

Corporate Divestitures around Mergers and Acquisitions: A Bibliometric Study

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Abstract

Even though studies have found that divestitures around Mergers and Acquisitions (M&A) are a common occurrence (13%–45% across studies), this topic hasn't been studied enough. This bibliometric study reviews the research themes and publication pattern of papers on divestitures around M&A. An initial extract of 537 research papers listed on SCOPUS till 2023 on relevant keywords was identified of which 170 papers were shortlisted to identify research work which was contributing to the research area in a meaningful way. This study identifies top contributors to the area across authors, journals and countries. Several key research sub-themes emerged. While there are papers focusing on divestitures as an indicator of failure of prior M&A, a different group of papers have studied divestitures in more positive light such as it being a tool to improve performance. One of the most important themes is to identify reasons and estimate likelihood of divestiture of previously acquired units.

Keywords: Divestitures, mergers and acquisitions, bibliometric analysis, review, restructuring.

Introduction

Divestitures around acquisitions are a fairly common occurrence, more than one would imagine. Divestiture of previously acquired unit varies from 30 to 45 percent (*Weston, 1989 in the 1980s study*). Porter (1987), Kaplan & Weisbach (1992) and Ravenscraft & Scherer (1987) also found evidence of a high occurrence of divestitures after M&A. The scenario is not very different today. Aktas et al. (2022), in a large sample of 6,845 acquisitions, reported that 13% of acquisitions were associated with at least one divestiture representing on an average about 33% of the original acquisition value. Further, some studies have also claimed a “cause and consequence” relation between these acquisitions and divestitures (Ma & Wang, 2018).

M&A activity, though cyclical, continues to increase in the business world, and, along with it divestitures around M&A are also increasing. A lot of authors have studied M&A (Bates, 2005; Maksimovic & Phillips, 2002; Mulherin & Boone,

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2000; Schlingemann, Stulz, & Walkling, 2002). Off late divestitures have received some research interest, yet they continue to be less studied than M&A' (Brauer, 2006; Buchholtz, Lubatkin, & O'Neill, 1999). Paper by Rai (2020), which covers impact of mergers and acquisitions on job insecurity and thereby on workplace spirituality, is just one example of the extent of research coverage of M&A which is not the case for divestitures around M&A. Further, while there are a few bibliometric analysis works on M&A—for example (Eulerich, Kopp, & Fligge, 2022)—we didn't come across any such review that studied divestitures around M&A.

Methodology

We conducted a bibliometric study to get a comprehensive assessment of the literature on Divestitures around M&A (Donthu et al., 2021). This method is preferable when handling large amount of bibliographic data (Ramos-Rodríguez & Ruiz-Navarro, 2004) as it helps minimize interpretation bias (Pandey et al., 2022) which is seen to be an issue in qualitative techniques' based analysis (Cumming, Jindal, Kumar, & Pandey, 2023; MacCoun, 1998).

To collect a representative sample of studies we used SCOPUS database. We ran a search on 'Title', 'Abstract' and 'Keywords' with the following string of keywords: ((“divest*” OR “disinvest*”) AND (“acqui*” OR “merger*” OR “M&A”)). Asterisk wildcard “*” ensures that all variations of the word after the defined keyword are captured. The purpose of such a keyword string is to cast a wide net on the area of research, and ensure that articles that concern with both divestitures and M&As are considered. We limited our search to three relevant subject areas Business, Management & Accounting, Economics, Econometrics & Finance and Social Sciences. Further, we restricted the document type to Articles, Reviews and Conference Papers published in English. The search was done on 31st Dec '23. This resulted in 537 articles. We then reviewed each article by reading Title and Abstract and removed articles that do not contribute to the research area in any meaningful way or are only dealing with one topic – Divestitures or M&As, i.e., we only retain articles which analyze the two topics together. Further, publications which analyzed acquisitions and

divestitures independently without studying impact of one on another were also excluded. This criterion is important to make a distinction between M&A research which includes divestitures and the chosen area of research – Divestitures around M&A. This resulted in the final set of 170 articles from 110 journals. We had not limited our search on the publication year and got articles over a period of 1982-2023 which is a sufficiently large review period to gain a comprehensive view of how the research area has evolved over time.

