell-off vs. liquidation.***

first retrieved primary studies on the impact of local workers on foreign divestment, and the inverse, that is, the impact of foreign divestment on the local employees. More specifically, our review also includes research on the implications of foreign divestment, for example, divestment mode choices, process implementation, and outcomes. In particular, the examination of foreign divestment outcomes will focus mainly on the impact of foreign divestment decisions on local employees. Elaborating on the synthesis, we develop our proposal for future research on the foreign divestment—local workers relationship.

3.1 Literature Review Search

To provide a systematic review of the previous literature on the relationship between foreign divestment and local employees, we adopted the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework (Liberati et al., 2009). To this end, we first retrieved previous studies on the foreign divestment topic using three leading electronic resources for representing academic research: the Scopus, ISI Web of Science, and ABI ProQuest databases (Rialp et al., 2019). These academic sources provide wide-ranging access to bibliographic and citation information. We collected all the relevant literature published from 1979 to 2021, and then created a group of keywords to use for our search of the domain.[2]

The second step was to manually search for studies from January 1979 to December 2021 in 20 leading and widespread journals in the international business and management fields,[3] such as *Academy of Management Journal*, *Academy of Management Review*, *Journal of Management Studies, and Journal of International Business*. The top 20 journals were selected based on being "leading" in both the academic community and the Financial Times business schools ranking. The journals are also popular in terms of publishing reviews and foreign divestment research.

Third, we applied the "ancestry" approach and backward-traced the references in the primary studies collected in the first two steps. Finally, we checked previous reviews (Arte & Larimo, 2019; Coudounaris, 2017; Coudounaris et al., 2020; Schmid & Morschett, 2020) in the existing literature to identify any missing articles. Further, we talked with well-known scholars in the international business field, especially in foreign divestment research, to see if we could identify any studies that were

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[2] Our key search terms included words such as: "divestment," "divestiture," "exit," "sell-off," "closure," "de-diversification," "longevity," "survival," "duration," "termination" "subsidiary manager," "local employee" "local worker," "inequality." To compile the empirical studies, we employed keyword searches and developed a comprehensive syntax, using terms such as "MNE,*" *"MNC" and "divest,*" "longevity," "duration," "fail,*" "survi,*" or "performance." We also specified not to include "corporate divest,*" "corporate exit," which refer to corporate divestment as a full liquidation or sell-off of a whole corporation, not just a subsidiary, "industry exit," "*new firm," "*new venture," "SMEs," "export," "corporate social responsibility," "expropriation," and "entrepre*" in our search.

[3] Our manual search in the top 20 leading journals including (1) *Academy of Management Journal*, (2) *Academy of Management Review*, (3) *Journal of Management Studies*, (4) *Journal of Management*, (5) *Organization Science*, (6) *Organization Studies*, (7) *Strategic Management Journal*, (8) *Global Strategy Journal*, (9) *Journal of International Business*, (10) *Management International Review*, (11) *International Business Review*, (12) *Journal of Business Research*, (13) *Journal of World Business*, (14) *Asia Pacific Journal of Management*, (15) *British Journal of Management*, (16) *Management Science*, (17) *Administrative Science Quarterly*, (18) *Journal of International Marketing*, (19) *International Marketing Review*, and (20) *European Business Review*.

