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Before Exit: Three Essays on Business Exit in Politically and Economically Adverse Environments

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Graduate Program in Business

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Before Exit:

Three Essays on Business Exit in Politically and Economically Adverse Environments

Abstract

This dissertation re-conceptualizes the exit phenomenon in management research by focusing on what precedes exit in times of political and economic turbulence, when firms and entrepreneurs are forced to contemplate unwanted exit as they face multiple threats in their home country. The three essays of this thesis collectively highlight the inadequacy of theories that conceptualize exit as a sudden and complete cessation of activity by showing that exit is an adaptive process that unfolds over time, and across parts of given entities.

The first essay contributes to the literature on entrepreneurial exit by exploring how entrepreneurs proactively respond to political and economic turmoil at home that threatens the continuation of their ventures. Relying on the accounts of 27 entrepreneurs, the study inductively reveals two adaptation mechanisms—temporal and partial—that revise the entrepreneur-venture relationship in the aftermath of traumatic events.

The second essay adopts a longitudinal and comparative case analysis of 12 firms to explore how adversity at home influences firms’ internationalization paths. The study shows how firms sequentially replace resources, values, and opportunities no longer available in their home market with alternatives that they seek and find in foreign contexts. The essay contributes to the literatures on institutional arbitrage and relocation by revealing how firms identify complementary institutional contexts in international markets, and progressively transition to greener pastures.

The third essay is a systematic review of the exit literatures in strategy, international business, and entrepreneurship. The review develops a framework to organize 90 articles that have been systematically coded, and outlines relevant decisions, actions, and processes that may precede
exit. The analysis highlights the partiality and temporality of exit as focal dimensions for future research and theorizing on exit in various management disciplines.

Keywords

Exit, political and economic adversity, entrepreneur, entrepreneurial exit, institutional arbitrage, internationalization, home context, relocation, Middle East.
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Co-Authorship Statement

Essay #1 and Essay #3 are co-authored between the candidate and Dr. Oana Branzei.

Essay #2 is co-authored between the candidate, Dr. Oana Branzei and Dr. Jean-Louis Schaan.

The candidate is the principal author of the three papers and has had a major role in the preparation and writing of the manuscripts.
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Chapter 1

1 Introduction

Turbulence ripples around our world (Oh & Oetzel, 2017), from political conflicts in the Middle East (e.g., civil wars in Syria and Yemen) to economic shocks and crises in Europe (e.g., “Brexit” and the economic crisis in Greece). The more one’s operating context gets shaken or shattered by front-page events, the more relevant questions regarding business closure and/or collapse become (Ucbasaran, Shepherd, Lockett, & Lyon, 2013). As danger increases (Hiatt & Sine, 2014), even the best businesses are at risk of underperforming, and many are forced to contemplate premature exit (Aldrich, 2015; Elfenbein & Knott, 2015).

This dissertation complements and extends prior theories of exit as an event and/or process by theorizing and exploring how founders of firms buffeted by repeated shocks persist and resist in the face of multiple setbacks (Coelho & McClure, 2005; Delacroix & Carroll, 1983) and/or opportunities (Hoetker & Agarwal, 2007). Combining a systematic, multi-disciplinary review of the exit literature with longitudinal and comparative qualitative analysis of 30 cases spanning a 12-year period field research, I develop insights about the ways businesses handle recurrent adversity at home when forced exit is impending.

I preface the summary of the three essays with an overview of the central concepts anchoring the research (turbulence and exit), and clarify how the current work builds on—as well as departs from—prior definitions. After outlining each of the three essays, I briefly explain how they are interconnected.

1.1 Turbulence

The Global Risks Report (2017) of the World Economic Forum shows a rise in political disruptions during 2016; the number of political conflicts worldwide rose from 363 in 2010 to 402 in 2016 (HIIK, 2010, 2016). Interstate conflicts and state collapse or crisis made the top five “Global Risks” in the last two years (2015 and 2016). Political turmoil is compounded by the
growing incidence of economic shocks and/or the persistence of economic downturns (Bradley, Aldrich, Shepherd, & Wilkund, 2011; Marino, Lohrke, Hill, Weaver, & Tambunan, 2008).

There have been several recent calls for management research that addresses contexts of unrest and political and economic instability to study the impact of disasters, crises, risks, and threats (George, Howard-Grenville, Joshi, & Tihanyi, 2016), but our understanding of how firms manage during these periods remains limited (Oh & Oetzel, 2017). For many of the affected firms, turbulence is a constant struggle as they try to delay or prevent the binary outcome (i.e., survive or perish), allowing us to discern new recipes for facing, and sometimes escaping, ominous circumstances (Oh & Oetzel, 2011).

Take, for instance, Mahmoud Meme, one of only a few business owners still operating in Aleppo, Syria. Although he has had to close four of his stores, he is keeping the last one open as an act of defiance; he does not want to abandon his business, or his city, but might have to eventually (The view from Aleppo, 2016). Another Syrian entrepreneur says he is determined to keep his two factories open, one producing cleaning products for Germany’s Henkel, and the other producing lube oil under a licensing agreement with France’s Total. He is hoping peace talks will bring the conflict to an end soon (Abu-Nasr, 2014). His colleague operating a packaging materials plant already closed his business in Syria and relocated to Turkey (Abu-Nasr, 2014). Similar anecdotal evidence reveals the stay-or-go dilemmas for businesses in Greece (Two groups mulling exit from Greece, 2015). Moreover, some British firms, such as Magal Engineering, are taking a similar “wait and see” approach, as the economic uncertainty surrounding the United Kingdom’s withdrawal from the European Union (i.e., “Brexit”) may change their fate (Castle, 2017). Across many contexts and kinds of turbulence, these business founders share a common concern about whether, and for how long, they can go on.