We retrieved all the bibliometric information for these papers such as title, author, affiliation, source title, year and other information such as abstract, keywords, references, et al. VOSviewer software was used for analysis and creating network diagrams.

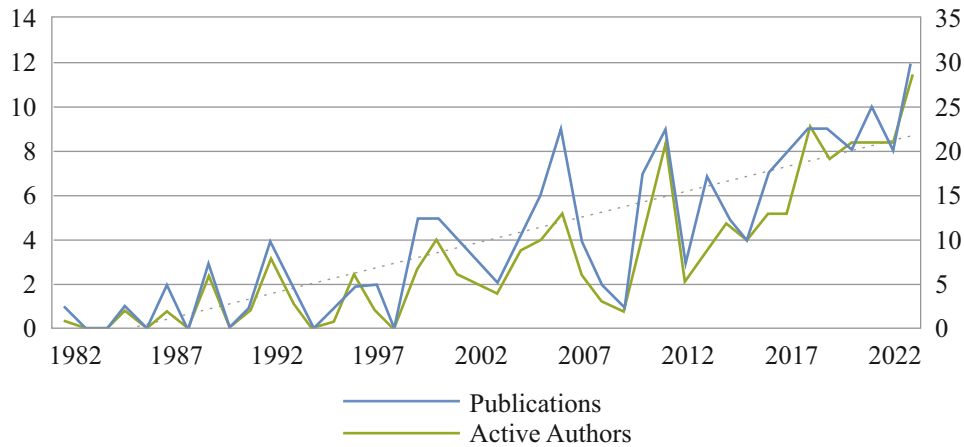
We primarily employed three complementary yet comprehensive analysis techniques: performance analysis including citation analysis, co-citation analysis and bibliographic coupling technique for analysis of research themes.

Results and Discussion

Performance analysis

We deployed performance analysis techniques to examine the contributions of various research constituents to the field of Divestitures around M&A (Donthu et al., 2021). We calculated the prominent performance analysis measures such as publications per year, publications per journal and citations per publication to ascertain the trends and thought leaders of this emerging field.

Figure 1: Pattern of publication
Publications and Active Authors



Note: Left axis is for publications and right axis is for number of active authors.

Divestiture around M&A is an up-and-coming field which is beginning to gain traction as evidenced from the trendline.

Table 1: Top 10 countries by citations in this research area

Country	TP	TC	TC/ TP
United States	77	3,879	50.4
France	16	809	50.6
United Kingdom	18	427	23.7
Canada	7	191	27.3
Norway	1	153	153.0
South Korea	2	110	55.0
Sweden	5	89	17.8
Finland	3	68	22.7
Portugal	4	46	11.5
Belgium	3	35	11.7

Note: TP is Total Publications, TC is Total Citations, and TC/ TP is Citations per Publication.

Like many emerging research areas, the cited works in this field are dominated by the developed nations led by United States of America. France is

the leader by a small margin when it comes to average citations per publication.

Table 2: Top 10 journals by citations per publication

Journal	Area	TP	TC	TC/ TP	TP Rank	TC Rank	TC/ TP Rank	SJR	H Index	Impact Factor	ABDC Rating
Academy of Management Journal	Strategy and Management	2	993	497	13	2	1	10.91	358	10.979	A*
The Journal of Finance	Finance	3	653	218	8	3	2	15.52	336	7.87	A*
Journal of Accounting and Economics	Finance and Economics	1	205	205	28	8	3	6.1	174	7.293	A*
Applied Economics	Economics	1	153	153	28	9	4	0.59	98	1.916	A
Journal of Business Venturing	Strategy and Management	1	149	149	28	10	5	5.029	211	13.139	A*
Journal of Management	Strategy and Management	2	265	133	13	5	6	7.213	261	13.508	A*
Strategic Management Journal	Strategy and Management	12	1584	132	1	1	7	8.497	318	8.3	A*
Journal of Business	Strategy and Management	1	126	126	28	11	8	3.265 (2009)	99	Not found	Not found
Contemporary Accounting Research	Finance and Economics	1	124	124	28	12	9	3.012	115	4.041	A*
Journal of Law and Economics	Economics	1	122	122	28	13	10	1.612	88	1.84	A*

Note: SJR (Scimago Journal Rank), ABDC (Australian Business Deans Council) Quality Rating and H Index are for 2022 while Impact Factor is for 2023.
 Note 1: Journal of Business was covered only till 2006 in SCOPUS.