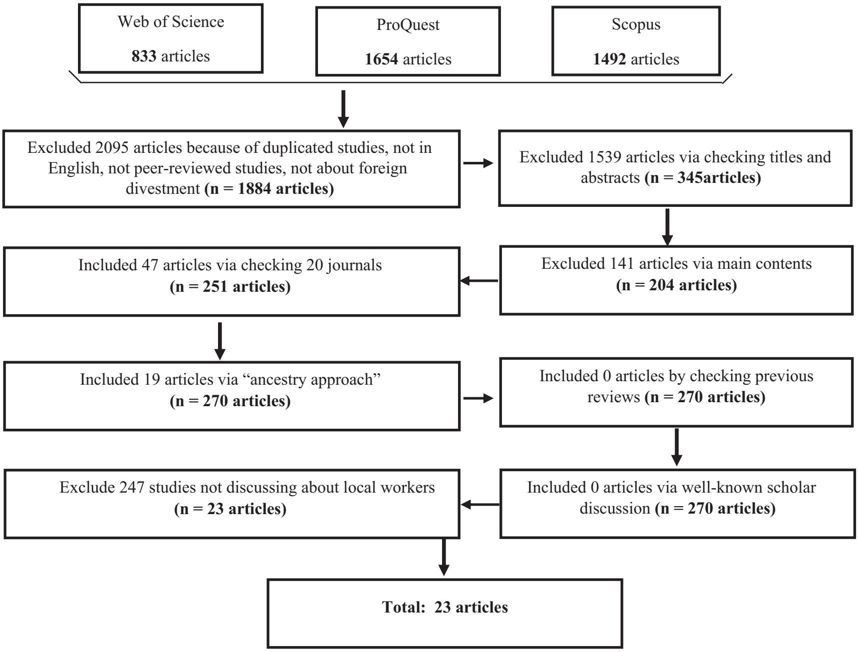

Fig. 2.1 Literature search—articles in each step

missed in the previous steps of our search. Figure 2.1 shows our retrieval method and the number of articles found in each step.

The search retrieved 270 primary studies on foreign divestment topics. Notably, the number of papers discussing the relationship between local workers and foreign divestment was significantly small. More precisely, we found only 23 studies that explored the relationship between local workers and foreign divestment (Baquero, 2013; Cairns et al., 2008; Defren et al., 2012). Of these, 18 discussed the impact of local employees on foreign divestment, that is, how the local workers react to a foreign divestment announcement, and influence the implementation of the divestment process, while five focused on the impact of foreign divestment on local workers. Importantly, among the 23 studies, there was a lack of attention paid to the role of local workers, especially non-managerial local workers, compared to that of local subsidiary managers or other managerial positions. It was also noted that the previous literature had focused mainly on the antecedents of foreign divestment, that is, what leads MNEs to divestment decisions, rather than on the implications of foreign divestment, namely how foreign divestment influences the local employees of the divested subsidiaries.

3.2 A Synthesis of the Impact of Local Workers on Foreign Divestment

As noted above, our systematic review shows that the previous research has seldom reported how local workers are involved in foreign divestment, while only a few studies have focused on how local workers moderate the effects of other dominant factors on foreign divestment propensities. For instance, in discussing the impact of subsidiary characteristics, researchers confirmed that the number of local workers as a proxy for subsidiary size significantly influences foreign divestment probabilities. Stated otherwise, a higher number of workers increase the foreign subsidiary's chances of survival because the MNE might already recruit better-qualified workers from local countries; thereby, MNEs may not want to lose this intangible asset (Bandick, 2010; Ferragina et al., 2012; Geishecker et al., 2009). In contrast, a lower number of local employees might indicate that MNEs may not want to stay longer in the host countries. Alvarez and Görg (2009) further confirmed that the number of workers might act as a threshold to reverse the relationship between foreign presence and foreign divestment rate. However, this threshold effect is not explained clearly in their research.

Research has also found that labor productivity, that is, the net value added per employee, increases the survival rates of both domestic and foreign firms. For instance, Geishecker et al. (2009) reported that when labor productivity is significantly high, it could dominate the effects of the foreign presence and subsidiary density on foreign divestment probability. Furthermore, other scholars confirm that the education levels of local workers could increase the survival rate because of the greater human capital in the local markets (Bandick, 2010; Mata & Freitas, 2012). Collectively, this research stream highlights that human capital, and particularly labor productivity, increases the chances of survival among foreign firms. It is worth mentioning that the effect of human capital is often assessed at the macro level, for example, residents' education level and average level of net value added per employee, whereas the specific individual levels of local employees working for the divested subsidiaries are not considered.