1.2 Exit

Studying firms that exist in turbulent conditions highlights the inadequacy of theories that conceptualize exit as a sudden and complete cessation of activity in a specific domain (e.g., technology, market, industry, or geographic region) (Bowman & Singh, 1993; Decker &
Mellewigt, 2007). It also increases the relevance of processual theories of exit that take a more progressive view of the relationship between the entrepreneur and the business (DeTienne, 2010). Table 1.1 summarizes the conceptualization of exit as event or as process. The management literature has moved beyond listing the many factors that can trigger a binary outcome (e.g., Cumming, 2008) to more precisely understand the time to exit (Elfenbein & Knott, 2015) or the forms of/paths to exit (e.g., Wennberg, Wiklund, DeTienne, & Cardon, 2010).

For business owners like Mahmoud Meme, the eventual outcome (i.e., whether they make it or not) is less important than what they can or should do in the here and now to keep going. This thesis relies on around a decade of first-hand experiences of 32 entrepreneurs (half of whom dealt with partial closure of their businesses, and one-third of whom were eventually forced to exit completely). Iterative analysis of the combined 378 “founder-years” reveals new and pragmatic ways to deal with cumulative adversity. Taken together, these inductive insights answer the call for more scholarship on how exit unfolds (Aldrich, 2015; Wennberg & DeTienne, 2014; Wennberg et al., 2010), and how it is implemented (Moschieri, 2011). The qualitative findings also complement the current attention to what happens after exit (Shepherd, Williams, & Patzelt, 2015) by unpacking the many decisions and actions that take place before exit (Burgelman, 1994; 1996). Leveraging qualitative insights on the temporality and partiality of exit that our data reveals, the third essay takes an abductive approach to reclassify the literature on exit across three different disciplines: strategy, international business, and entrepreneurship. Although there is no consensus within or across fields of research about what exit is and how it should be defined (Mellahi & Wilkison, 2004; Ucbasaran et al., 2013), this systematic analysis of 90 prior studies draws attention to the importance of further specifying the what of exit (i.e., the parts of a given entity that are being discontinued) and the when (i.e., the timing of terminating

1 The data of the dissertation includes 32 entrepreneurs but 30 cases of firms, as two of the cases include two entrepreneurs as partners.
the parts). The conclusion section works across the three studies to broaden future research agendas on turbulence, exit, and the growing overlap between the two.
## Table 1.1 Exit: Event or Process?

<table>
<thead>
<tr>
<th></th>
<th>As Event</th>
<th>As Process</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exit</strong></td>
<td><strong>Definition:</strong> cessation of involvement in a venture (Ucbasaran et al., 2013), discontinuation of/withdrawal from operations (Chung et al., 2013; Gimeno et al., 1997)</td>
<td><strong>Definition:</strong> the process by which the founders of privately held firms leave the firm they created (DeTienne, 2010)</td>
</tr>
<tr>
<td></td>
<td><strong>Counterfactual</strong> Not to exit = to persist (DeTienne et al., 2008)</td>
<td><strong>Counterfactual</strong> Not to exit = to resist</td>
</tr>
<tr>
<td></td>
<td><strong>Operationalization</strong> Survival analysis - Event methodology - Binary variable</td>
<td><strong>Operationalization</strong> Who/how initiates (Collewaert, 2012) and/or completes exit (Moschieri, 2011; Wennberg &amp; DeTienne, 2014)?</td>
</tr>
<tr>
<td><strong>Partiality</strong></td>
<td><em><a href="https://example.com">Partiality text*</a></em></td>
<td><strong>Partiality</strong> How are specific portions being disconnected and/or reconnected? Interpreting and/or compensating for what is lost/kept.</td>
</tr>
<tr>
<td></td>
<td><em>Which portions of existing business units (Vidal &amp; Mitchell, 2015) are no longer necessary?</em></td>
<td></td>
</tr>
<tr>
<td><strong>Temporality</strong></td>
<td><em>Temporality text</em></td>
<td><strong>Temporality</strong> What happens after exit (Rouse, 2016; Ucbasaran et al., 2013) What happens before exit: forces driving exit (Burgelman, 1994; 1996)</td>
</tr>
<tr>
<td></td>
<td><em>When to exit? (Time to exit) (Elfenbein et al., 2017)</em></td>
<td></td>
</tr>
</tbody>
</table>
1.3 Working Definition of Exit

I entered the field agnostic to scholarly definitions. I was interested instead in how individual business owners thought, felt, and spoke about exit. As the qualitative essays underwent multiple rounds of peer review, I became sensitized to the dichotomy that splits the existing literature—that is, the dichotomy between exit as event versus exit as process. As I refined the theoretical and empirical contribution of the two field studies (Essay #1 and Essay #2), I became more familiar with the disciplinary nuances in how exit has been conceptualized and operationalized in strategy, international business, and entrepreneurship, respectively. Appendix 1.1 summarizes some of the definitions and operationalizations.

While the inductive work remains loyal to field-based conceptualizations, the third essay reconnects the inductive insights with a large body of (largely quantitative) findings, offering a two-dimensional organization of prior arguments. After completing the dissertation, I refined my working definition of “exit” to refer to a fracture in the relationship between two entities, whether between a founder and one’s venture, a corporate firm and one of its business units, or a multinational enterprise and its foreign subsidiary. This broad definition of exit does not presume death (non-existence) of either entity, but it does emphasize a significant and unrecoverable departure from past existence.