Top journals in the subject areas of Strategy & Management, Finance and Economics lead the way in publications in this research area. While Strategic Management Journal has the highest

number of publications, Academy of Management Journal has the highest average citations per publication.

Table 3: Top 10 articles by citations per year

Title	Author	Journal	Year	TC	TC/ Y
“The market for corporate control and firm innovation”	Hitt, M.A.; Hoskisson, R.E.; Johnson, R.A.; Moesel, D.D.	Academy of Management Journal	1996	734	26.21
“Financial Statement Comparability and the Efficiency of Acquisition Decisions”	Chen, C.-W.; Collins, D.W.; Kravet, T.D.; Mergenthaler, R.D.	Contemporary Accounting Research	2018	124	20.67
“Acquirer-target social ties and merger outcomes”	Ishii, J.; Xuan, Y.	Journal of Financial Economics	2014	189	18.90
“The long-term performance of horizontal acquisitions”	Capron, L.	Strategic Management Journal	1999	470	18.80
“Prospect theory, behavioral theory, and the threat-rigidity thesis: Combinative effects on organizational decisions to divest formerly acquired units”	Shimizu, K.	Academy of Management Journal	2007	259	15.24
“Acquisition profitability and timely loss recognition”	Francis, J.R.; Martin, X.	Journal of Accounting and Economics	2010	205	14.64
“The Success of Acquisitions: Evidence from Divestitures”	Kaplan, S.N.; Weisbach, M.S.	The Journal of Finance	1992	418	13.06
“Modularity in organizational structure: The reconfiguration of internally developed and acquired business units”	Karim, S.	Strategic Management Journal	2006	212	11.78
“Asset divestiture following horizontal acquisitions: A dynamic view”	Capron, L.; Mitchell, W.; Swaminathan, A.	Strategic Management Journal	2001	240	10.43
“Measuring the performance of corporate acquisitions: An empirical comparison of alternative metrics”	Schoenberg, R.	British Journal of Management	2006	164	9.11

Note: TC/ Y is Citations per Year counted from the year of publication till 2023.

A newer publication will naturally have fewer citations as compared to an older publication of same importance. Above table shows the top 10 articles in the research area ranked by citations per year. These works cover a wide variety of analyses done on the research area including evaluating

different theories in their ability to explain divestitures of prior acquisitions, looking at divestitures as failure and viewing divestitures as a tool to learn and improve performance. The diverging views on divestitures around M&A across these prominent works goes to show that it is

a relatively new and emerging field. A similar trend is seen in the table below when viewing top authors by average citations per publication.

Table 4: Top 10 authors by total citations

Author Name	TP	TC	TC/ TP	Titles
Hitt, Michael A.	2	877	439	“The market for corporate control and firm innovation”;
				“What constrains or facilitates divestitures of formerly acquired firms? The effects of organizational inertia”
Johnson, Richard A.	1	734	734	“The market for corporate control and firm innovation”
Hoskisson, Robert E.	1	734	734	“The market for corporate control and firm innovation”
Moesel, Douglas D.	1	734	734	“The market for corporate control and firm innovation”
Capron, Laurence	2	710	355	“The long-term performance of horizontal acquisitions”;
				“Asset divestiture following horizontal acquisitions: A dynamic view”
Weisbach, Michael S.	2	618	309	“The Success of Acquisitions: Evidence from Divestitures”;
				“CEO turnover and the firm's investment decisions”
Shimizu, Katsuhiko	3	485	162	“What constrains or facilitates divestitures of formerly acquired firms? The effects of organizational inertia”;
				“De-commitment to losing strategic action: Evidence from the divestiture of poorly performing acquisitions”;
				“Prospect theory, behavioral theory, and the threat-rigidity thesis: Combinative effects on organizational decisions to divest formerly acquired units”
Kaplan, Steven N.	1	418	418	“The Success of Acquisitions: Evidence from Divestitures”
Bergh, Donald D.	2	279	140	“Predicting divestiture of unrelated acquisitions: An integrative model of Ex Ante conditions”;
				“Executive retention and acquisition outcomes: A test of opposing views on the influence of organizational tenure”
Mitchell, Will	2	261	131	“Asset divestiture following horizontal acquisitions: A dynamic view”;
				“Virtuous or vicious cycles? The role of divestitures as a complementary Penrose effect within resource-based theory”