As noted above, the moderating effect of the local workers has been emphasized compared to its direct effect. For instance, adopting the footloose perspective, prior scholars have explained the moderating effect of the characteristics of the local workers on the relationship between foreign ownership and foreign divestment propensities (Alvarez & Görg, 2009; Geishecker et al., 2009; Mata & Portugal, 2002). In essence, the footloose perspective states that foreign presence is significantly associated with foreign divestment probability, because the foreign presence increases the lack of local knowledge and social ties in the markets, or higher multinational flexibility, leading to higher propensities of foreign divestment (Alvarez & Görg, 2009; Bernard & Jensen, 2007; Ferragina et al., 2012; Geishecker et al., 2009; Mata & Portugal, 2002). In this respect, prior scholars have reported that local workers' characteristics, for example, skills and levels of education, could support foreign firms in dealing with the local business environment and, thus, moderating the effect of foreign presence on foreign divestment propensities (Andrews et al., 2012; Bandick, 2010; Bandick & Görg, 2016; Belderbos, 2003; Bernard & Jensen, 2007; Ferragina et al., 2012; Görg & Strobl, 2003a, 2003b). It is worth mentioning that *footloose* perspective studies have focused mainly on the moderating role of local subsidiary managers or other decision-makers at the subsidiary level, who could modify or adapt firm strategies in local markets. Therefore, this theoretical perspective has focused mainly on the powerful actors in divested units, for example, subsidiary managers or business experts, while non-managerial workers have not been extensively discussed. As elaborated above, this lack of attention paid to the impacts of non-managerial local workers on foreign divestment propensities potentially leads to an incomplete understanding of what makes MNEs divest their previous FDIs.

Another area that has addressed the role of local workers is the foreign divestment process, that is, the implementation of foreign divestment decisions. Fundamentally, MNEs must implement the foreign divestment decision after it has been announced. Implementing a divestment decision efficiently could bring benefits to the MNEs or increase positive outcomes of the divestment decisions. However, the extant literature has paid little attention to the divestment process (e.g., Nees, 1981), and only a few studies have discussed the role of subsidiary managers as key personnel implementing foreign divestment announcements (e.g., Cairns et al., 2008). Similarly, our review shows that the influence of non-managerial local workers on divestment mode choices and the divestment process has not been emphasized. This is a striking omission in providing a comprehensive understanding on foreign divestment.

3.3 A Synthesis of the Effect of Foreign Divestment on the Local Workers

The previous section highlights some of the effects that local employees may have on foreign divestment decisions. However, the impact of foreign divestment on local workers, both subsidiary managers and non-managerial staff, has not been discussed extensively in the extant literature. Only a few studies, for example Sofka et al. (2014), and Bernard and Jensen (2007), have shown that once a foreign subsidiary is closed, the opportunity for local employees to find higher-paid positions is contingent on whether the human capital was bound to the multinational enterprise or is valuable in itself within the host country. Put simply, local employees who worked for a divested subsidiary are more likely to find another job at a higher salary if they possess specific capital that could be applied to other firms in the host country. It is also worth mentioning that while these studies claim an effect of foreign divestment on local employees, in terms of future salary and unemployment persistence (i.e., Sofka et al., 2014, p. 724), their discussion has focused mainly on the top- or middle-management levels of subsidiaries, not other lower levels, for example, non-managerial local workers. In addition, these studies focus only on the closing of subsidiaries, not on other types of foreign divestment such as a sell-off. By nature, a sell-off may not necessarily relate to displaced workers. Instead, local workers will need to deal with the new owners of a divested subsidiary. This research direction has not been discussed in the extant literature.