1.4 Research Contribution

The unifying theme that frames this three-paper dissertation is re-conceptualizing the exit phenomenon in management research by focusing on what precedes exit (although it may not predetermine exit) in times of recurrent distress. The overarching research question and intended contribution of the three essays taken together is: What does happen before a founder and/or firm exit a turbulent environment?

In times of tremendous disruption, chaos, and uncertainty, the core relationship between a founder and its business is at risk. The focus of the dissertation is to understand the period that
precedes the disconnection, and examine, in detail, the multiple attempts founders make to safeguard this relationship.

1.5 The Three Essays

1.5.1 Essay #1

Given the growing incidence of natural and manmade disasters, systemic upheavals of nations and industries, and the forced exit of firms finding themselves in the middle of such conflict and crises, entrepreneurs are compelled to contemplate unwanted yet sometimes unavoidable exit. Understanding such forced exits requires us to look beyond what makes one firm fail, and instead theorize how entrepreneurs grapple with recurring threats. With this motivation in mind, we ask: How do entrepreneurs respond to emergencies that threaten the continuation of their ventures?

We examine 27 entrepreneurs who have witnessed a decade of political and economic turbulence in Lebanon, a country “at the centre of Middle Eastern conflicts” (Lebanon country profile, 2016). This extreme context allows us to study a broader range of causes and complications of exit.

While quantitative studies paint a bleak picture by focusing on the numbers of entrepreneurs who exit and fail in the context of political disruption, our qualitative research shows that many entrepreneurs anticipate and carefully manage the exit process. We develop an inductive account of how they respond to recurrent turbulence, and find two exit pathways that combine partial and temporal adaptation mechanisms.

The essay enriches the entrepreneurial exit process (DeTienne, 2010) by revealing a dynamic relationship between the entrepreneur and his/her venture when emergencies repeatedly fissure this relationship, affording multiple occasions for repair and recovery on either side.
1.5.2 Essay #2

Home country contexts are complex and multifaceted environments that both enable and constrain the actions of firms. When they face growing turbulence at home, firms look to international markets. In Essay #2, we ask: *How does political and economic instability at home influence the internationalization of emerging market multinational companies?*

We develop and compare nine longitudinal cases of corporations that have witnessed a 12-year window of political and economic turbulence in their home country. Seven of these cases were included in Essay #1 and further analyzed in Essay #2. We also pursued two additional, de novo cases, and then added three contrast cases, which were not included in Essay #1.

Adopting a longitudinal comparative theory building approach (Eisenhardt, 1989; Santos & Eisenhardt, 2009), we induce a tripartite process of how distress at home alters the internationalization paths. We find that firms “manage” the growing threat of an impending exit by sequentially replacing the resources, values, and opportunities no longer available in their home market with alternatives they seek (and eventually find) in foreign institutional contexts.

Understanding changes in internationalization as responses to growing turbulence at home contributes to the body of work on home country contexts (Cuervo-Cazurra & Genc, 2008; Luo & Wang, 2012). Specifically, we show how firms may reconstruct the relationship with their home country context to delay—and, in some fortuitous cases, even avoid—collapse.

1.5.3 Essay #3

Essay #3 is a systematic review of the exit literatures in strategy, international business, and entrepreneurship. We selected and coded 90 articles and catalogued relevant decisions, actions, and processes that unfold from the contemplation of exit through its execution and implementation to the finality or irreversibility of exit. We examined the “fuzziness” of exit, whereby entities may not remain intact as the process unfolds, to underscore the partiality of exit. We also elaborated on the temporality of exit, differentiating between relevant windows, such as time to exit, and other ways of temporal organization, such as stages or sequences. By combining
these two dimensions (i.e., temporality and partiality of exit), Essay #3 offers a 2x2 framework that reclassifies the extant literature, and discusses new avenues for future research that each quadrant opens up.

1.6 Overall Contribution and Connection between the Three Essays

The main contribution of the dissertation is shifting the current understanding of exit in management research from an end-state event to a partial and temporal process that unfolds before a firm exits. The partiality dimension underscores that most entities do not perish instantly but rather, undergo a painstaking—and largely deliberate—dismantling, as some parts are kept and others discarded. The temporality dimension draws attention to the ongoing work that founders do to avoid, delay, prevent, or resist exit, shedding light on the varieties of processes that take place before founders close their business.

The partial and temporal dimensions of exit are evident in the fieldwork. The entrepreneurs we studied in Essay #1 not only adopted a range of partial adaptation mechanisms but also resorted to temporal adaptation by slowing down or speeding up the process. The emerging multinationals analyzed in Essay #2 managed their exit from the home country through a process of internationalization that was both incremental (i.e., by replacing partial elements they were losing at home with alternatives they sought and found elsewhere) and sequential (i.e., unfolding over time).