Co-citation analysis

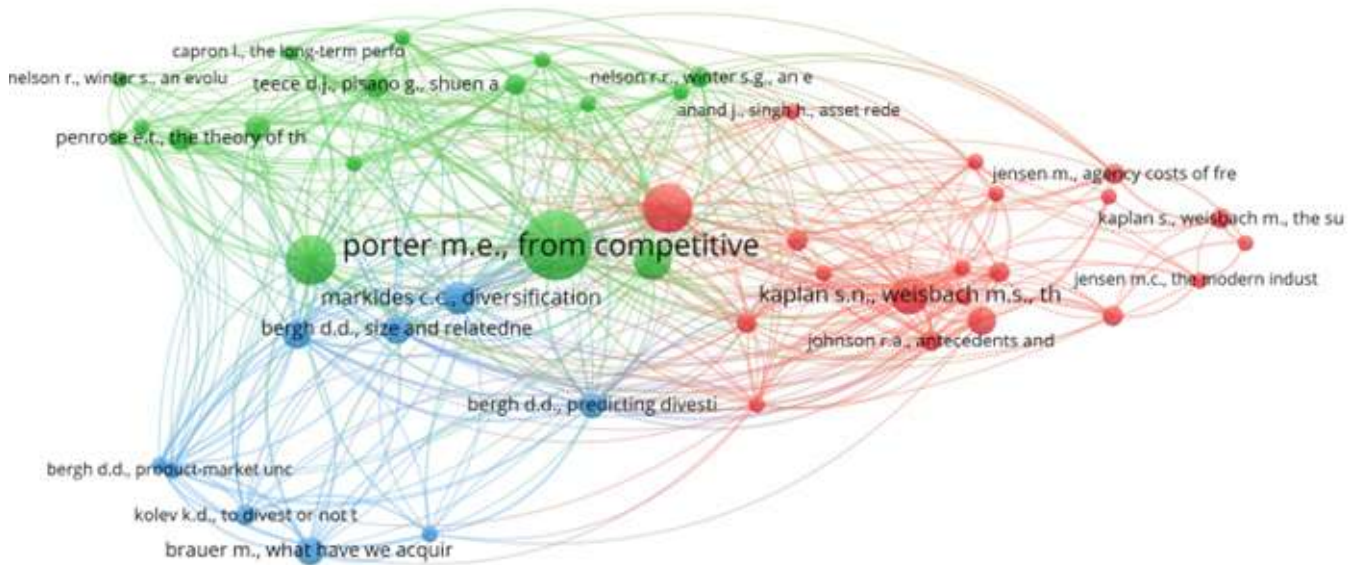


Figure 2: Network diagram of top 40 articles which have been cited by the 170 papers in this research area

Table 4: Top 10 papers which have been referenced by the 170 papers in this research area

Author(s)	Paper	Year	TC(Q)	Cluster
Porter, M.E.	"From Competitive Advantage To Corporate Strategy"	1987	17	Green
Capron, L.; Mitchell, W.; Swaminathan A.	"Asset Divestiture Following Horizontal Acquisitions: A Dynamic View"	2001	16	Red
Haspeslagh, P.C.; Jemison, D.B.	"Managing Acquisitions: Creating Value Through Corporate Renewal"	1991	16	Red
Brauer, M.	"What Have We Acquired And What Should We Acquire In Divestiture Research? A Review And Research Agenda"	2006	14	Red
Duhaime, I.M.; Grant, J.H.	"Factors Influencing Divestment Decision-Making: Evidence From A Field Study"	1984	12	Red
Bergh, D.D.	"Predicting Divestiture Of Unrelated Acquisitions: An Integrative Model Of Ex Ante Conditions"	1997	10	Red
Kaplan, S.N.; Weisbach, M.S.	"The Success of Acquisitions: Evidence from Divestitures"	1992	9	Red
Nelson, R.R.; Winter, S.G.	"An Evolutionary Theory Of Economic Change"	1982	9	Green
Ravenscraft, D.J.; Scherer, F.M.	"Mergers, Sell-Offs, And Economic Efficiency"	1987	9	Green
Markides, C.C	"Diversification, Restructuring And Economic Performance"	1995	8	Blue

Note: TC(Q) is the total citations received from within 170 papers in consideration.