In addition, scholars have discussed the relationship between foreign divestment rate and worker separation, referring to cases when local workers must leave MNEs, and then work for competitors or other domestic firms in the local country (Andrews et al., 2012). Precisely, the worker separation literature reports that foreign firms tend to be more protective than their domestic counterparts, to avoid knowledge spillovers to local plants, and, thus, MNEs tend to offer their local workers more job security, for example, higher wages and a social welfare package (Andrews et al., 2012; Glass & Saggi, 2002). Human capital may then increase the chances of local subsidiaries' survival. Importantly, the displaced workers would likely receive more support from headquarters once a divestment is decided upon, for example, job offers in other subsidiaries in the host country or in the region, or even working for the parent company headquarters. Employees who held more specific knowledge or capital value to the MNEs would be more secure than others, as the MNEs tend to keep them in place. Nevertheless, the specific intangible assets could be a motive to opt for closure rather than sell-off (Mata & Portugal, 2002). Interestingly, Andrews et al. (2012) showed empirically that the differences in job security, among developed industries or nations such as Germany, between foreign and domestic firms are not significant, compared to differences between developed and developing nations.

Employment growth is another aspect that has gained attention in the extant foreign divestment literature. For instance, Bandick and Görg (2016) recognized that foreign divestment decreases employment growth because it is easier to shut down or reduce employment in foreign firms compared to domestic firms. Similarly, Belderbos (2003) reported that because FDIs are expected to create employment in the industry and increase labor productivity, divesting them may hurt employment growth and productivity. However, it is worth mentioning that Bandick and Görg (2016) focused on the linkage between foreign acquisition or change in foreign ownership and employment growth. Foreign acquisition or change in foreign ownership could be considered foreign divestment only when the degree of new foreign ownership is significantly high. The authors also found that the effect of foreign acquisition on employment growth is not necessarily negative, since firm-level heterogeneity may modify the effect. Hence, this merits further consideration.

In general, our synthesis shows a significant lack of attention has been paid to the role of local workers, especially those who do not hold managerial positions, in making foreign divestment decisions or determining the outcomes of foreign divestment. Since our aim is to provide an extensive understanding on foreign divestment, in the next section, we propose some fruitful directions for future research, particularly on the influence of local workers, both as a factor in foreign divestment and as an indicator measuring the consequences of the divestment decisions.

4 Future Research Directions

Foreign divestment has garnered considerable attention for more than 40 years (Schmid & Morschett, 2020). Nevertheless, prior scholars have focused mainly on the influence of external environments (e.g., institutional differences or host environments) or internal constraints (e.g., headquarters strategies or performance) on foreign divestment decisions, while the influence of local employees has received considerably less attention. The prior studies have shown that the local workers may also have an impact on the implications of foreign divestment decisions such as divestment mode choices or implementation process, although this influence has been neglected in the extant literature. In addition, our review reported very few studies on the effect of foreign divestment on local employees. Elaborating on the synthesis, we propose several interesting research avenues to develop our understanding of the two-way relationship between foreign divestment and local employees.

4.1 Research on the Impact of Local Workers on Foreign Divestment

The impact of local subsidiary managers and non-managerial workers on foreign divestment is diverse. Local workers may have different characteristics that modify foreign divestment propensities, not just human resources or capital as previous studies have suggested. In addition, local workers may influence different stages of foreign divestment. Hence, we propose directions to drive our research on the impact of local employees on foreign divestment and its implications.

First, we encourage future research to emphasize the linkage between local workers and divestment propensities. Important variables in this context include local human capital, for example, education levels, language proficiency, cultural intelligence, and local knowledge. The local employees demonstrate other characteristics that are also important to investigate. For instance, future research could delve into the individual characteristics of target subsidiaries' local employees to examine foreign divestment propensities, such as wages, individual creativity, and language proficiency. The research could also explore the competitiveness of local employees compared with other nearby or similar markets, for example, human capital, labor productivity and costs, as well as other specific skills and knowledge. A relative advantage could contribute as an exit barrier that discourages MNEs from divesting or relocating their operations to nearby countries.