1.7 Organization of the dissertation

Each of the three essays in this dissertation is an independent paper that is presented with its own introduction, theory, methods, discussion, contribution, and bibliography. Following these essays, I wrap up with a conclusion of the dissertation.
1.8 References


# Appendix 1.1 Disciplinary Definitions and Operationalizations of Exit

<table>
<thead>
<tr>
<th>Discipline</th>
<th>Definitions</th>
<th>Operationalization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entrepreneurship</strong></td>
<td>Business exit befalls unviable businesses: whether they be “relatively unviable” when taking into account the entrepreneur’s outside options, or “absolutely unviable” in the economic sense of being unable to cover costs; business “death” is an appropriate term for describing business exit (but business “failure” is not) (Coad, 2014, p. 721).</td>
<td>Firms where the principal was still with the firm were coded as 0. Firms where the principal was no longer with the firm were coded as 1 (Brigham et al., 2007). Exit, a binary variable, represents the exit decision of firm n (0 if the firm continued, 1 if it was discontinued) (Gimeno et al., 1997). Exit variable can take on five values each year: (0) continuation, (1) harvest sale, (2) distress sale, (3) harvest liquidation, and (4) distress liquidation. (Wennberg et al., 2010). Decision to persist - Likert scale of the likelihood of persistence (Definitely Remain in the Market” vs. “Definitely Discontinue Operations”) (DeTienne et al., 2008). Probability that firm i will survive during the period t1 to t2 (Hiatt &amp; Sine, 2014). Qualitative study – exit in the model as likelihood of shutting down versus selling (Akther et al., 2016). Qualitative study - disengagement path that founders follow when leaving one organization and starting another (Rouse, 2016).</td>
</tr>
<tr>
<td></td>
<td>Business failure is understood as the cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the entrepreneur (Ucbasaran et al., 2013, p. 175).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Entrepreneurial exit: the process by which the founders of privately held firms leave the firm they helped to create, thereby removing themselves, in varying degrees, from the primary ownership and decision-making structure of the firm (DeTienne, 2010, p. 203).</td>
<td></td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>Divestitures are understood as the parent company’s disposal and sale of assets, facilities, product lines, subsidiaries, divisions, and business units (Moschieri &amp; Mair, 2008, p. 399). Business exit is an asset-restructuring activity involving a diversified firm's divestiture of one of its businesses (Decker &amp; Mellewigt, 2007, p. 41)</td>
<td>A dummy variable that takes on the value of 1 if the focal firm exits at time t (the exit year), and 0 prior to that date (Gaba &amp; Terlaak, 2013). Asset divestment from the industry - divested a business unit, the variable coded 1 (0 otherwise) (Durand &amp; Vergne, 2015).</td>
</tr>
</tbody>
</table>
Firm exit was defined as the cessation of a firm’s operations in the industry. The indicator variable was set to 1 for when a firm had exited, and to 0 otherwise (Hoetker & Agarwal, 2007).

<table>
<thead>
<tr>
<th>International Business</th>
<th>Subsidiary divestment is defined as a multinational enterprise’s withdrawal from a subsidiary operation—that is, the closure or sale of a subsidiary by the multinational enterprise (Chung et al., 2013, p. 126).</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign divestment is a significant corporate-level decision that involves the sale of international subsidiaries, closure of foreign plants, and exit from foreign markets (Soule et al., 2014, p. 1032).</td>
</tr>
<tr>
<td></td>
<td>Broader definition of international divestment as any reduction of a firm’s engagement in, or exposure to, cross-border activities (Benito &amp; Welch, 1997; Wan et al., 2015).</td>
</tr>
<tr>
<td></td>
<td>Subsidiary divestment ((D_{xt})) served as an indicator variable, taking a value of 1 if subsidiary (x) was divested at time (t) and 0 otherwise (Chung et al., 2013).</td>
</tr>
<tr>
<td></td>
<td>Exit is an indicator variable, (E_{xt}), that takes a value of 1 if subsidiary (x) exits at time (t), and 0 if it stays (survives) (Dai et al., 2013).</td>
</tr>
<tr>
<td></td>
<td>A time-varying dichotomous measure for each firm-year, which is coded 1 when a firm divested its holdings in a given year (and is otherwise coded as 0) (Soule et al., 2014).</td>
</tr>
<tr>
<td></td>
<td>Binary variable denoting whether the affiliate is divested or not between early 1995 and early 1999 (Belderbos &amp; Zou, 2009).</td>
</tr>
</tbody>
</table>
Chapter 2

2 Emergency Exit

ABSTRACT

Entrepreneurial exit, defined as the termination of the relationship between a founder and the venture s/he created, is a common occurrence even in benign and/or munificent environments. This relationship is particularly fragile, however, under adversity: when calamity strikes and so disrupts the patterns of living, production, and consumption, that otherwise viable ventures struggle to survive. We contribute to the literature on entrepreneurial exit by developing an inductive account of how entrepreneurs adapt to emergencies that threaten the continuation of the individual-venture relationship. We inductively reveal how the individual-venture relationship is being revised and sometimes revived in the aftermath of traumatic events: a partial mechanism that fractures and fixes aspects of the venture rendered unfit by adverse events, and a temporal mechanism that adjusts the horizon of continued individual involvement with increasingly fragile ventures. We explain a continuum of responses to emergencies, from de-personalization to re-personalization of exit, by drawing attention to two recurrent combinations of partial and temporal adaptation: lengthening time horizon to enable problem-focused coping, and emotion-focused coping to enable shortening time horizon.

* We thank the entrepreneurs who made this research possible. We are grateful for the feedback of the participants at the Academy of Management, Babson College Entrepreneurship Research Conference, Business and Economics of Peace meeting, and Ivey PhD Sustainability Academy. We are very grateful for the financial support of Social Sciences and Humanities Research Council of Canada Insight Grant (R3695A08).
2.1 Introduction

Exit is often understood as the last stage of business (Wennberg, Wiklund, DeTienne, & Cardon, 2010), and takes one of three different meanings: (1) death, demise, or disappearance (Coad, 2013); (2) a deliberate decision with either good or bad outcomes (Brauer & Wiersema, 2012; McGrath, 2006); or (3) the termination of a relationship between an individual and his/her venture (Byrne & Shepherd, 2013). We adopt DeTienne’s (2010) definition of entrepreneurial exit as the process through which an entrepreneur leaves a firm that he/she helped to create.