The cluster color referenced here refers to the cluster color in co-citation network diagram in Figure 2.

While number of publications is a measure, a more relevant measure to identify thought leaders in a field is citation analysis. Citation is the explicit acknowledgment of intellectual debt by the authors (*Kochen, 1987*). Citation analysis looks at which works have been acknowledged, and thus, have influenced the present body of work. Building on that, co-citation analysis entails counting the frequency of a selected pair of works being cited together in articles published (*White & McCain, 1998*). It is an analysis which reveals the underlying intellectual structure and themes of the field of research (*Liu, Yin, Liu, & Dunford, 2015; Rossetto, Bernardes, Borini, & Gattaz, 2018*). It inherently assumes that if a work is being referenced together, it must be thematically similar (*Hjørland, 2013*). Therefore, we aimed to get a view of the foundational thematic clusters of the field through this analysis.

The co-citation analysis on cited references was done using full counting method. The 170 papers in consideration had 6,686 references. An attempt to analyze 6,686 papers wouldn't have done justice to any of the works. To select the most impactful work, a cut-off of four citations was taken to shortlist top 41 references of which 40 were found to be connected and their network diagram was created. Three distinct clusters emerged.

First cluster, colored red in figure 2, was led by the likes of *Capron et al., (2001)*, *Brauer (2006)* and *Kaplan & Weisbach (1992)* who focused on reasons and likelihood of divestitures around M&A. Historically, divestitures were looked upon as opposite of M&A, but *Brauer (2006)* focusses on divestitures as an independent area of study – factors influencing it and its implications. Similarly, a long-standing view has been that divestitures of prior acquisitions imply failure of

acquisition. *Kaplan & Weisbach (1992)* argue that it is not the case. They make a distinction between successful and failed divestitures and show that announcement returns are different for the two categories. Further, they find that diversifying acquisitions are four times more likely to be divested than related acquisitions even though this factor has no impact on success or failure of acquisitions.

The second cluster, colored green in figure 2, comprises publications focusing on the overall growth and strategy of an organization. All the works in this cluster were published in the 20th century and three of the seven works here are books. *Penrose (1959)* finds that human capital is the most important source of firm innovation, growth and competitive advantage. *Teece et al., (1997)* conclude that the source of competitive advantage are the distinctive processes of an organization i.e., how an organization coordinates and combines. *Porter (1987)* provides a seven step process to choose corporate strategy which includes understanding one's strengths, selecting a core and choosing adjacencies where existing skills and resources can be leveraged.

Third group of publications, marked in blue color in figure 2, were focused on antecedents of divestitures. There was a trend in 1980s by conglomerates to reduce diversification to focus on core businesses which led to profitability improvements (*Markides, 1995*). *Bergh (1995)* found that concentration in ownership is positively related to sale of unrelated small units. Parent firm's performance post sell off was also better when unrelated unit was sold. *Kolev (2016)* concludes that prior divestiture experience and weak performance of the unit are important drivers of subsequent divestitures.