Second, researchers may want to delve more into different impacts of local subsidiary managers and business experts, compared to non-managerial employees, for example, administrative staff or factory workers. The main reasons for the separation are their different roles in the divestment decision process and their potential contribution to evaluating alternative strategies. For instance, subsidiary managers are more likely to actively negotiate with headquarters or other sister subsidiaries on different issues, for example, resource allocation, headquarters attention, investment, or shifting value chains. In this context, researchers may want to investigate the impact of subsidiary managers' characteristics, such as personal relationships, levels of connectedness to the headquarters and other sister subsidiaries, and roles of the targeted subsidiaries in the parent firm's global value chain. In addition, subsidiary managers may be different to other local workers because they may have more opportunities to find new positions within the parent firm's networks, for example, at headquarters or other sister subsidiaries. Furthermore, opportunities to find a similar position at other firms are often higher for subsidiary managers, depending on the degree to which their knowledge of the MNE is bounded (Sofka et al., 2014).

In contrast, researchers should consider the task efficiency or competitive advantage conferred by non-managerial workers, as they are intangible assets of the subsidiary. As elaborated above, the educational levels, specific industrial knowledge, cultural diversification, and other demographics of the non-managerial workers in local countries may have a significant impact on subsidiary competitiveness and performance, which could be considered key factors influencing foreign divestment decisions. We further propose that while subsidiary managers may have more individual effects due to their unique characteristics, for example, personal relationships with headquarters or other shareholders, non-managerial local workers may have more general effects on foreign divestment propensities. Therefore, we encourage future research to dive into different levels of analysis when examining the impacts of local workers.

Third, as our review further shows that the extant literature on foreign divestment has neglected the role of local employees in other aspects of foreign divestment, for example, foreign divestment mode choices, implementing a process, or evaluating the outcome of the divestment decision, we encourage future research to fill this important gap. For instance, prior scholars reported that local human capital, for example, unique human capital, specific labor skills, or industrial experience, is important to MNEs' survival and superior performance, for both foreign subsidiaries and the parent firms. However, there are a few studies discussing how MNEs may have different divestment mode choices, depending on human capital not related to intangible assets, for example, R&D and marketing intensity (Chang & Singh, 1999; Mata & Portugal, 2000, 2015). Specifically, if the divested subsidiary possesses specific human capital, such as sales and marketing teams or manufacturing workforces for specific products, MNEs may generate higher profits by selling the subsidiaries to potential buyers. In contrast, if the foreign subsidiaries do not possess specific characteristics, searching for a potential buyer may be more difficult, while generating profits via the sell-off process is less likely. Hence, we encourage more studies focusing particularly on the linkage between local human capital and specific divestment mode choices.

We further suggest future research investigates the weighting effects of different intangible assets, for example, human capital-related assets versus non-human capital-related assets, on foreign divestment propensities and divestment mode choices. Importantly, as local subsidiary managers may have more powers in dealing with headquarters to support the parent firms in following different divestment modes, we encourage future research to examine the influence of the powerful actors on specific divestment mode choices.

Moreover, we encourage future research to examine the roles of local workers in implementing the foreign divestment process. Previous scholars have discussed how local subsidiary managers are involved in the divestment process, for example, by providing information and documents to potential buyers, or preparing for the divestment at the subsidiary level. However, that discussion is quite limited. To this end, we suggest that subsidiary managers or other decision-makers at the local subsidiary level may have more tasks pertaining to the divestment process. For instance, subsidiary managers may negotiate with parent firms on subsidiary performance and prospects, which may in turn influence the chances of subsidiary survival. Once a divestment is decided, subsidiary managers would also likely be involved in the divestment announcement to internal (e.g., local non-managerial workers) or external stakeholders (e.g., local suppliers and customers, local government agencies, and other interest groups). Nevertheless, we acknowledge that local subsidiary managers may not always know about divestment decisions beforehand, especially when they are not connected to or have personal relationships with the headquarters. Related to this, it may also be important to discuss the reactions of subsidiary managers once a divestment has been announced.