Recent reviews suggest that the pressure to exit prematurely and involuntarily may not necessarily be terminal, but instead helps to unleash certain kinds of entrepreneurial agency (Coad, 2013; Williams & Shepherd, 2016). New entities can be birthed from the ashes of dying organizations (Walsh & Bartunek, 2011). The demise of one venture may spearhead others (Eggers & Song, 2015), and fragments of knowledge, practices, and processes can find new life within the failing firm (Cope, 2011) and/or in other organizations (Hoetker & Agarwal, 2007). Moreover, the learning and sense-making mechanisms triggered by the failure can rekindle one’s pursuit of entrepreneurial opportunities (Mueller & Shepherd, 2014; Shepherd, 2003; Shepherd, Patzelt, & Wolfe, 2011).

There have been multiple calls for new theories of exit (Aldrich, 2015; Wennberg & DeTienne, 2014), and a growing interest in pre-(Morgan & Sisak, 2016; Singh, Corner, & Pavlovich, 2015) and post-exit dynamics (Mantere, Aula, Schildt, & Vaara, 2013; Rouse, 2016). Here, we focus on the pre-exit dynamics (for a comprehensive review of life after business exit see Ucbasaran, Shepherd, Lockett, & Lyon, 2013). We know that most organizations try to avoid, prevent, or at least delay exit (Bakker & Shepherd, 2017). Postponing exit sometimes can be constructive; it can help some entrepreneurs to prepare emotionally for the end (Shepherd, Wiklund, & Haynie, 2009) or reflect on lessons learned from the closure of the venture (Shepherd, Patzelt, Williams, & Warnecke, 2014). Yet at other times, exit may be costly and counterproductive. Entrepreneurs may overstay, overinvesting in a venture that lacks core competencies or becomes increasingly misaligned with key market success factors (Wennberg et al., 2010).
We contribute to the body of work that explores when one leaves a firm that one helped to create by focusing on the process of entrepreneurial exit within turbulent contexts, where otherwise striving ventures may perish prematurely, despite entrepreneurs’ best efforts to salvage them. The incidence of such extreme challenges to business as usual is – unfortunately – increasing: “this decade is characterized by political instability, economic volatility, and societal upheaval” (George, Howard-Grenville, Joshi, & Tihanyi, 2016, p. 1880).

While the majority of the literature has examined exit in benign and munificent settings (DeTienne, McKelvie, & Chandler, 2015; Wennberg & DeTienne, 2014), many entrepreneurs operate in highly unstable environments, where resources are scarce, and political disruptions may cause previously successful firms to exit against their will (Hiatt & Sine, 2014). In such “dangerous” environments, risks are hard to predict or mitigate, and sometimes lead to “erratic” or “irrational” behaviours (Hiatt & Sine, 2014; Lerner, Gonzalez, Small, & Fischhoff, 2003). We know that when entrepreneurs are pressured to exit, they engage in deliberate efforts to restore oneself or revive the venture (Shepherd & Williams, 2014) and experience loss and grief (Shepherd & Cardon, 2009; Shepherd, Patzelt, & Wolfe, 2011) when they cannot continue.

Facing termination reinforces the beliefs one already holds of oneself as an entrepreneur (Shepherd & Haynie, 2011). One key way that entrepreneurs cope with involuntary exit is by re-entry (Burke & van Stel, 2014). Exit from one firm motivates serial entrepreneurs to enter existing ventures (Hessels, Grilo, Thurik, & van der Zwan, 2011) or launch a new venture (Hessels et al., 2011; Ucbasaran et al., 2013; Walsh & Bartunek, 2011). The focus of the extant literature is on entrepreneurs’ attempts to re-enter after an exit has taken place. For example, many of those forced to exit by a traumatic event quickly launch new ventures that enable faster recovery for themselves and the community (Shepherd & Williams, 2014). There is greater experimentation and latitude in the aftermath of such shocks, with new entrepreneurs or enterprises emerging to fill some of the needed, and often novel, responsibilities compelled by adverse events (Campbell, 2010).

We elaborate on recent accounts that suggest entrepreneurs may reinvent themselves in the aftermath of traumatic events (Shepherd & Williams, 2014), either by launching new types of organizations (Campbell, 2010) or launching new organizations for radically different reasons.
(Williams & Shepherd, 2016). We develop an inductive account of how entrepreneurs operating under adversity interpret and respond to events that threaten the continuation of their existing ventures. Our findings suggest that an impending and involuntary exit may serve as an invitation for dual adaptation: partial and temporal. By focusing on what happens before exit, we begin to explain how entrepreneurs may make something positive out of negative circumstances (Bonanno, 2004; Joseph & Linley, 2008; Tedeschi & Calhoun, 2004).

2.2 Methods

We conducted a qualitative study of entrepreneurs in Lebanon. According to a July 2014 National Strategy whitepaper (Lebanon’s Ministry of Economy and Trade, 2014), SMEs accounted for 93 to 95% of all registered businesses, and over 90% of the active enterprises in the country (for an estimated count of 41,629 ventures employing 841,564 people). The same report estimates that 82% of Lebanese entrepreneurs are opportunity-driven, and had high-growth and high-employment potential. The Global Entrepreneurship Monitor (2016) estimated that 16% of the adult population was engaged in entrepreneurship, accounting for “one of the highest densities of established business owners, not only in the MENA region, but even globally” (p. 16) – at 6.9% the U.S. has only half as many. The Ministry of Economy and Trade had launched a dedicated “Enterprise Team” and an Integrated Small and Medium Enterprise Support Program (ISSP) initiated in 2005, but the entrepreneurial eco-system was hard hit by recurrent adversity.