Table 5: Top three papers in each of the five sub-themes in this research area

Paper	Author	Year	TC
Cluster 1 (Red): Reasons and likelihood of divestiture of previously acquired units (TP: 14, TC: 984, APY: 2008.1)			
“Prospect Theory, Behavioral Theory, and the Threat-Rigidity Thesis: Combinative Effects on Organizational Decisions to Divest Formerly Acquired Units”	Shimizu, K.	2007	259
“What constrains or facilitates divestitures of formerly acquired firms? The effects of organizational inertia”	Shimizu, K.; Hitt, M.A.	2005	143
“Why do firms merge and then divest? A theory of financial synergy”	Fluck, Z.; Lynch, A.W.	1999	126
Cluster 2 (Green): Divestiture as an indicator of failure of prior M&A (TP: 12, TC: 977, APY: 2007.0)			
“Acquisition profitability and timely loss recognition”	Francis, J. R., Martin, X.	2010	205
“Measuring the Performance of Corporate Acquisitions: An Empirical Comparison of Alternative Metrics”	Schoenberg, R.	2006	164
“Bustup Takeovers of Value-Destroying Diversified Firms”	Berger, P. G., Ofek, E.	1996	161
Cluster 3 (Blue): Impact of divestitures and organisational performance on each other (TP: 11, TC: 1,109, APY: 2012.5)			
“The long-term performance of horizontal acquisitions”	Capron, L.	1999	470
“Asset divestiture following horizontal acquisitions: a dynamic view”	Capron, L.; Mitchell, W.; Swaminathan, A.	2001	240
“Modularity in organizational structure: the reconfiguration of internally developed and acquired business units”	Karim, S.	2006	212
Cluster 4 (Yellow): Likelihood and impact of divestitures around specific niche of M&A (TP: 10, TC: 524, APY: 2002.0)			
“Predicting divestiture of unrelated acquisitions: An integrative model of Ex Ante conditions”	Bergh, D. D.	1997	157
“Divestment of foreign production operations”	Benito, G. R. G.	1997	153
“The impact of modes of entry and resource fit on modes of exit by multibusiness firms”	Chang, S.J.; Singh, H.	1999	99
Cluster 5 (Purple): Factors contributing to success of M&A (TP: 7, TC: 957, APY: 2010.7)			
“The market for corporate control and firm innovation”	Hitt, M.A.; Hoskisson, R.E.; Johnson, R.A.; Moesel, D.D.	1996	734
“Executive retention and acquisition outcomes: A test of opposing views on the influence of organizational tenure”	Bergh, D. D.	2001	122
“Corporations as stepfamilies: A new metaphor for explaining the fate of merged and acquired companies”	Allred, B.B.; Boal, K.B.; Holstein, W.K.	2005	31

Note: APY is Average Publication Year. The cluster color referenced here refers to the cluster color in bibliographic coupling-based network diagram in Figure 3.

The bibliographic coupling analysis was conducted on the 170 publications using full counting method. A minimum citation criterion of five was set to filter out low impact works which left 88 publications of which 54 were found to be connected and their network diagram was created. Five clusters emerged.

First cluster had 14 publications focusing on reasons and likelihood of divestiture of previously acquired units. *Shimizu (2007)* finds that no one theory is sufficient to explain the divestitures of formerly acquired businesses. Loss of control was related to poor post-acquisition performance and divestitures (*Ravenscraft & Scherer, 1989*). Similarly, improved governance increases likelihood of divestitures post-acquisition (*Shimizu & Hitt, 2005*). *Fluck & Lynch (1999)* argue that mergers are tool to finance marginally profitable projects which wouldn't have been financed as standalone projects and divestitures occur when profitability improves, that is, when the requirement of merged entity to finance such projects is no longer applicable. Whether or not divestiture of the previously acquired unit would lead to a negative perception of top executive's performance is an important determinant of divestitures of a poorly performing acquisitions (*Hayward & Shimizu, 2006*).

The second cluster had 12 publications and viewed divestiture primarily as an indicator of failure of prior M&A. The firms that recognize losses in a timely manner are better at acquisition decisions, and thus, the occurrence of divestitures are fewer, but when required, are quick to divest (*Francis & Martin, 2010*). Whether one uses cumulative abnormal returns or divestiture as a measure of acquisition performance, the mean acquisition success rate is only 44%-56% (*Schoenberg, 2006*). Within three years of acquisition, acquirers close 19% and sell 27% of the plants of the targets (*Maksimovic et al., 2011*). Pre-existing social ties between acquirer's and target's board/

management, which would lead to higher control of the pre-existing management, was found to be related to poor acquisition decisions and subsequent divestitures (*Ishii & Xuan, 2014*).