In addition, we urge future research to investigate the involvement of local non-managerial employees in implementing a divestment process. Our review reports a lack of attention paid to non-managerial local workers, which could be since non-managerial staff often do not know about the divestment decisions until the divestment itself is publicly announced. In general, we suggest that while the local non-managerial employees may not be involved in the decision-making process, they can still have an impact on implementing divestment decisions, for example, delaying or postponing the divestment process. For instance, if liquidation is selected, local workers are more likely to lose their job and change career path, or even see their standard of living deteriorate. In this respect, local workers may potentially have more negative reactions toward the divestment, for example, taking industrial action that reduces productivity or slows work processes. These reactions may have negative impacts on finding potential buyers or proceeding with divestment implementation. In contrast, when local workers react positively toward the announcement or believe their wages or jobs are secured, this could help attract more potential buyers, thus increasing parent company benefits from sell-off strategies. In addition, a positive reaction to the divestment announcement also promotes successful operation after the transfer of ownership is completed.

Furthermore, laid-off workers may involve different aspects of the local rules and laws, cause conflict with worker unions or other interest groups, and violate local government policies. These could be considered additional exit barriers, as previous scholars have discussed (e.g., Arte & Larimo, 2019). Accordingly, MNEs may have to consider these exit barriers once they decide to divest local subsidiaries. There is also a significant linkage worthy of further examination between the local workers, related exit barriers, and specific divestment mode choices.

4.2 Research on the Impact of Foreign Divestment on Local Workers

As elaborated above, the previous research on foreign divestment outcomes has considered mainly financial performance indicators, for example, stock markets, market growth, and sales growth. In essence, financial performance may only be reflected via value creation, which does not capture all other consequences of foreign divestment. In this regard, we propose that focusing on non-financial indicators could provide significant knowledge to develop our understanding of foreign divestment. To this end, we encourage future research to look deeper into how foreign divestment affects local workers, both managerial and non-managerial. The local workers of divested subsidiaries are significantly influenced by divestment decisions because these are bound to change their career path. For example, it may result in loss of employment, a change in current position or missing out on career promotions, which may in turn have further effects on their personal life. Importantly, in light of increasing inequalities across the world, exploring how divestment affects local workers is not only pertinent but also necessary. We now suggest several avenues for future research.

First, we encourage future research to examine how local subsidiary managers and other decision-makers from divested units continue their career development. As noted above, depending on different divestment modes and the length of the divestment process, subsidiary managers are influenced in different ways by the divestment. Researchers could discuss subsidiary managers' careers after the divestment announcement, where they might work following the divestment. For example, at the parent firm's headquarters, for surviving sister subsidiaries, or for competitors. They might move into self-employment or entrepreneurship (start-ups), or switch industries. These changes could capture the effect of divestment on the personal career development of managerial personnel, a topic that may be particularly attractive to the human resource literature.

Second, future research could investigate the length of the period from when subsidiary managers lose their job in a divested unit until they start working in a new position, or the discontinuous pattern of their employment. This discontinuous time, or unemployment persistence, could explain how the human capital, specific knowledge, or multinational experience of divested units might be applied in different firms or industries. The human capital development of targeted subsidiaries and how that capital could be adopted in other firms or industries could also be significant factors in evaluating how FDI contributes to the human capital development of host countries.