2.2.1 Research Context

We chose Lebanon as the context of our study. As it is “at the centre of Middle Eastern conflicts” (“Lebanon Country Profile,” 2016), Lebanon is an appropriate setting (Bamberger & Pratt, 2010) for studying entrepreneurial exit in response to emergencies. We focused on the food and hospitality industry because prior research suggested it often suffers first and most from
adverse events, mainly as a result of changes in consumption patterns and life adjustments following threats or attacks (Spilerman & Stecklov, 2009).

Appendix 2.1 lists the major events between 2005 and 2015, the window of our study. Recurrent interference from neighbouring countries Israel and Syria (Ezrow & Frantz, 2013), a weak internal institutional environment (e.g., the country’s parliament failed multiple times to elect a new president since May 2014), and the proliferation of guerilla units representing different sectarian groups all contribute to a state of ongoing unrest (Jamali & Mirshak, 2010). Early shocks (e.g., the 34-day military conflict between Hezbollah and Israel in 2006) had significant repercussions on Lebanese entrepreneurs (Jamali & Mirhsak, 2010), and were experienced firsthand by the first author while he worked for a family business in Lebanon between 2004 and 2008. Temporary travel bans to Lebanon from the United Arab Emirates, along with Saudi Arabia, Kuwait, Qatar and Bahrain, issued after a number of security incidents including abductions and bombings, exacerbated business disruptions in the chosen setting: food and hospitality entrepreneurs had “never experienced conditions as tough as the ones they are going through today,” a November 2014 Al Akhbar article reports and were “slowly dying” starved of cash and tourists. A few years prior, tourism averaged a direct contribution of 8% and an indirect contribution of 22% to Lebanon’s GDP. The sector had boosted double digit growth as recently as 2008 and 2009, but experienced negative growth rates in the three years prior (2011 to 2013). The disruption peaked once the civil war in Syria spilled over causing over 1.5 million Syrian refugees to flee to Lebanon (EIU, 2016). We collected retrospective accounts from 2005 to 2012, and followed entrepreneurs in real-time between 2013 and 2015. We stopped the data collection in 2015 as the tourism sector begun to rebound, with different sources reporting 2% to 14% increases in key metrics (Lebanon tourism sector grows, 2016). After “six tough years”, the Ministry of Tourism reported that in 2016 tourist arrivals hit their highest level since 2011, at 1.69 million tourists; “this is the closest Lebanon has been to the 2.17 million visitors mark reached back in 2010,” (Tourism Sector in Lebanon, 2017). Tourism continues to rebound since, reaping benefits from ripples of conflict across the Middle East: “while neighbouring Syria and Iraq burn, the Lebanese industry is looking — cautiously but optimistically — at the promise of a new beginning,” the Associated Press broadcasted on July 2, 2017 (Issa, 2017). Headlines on non-tourism related business opportunities resumed in early 2017, ranging from
counterproductive initiatives like tobacco and organ trading to internationally-backed investments to rebuild the region.

2.2.2 Theoretical Sample

All of our respondents worked as entrepreneurs in Lebanon’s food and hospitality sector (either as manufacturers or service providers). To identify the respondents, the first author contacted the Lebanese Chamber of Commerce, the Lebanese Franchising Association, and the Syndicate of Owners of Restaurants, Cafes, Night Clubs and Pastries in Lebanon. He used his personal networks and attended various private and public symposiums, where he made contacts with additional entrepreneurs. He also conducted a comprehensive search of publicly available sources. Our paper builds on longitudinal histories of 27 entrepreneurs, each of whom confronted multiple disruptions over the 2005–2015 period. Twelve of the entrepreneurs ended up partially closing their ventures; of these, eight reported complete cessations of operations in Lebanon. Table 2.1 provides the profiles of the entrepreneurs, using pseudonyms to disguise their identities.