Third cluster had 11 publications. This group of publications has studied the impact of divestitures on organizational performance and vice versa. Successful innovators acquire complementary businesses to seek resources while divesting non-core businesses (*Kaul, 2012*). *Amiri et al., (2020)* reject the idea that divestitures represent failure of acquisitions. They argue that divestitures, like acquisitions, are tools to optimize the portfolio of businesses and improve performance. Divestitures are found to magnify the performance of firms. Well performing organizations who make acquisitions gain from divestitures as they use the resources from divestitures to invest in growth (*Vidal & Mitchell, 2018*). *Capron (1999)* concludes that resource redeployment and divestitures are potent tools to improve M&A performance but not when the resources redeployed/ divested are that of the target.

Fourth cluster studies divestitures of specific type of M&A such as cross-border, in specific industry, unrelated M&A et al. The likelihood of a foreign subsidiary being divested is higher when the unit was acquired instead of being setup greenfield (*Benito, 1997*). Further, more than half of the unrelated acquisitions are divested shortly after completion and is often a result of change in motivations and conditions which were at the time of acquisition (*Bergh, 1997*). In a study on Swedish multinationals, *Norbäck et al., (2015)* found that while larger affiliates are more likely to be divested, increase in relative size reduces the chances of divestiture.

Finally, fifth cluster explores the factors that contribute to the success of M&A. Firms engaging in M&A and divestitures rely on external innovation for success as they are poor at internal

innovation (Hitt *et al.*, 1996). Bergh (2001) finds that retaining top executives of the target is positively related to successful acquisition performance as the executives help implement the acquisition. However, one may argue that when failure is measured as divestiture, which is a questionable measure, retaining target executives may lead to a bias against divestitures, and thereby, color the findings of the study. Capron (1999), in cluster three, found that divestitures are tool to improve organizational performance, Doan, *et al.* (2018) further argue, based on a study of 2,164 global M&As, that divestitures, being a flipside of acquisitions, allow organizations to learn and be better at M&A. Divestitures, thereby, improve the performance of subsequent M&A. Similarly, Humphery-Jenner *et al.*, (2019) find that firms experienced in divestitures can earn better returns via divestitures both in the short term (at announcement) and in the long term (i.e., operational returns). These firms further improve aggregate returns by re-investing the sales proceeds via acquisitions.

Conclusion

Our review employing bibliometric analysis helps gain a deeper understanding in the research area of divestitures around M&A, an area that hasn't received as much attention as M&A even though studies report that almost half of the M&A's end up in divestiture. We found that publications and active authors working in this area have been steadily rising since 1980s. Most of the contributions to the area have come from the developed world led by USA. We also identified the top journals, publications and authors in the area. We further uncovered, using co-citation analysis, the previous publications in other areas that laid the foundation for authors publishing in this research area of Divestitures around M&A.

Several research sub-themes emerged which have been explored by the prominent authors of this

area. Contrary to the earlier thought which viewed divestitures as a failure of M&A, many authors are now attempting to understand the positive impact of divestiture on the performance of the organization. There is also a body of research that views divestiture as a tool to improve performance. Many authors have also explored the antecedents of divestitures around M&A and estimated its likelihood based on several factors.

Implications of the study

Our study is first of its kind in this emerging research area. It helps the research community to understand the lay of the land. It demonstrates that divestitures are more than just being a side aspect of M&A or representing failure of prior M&A. Divestitures around M&A is a vast and complex area that warrants an in-depth independent analysis. The study is useful for managers as it demonstrates that divestitures of prior M&A do not always signal a mistake. Such divestitures can be a tool to improve performance. Further, it points to prominent studies that have understood the reasons for such divestitures and estimated its likelihood. This analysis will help the managers to avoid mistakes in their M&A journey and avoid undesirable value destroying divestitures.

Limitations of the study

Like any other analysis, this paper suffers from certain limitations. Firstly, our scope is limited to the papers listed in SCOPUS database which is perceived to cover a vast majority of high-quality journals, and thus, assumed to be covering all the prominent works in the research area. Secondly, like any other bibliometric analysis, our research is based on an initial search using specific set of keywords in SCOPUS database and it is possible that certain papers may have been missed. Thirdly, citation and co-citation only relies on highly cited works, thus, ignoring potentially emerging and niche themes. Further, the citation figures are as

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