Changes in wages or positions could also be worth investigating since foreign divestment may impact personal career development. We argue that investigating the influences of divestment on local employees is more important when MNEs still have existing subsidiaries in the host market, and foreign divestment does not amount to market exit. MNEs would need to manage how their divestment influences local workers, because those influences may have a significant impact on the MNE's subsequent investment or divestment in the local country (Vissak et al., 2020). For instance, if the influences are positive, where local employees working for divested subsidiaries might receive higher salaries or obtain more advanced positions with new employers, foreign divestment researchers could claim the divestment is not necessarily a failure, at least from the local worker perspective. Accordingly, local government or other interest groups may not see foreign divestment as a negative development per se, resulting in a continuously friendly political environment in terms of, for instance, tax and non-tax-related policies, political connections, and informal engagement, to promote MNEs' survival and subsequent investment.

In contrast, if the influences of foreign divestment on local workers are negative, that is, divestments lead to employment persistence, redundant skills, or falling labor productivity, the local authorities may consider foreign divestment a situation to be avoided. In addition, if divesting subsidiaries produce significantly high levels of unemployment amongst low-skilled workers, local governments may have negative formal reactions toward the divestment decisions or the MNEs' activities, for example, forcing the subsidiaries to postpone or not implement divestment, abandon subsequent investments or other transitions. Accordingly, providing more knowledge on the influence of foreign divestment on changes in local workers' wages and positions could also develop our knowledge on what we should consider in judging a foreign divestment decision as a failure or a strategic success.

Fourth, foreign divestment decisions—either selling-off or shutting-down (liquidation)—will also affect local non-managerial workers significantly, especially those who work at the lowest levels of the hierarchical structures in the divested units. Non-managerial employees are always at greater risk of losing their job, even if the targeted unit is sold to another buyer. Previous scholars have confirmed that new owners of divested subsidiaries may want to renew the workforce in order to reduce levels of friction or conflict with the existing personnel, especially concerning staff who are easier to replace due to their less task-specific work. In addition, adopting new rules or working practices for existing employees may take more time and effort compared to training up new staff. Therefore, we urge future research to examine how foreign divestment changes local non-managerial employees' career development and personal life. This topic merits more attention, especially when the international business literature, particularly foreign divestment research, tends to focus mainly on elite workers (Singh et al., 2019; Tasheva & Nielsen, 2020).

Finally, we further encourage future research to focus on other external stakeholders regarding the divestment decisions, for example, local subcontractors or suppliers to the divested subsidiaries. International business scholars claim that foreign subsidiaries play a role in the global value chain or other shifting profit channels of MNEs in the global arena. In other words, foreign subsidiaries develop their connection with other partners in the chains, for example, business engagement and logistics systems. Accordingly, we argue that divesting a subsidiary potentially impacts its local suppliers and other subcontractors. Reduced business engagement, lost contracts, or falling profits are just some of the potential negative consequences. In this context, foreign divestment also influences local businesses and local workers in related subcontractors or suppliers. Hence, future studies could discuss streams to develop our knowledge on the influence of foreign divestment on local workers.

5 A Concluding Remark

Foreign divestment has been discussed for more than four decades, and several aspects of this research topic have been explored. However, while prior scholars have focused mainly on the antecedents of the divestment decision or the impact of divestment on the financial performance of MNEs, the discussion on how foreign divestment influences the local employees of divested subsidiaries has received lack of attention. Recent international reports (World Social Report, 2020; World Inequality Report, 2022) show a significant and increasing gap in equality across and within countries, due to recent geopolitical and economic events. In discussing the two-way relationship between foreign divestment and local employees, we aim to contribute to an emerging literature on foreign divestment and inequality. In this chapter, we have taken stock of what we know about the largely neglected role of local employees when considering strategic decisions, evaluating business outcomes, or how they influence foreign divestment propensities. More importantly, we explore how foreign divestment generates significant changes that affect local employees, for example, unemployment persistence, loss of earnings and income, and changes in career development. We argue that focusing on these aspects provides a better indicator to evaluate the outcomes of foreign divestment, while developing nuanced knowledge on how foreign divestment affects inequality in host countries, especially in the emerging and less developed countries. Accordingly, we have proposed several interesting directions to guide future research on this increasingly relevant topic.

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