2.2.3 Data Collection

Our primary data of 27 interviews was collected during two successive field trips in July 2013 and in June/July 2015. Between the first and the second round of interviews, the presidential vacuum that started in May 2014 added significant cause for concern for Lebanese entrepreneurs, there were successive travel bans that dried up tourism, and the Syrian refugee crisis escalated. The interviews with entrepreneurs were semi-structured and open-ended. Appendix 2.2 shows the initial interview guide and Appendix 2.3 the follow-up guide. All interviews were conducted in person in Lebanon by the first author, with the exception of three interviews conducted in Dubai, United Arab Emirates (U.A.E.), and three conducted via Skype. Interviews lasted 60 to 120 minutes. For some of the respondents (10 of them), we also had access to archival data and/or real-time Facebook posts and online blogs. We supplemented our interview data with in-
depth input from 5 industry experts and first author’s in-situ observations and detailed notes taken during each field trip.
<table>
<thead>
<tr>
<th>Entrepreneur</th>
<th>Business</th>
<th>Exit Histories</th>
<th>Entrepreneur</th>
<th>Business</th>
<th>Exit Histories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthony</td>
<td>5 restaurants: 118 employees closed. 1 café: 8 employees</td>
<td>2006 exit 2 ventures 2010-2015 exit 3 ventures</td>
<td>Marwan</td>
<td>Food and beverage production: 50 employees</td>
<td>2005 exit venture 2008 contemplated exit 2014 exit Lebanon</td>
</tr>
<tr>
<td>Amer</td>
<td>3 restaurants: 150 employees closed. Retail business: 400 employees</td>
<td>2012-2013 total exit out of hospitality industry</td>
<td>Nader</td>
<td>2 restaurants Lebanon: 130 employees 8 outlets abroad</td>
<td>2015 contemplated exit</td>
</tr>
<tr>
<td>Aziz</td>
<td>9 restaurants-bars 320 employees local+120 abroad</td>
<td>2005 exit 1 venue 2006 relocated 2 venues</td>
<td>Oscar</td>
<td>2 restaurants Lebanon: closed 5 abroad: 200 employees</td>
<td>2006 exit 2013 exit</td>
</tr>
<tr>
<td>Mike</td>
<td>25 cafés/restaurants 300 employees local+400 abroad</td>
<td>2008 exit 1 outlet and relocated headquarters 2012-2013 closed 4 outlets</td>
<td>Claude</td>
<td>Food equipment production: 100 employees local + 40 Africa</td>
<td>2006, 2011 and 2013 contemplated exit</td>
</tr>
<tr>
<td>Michel</td>
<td>1 hotel &amp; 1 resort: closed 60 employees</td>
<td>2014 exit resort 2015 exit hotel</td>
<td>Zain</td>
<td>Food production and retail: 20 employees</td>
<td>2006 contemplated exit 2013 contemplated exit</td>
</tr>
<tr>
<td>Ghassan</td>
<td>2 restaurants, 2 hotels 200 employees + 100 seasonal</td>
<td>2011 exit 1 venue 2015 contemplating total exit</td>
<td>Samer</td>
<td>Food supplies production: 100 employees</td>
<td>2006 contemplated exit 2013 contemplated exit</td>
</tr>
<tr>
<td>Peter</td>
<td>2 hotels: 200 employees</td>
<td>2015 contemplating partial exit</td>
<td>Julian</td>
<td>1 hotel: 70 employees</td>
<td>2015 contemplated exit</td>
</tr>
<tr>
<td>Khalil</td>
<td>Food and beverage production 170 employees</td>
<td>2006 and 2013 contemplated major international relocation</td>
<td>Omar</td>
<td>Food and beverage production: 20 employees</td>
<td>2013 contemplated exit</td>
</tr>
<tr>
<td>Yasser</td>
<td>3 cafés and coffee roasters: 60 employees</td>
<td>2014 contemplated exit</td>
<td>Maggie</td>
<td>2 restaurants: 110 employees</td>
<td>2005 contemplated exit 2013 contemplated exit</td>
</tr>
<tr>
<td>Serge</td>
<td>1 hotel and furnished apartments: 40 employees</td>
<td>2006 contemplated exit 2013 contemplated exit</td>
<td>Charbel</td>
<td>3 restaurants-bars: 65 employees</td>
<td>2015 exited 1 outlet</td>
</tr>
<tr>
<td>Gaby</td>
<td>5 restaurants, 1 café 300 employees</td>
<td>2009 exit 2 restaurants 2012 exit 1 restaurant 2013 exit 1 restaurant</td>
<td>Zach</td>
<td>2 restaurants Lebanon (1 closed): 85 employees: 1 restaurant Dubai</td>
<td>2006 partial exit 2013 closed 1 outlet 2014 personal exit</td>
</tr>
<tr>
<td>Hadi</td>
<td>5 restaurants, 1 café 300 employees</td>
<td>2006 &amp; 2008 contemplated exit 2009 exit 2 restaurants 2012 exit 1; 2013 exit 1 restaurant</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Our study relies on retrospective accounts of entrepreneurs. Thus, we adopted several techniques to reduce the concern with ex post rationalization. First, we were careful to adopt a free-report-style interview, in which informants were encouraged to recall events meaningful to them (Miller, Cardinal, & Glick, 1997). The 27 entrepreneurs not only offered elaborate accounts of events that had occurred as much as 10 years earlier, but repeatedly reinforced how meaningful and impactful these events had been for themselves and their ventures. As one of our interviewees, Samer, noted: “We are still talking about the 2006 War now. Why? Because the impact of 2006 is still felt until today. We are still feeling it. Why? Because the impact is so deep. You forget about minor events. But you talk about the major events, because of their impacts [such as] the impact of Prime Minister Hariri’s assassination.” We probed our interviewees on the details of specific events (who, what, when, where) to trigger episodic memory (Tulving, 2002) and facilitate fine-grained post-hoc recollections. According to Tulving (2002) and Miller, Cardinal, and Glick (1997), rehashing autobiographical events can improve recall accuracy and increase the accuracy of the accounts. We double-checked for retrospective bias (Golden, 1992) by comparing recalled events against real-time accounts (interviews, blogs, posts) and by revisiting the recalled events in multiple follow-up interviews. When applicable, we also triangulated our interviews with trusted media features of the same protagonists at that specific point in time, and with those of third-party accounts (e.g., newspapers, magazines, and television stations).

Second, as founders and/or leaders of their ventures, the entrepreneurs we interviewed were both knowledgeable and motivated to interpret and to respond to adverse events (e.g., Vuori & Huy, 2016). Our context is characterized by many political and security events that all our informants witnessed firsthand. However, their recollections offered unique details regarding the impact of the same event on different ventures, and revealed a significant range of responses.
2.2.4 Data Analysis and Coding

All of our interviews were conducted in Arabic, though some of the entrepreneurs occasionally used English and French, as both languages are widely spoken in Lebanon. Interviews were audio recorded, translated into English, and professionally transcribed. To check for linguistic accuracy, we drew a random sample of 100 short excerpts from the original audio transcripts (10 excerpts from 10 different entrepreneurs). We asked third parties fluent in the original language of the respondents but blind to the purpose of our study to alert us to any discrepancies in the transcribed translations. No discrepancies were found in 95% of cases; there were small differences in the translation of idiomatic expressions in five cases but these remained consistent with our codes. Subsequent follow-ups were conducted in English, by both co-authors, so that respondents were presented with the English codes for constructs and relationships to ensure that the meaning inferred from the interviews accurately reflected their accounts.

We followed several best practices of grounded theory to increase the rigour of our qualitative method. We read the interview transcripts independently and openly coded them in parallel (Strauss & Corbin, 1998) to create themes that captured key insights the interviewees shared with us. A clear and quick consensus emerged around entrepreneurs’ interpretations of some events, but not others, as emergencies. We then compared and elaborated on these themes during regular research meetings, and relied on iterative and collaborative memos to think further about theoretical mechanisms and important insights (Corbin & Strauss, 2008) interlinking the emerging themes (Gioia, Corley, & Hamilton, 2013; Strike & Rerup, 2016). We noticed that entrepreneurs responded to emergencies in nuanced ways. Accordingly, we mapped responses that typically clustered together in a majority of narratives, and noted outliers or exceptions. As new themes emerged, we deepened our reading of the literature to delve further into the different kinds of adversity and the various ways in which entrepreneurs responded to adverse events, as well as their reasons for doing so (Williams & Shepherd, 2016). Figure 2.1 presents our data structure.
Figure 2.1 Data Structure

First-Order | Second-Order | Aggregate | Second-Order | First-Order
---|---|---|---|---
Categories | Themes | Dimensions | Themes | Categories

Markers
Attributions

Historicizing

Volutility

Known dependencies
Unknown consequences

Reminders
Aspirations

Normalizing

Vulnerability

No choice
No fault/blame

Shrinking
Stretching
Substituting

Problem-focused
coping

Partial
Adaptation

Emotion-focused
coping

Alternatives
Lost & found

“Later”
“Lesser evil”

Lengthening time
horizon

Temporal
Adaptation

Shortening time
horizon

“Sooner”
“Stop-loss”

“Running out of…”
Relieving hurt

Haram“We’ve a shame”
Minimizing harm

De-personalized

Individual-
venture
Relationship

Re-personalized
To induce our aggregate constructs, we followed a three-step process. The first step sensitized us to the fact that entrepreneurs offered different interpretations of the same events; they also recalled a broad range of cognitive, emotional and behavioral responses. In a second step, we delved deeper into time-action combinations, querying the data systematically about what exactly entrepreneurs did when.

We came to appreciate that each entrepreneur had one or a couple of closely co-occurring pivotal events that seemed to have ‘framed’ how they interpreted and reacted to emergencies henceforth. The interviewees did not organize their narratives chronologically. Rather, they emphasized first, and dwelled most on, those events they felt had most seriously impacted the ultimate course of their venture; they also returned to these pivotal events repeatedly, and often comparatively, during their explanations of other decisions (whether they had undertaken those earlier or later).

We noticed two very different kinds of pivotal events. In some cases, entrepreneurs took the impact very personally: “When I left to Dubai [during The 2006 war] to help my family leave, [I felt] I had nothing. I was worth nothing. Today, if the country stopped working, I am worth nothing,” (Luke). In others, they distanced themselves from it: “You come to a point when you don't think about yourself; really, seriously, I don't think about myself - I think about the place, customers, employees” (Yasser).

Sensitive to the influential role of such pivotal events and mindful to variations in the closeness or distance between the entrepreneur and their threatened ventures, we returned to the data for a third time. We compared and contrasted multiple modes and sources of data for each one of the entrepreneurs to construct a chronological map\(^2\) that helped us visualize and verbalize time-action sequences for each of the 27 entrepreneurs. In this last stage, it became clear that entrepreneurs iteratively adjusted both their actions and their time frames, until an equilibrium

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\(^2\) We show, and elaborate on, three representative visual maps in the discussion section.
was reached. When further events de-stabilized this equilibrium yet again, entrepreneurs recommenced this dual adjustment process.

2.3 Findings

We induce a generalized process theory of emergency exit that explains how exogenous pressures to terminate otherwise successful ventures motivate repeated, ingenious, and sometimes successful attempts to repair the distressed relationship between an entrepreneur and the venture s/he founded. We start by establishing how entrepreneurs interpret shifts in the environment as emergencies (or not). We then group time-action sequences in two modes of entrepreneurial exit (i.e., the breakdown of the individual-venture relationship (DeTienne, 2010)), which we label “de-personalized” and “re-personalized” according to the emphasis placed on the closeness or distance between the individual and the venture. As we explain in greater detail below, entrepreneurs carefully and repeatedly adjusted this distance through a dual adaptation process that updated either their time frames or their actions, often both.

2.3.1 Emergency

The starting point for our model is an assessment of a specific event—one that the entrepreneur and the organization are facing as an emergency that may jeopardize the continuation of the firm’s operations in their current form, location, and context. Entrepreneurs discriminated among the threats associated with different events. They were very explicit about the threats they perceived, eloquently describing the overall impact, as well as analyzing how significantly and how imminently any given event might endanger their organization, as one entrepreneur, Kamal, demonstrated: “What’s dangerous for this business is not the situation, because there were a lot of successful companies during the constant war. But what bothers you is the fact that you can never know what will happen…. For example, a few days after the Charlie Hebdo incident in Paris, or for other reasons [like] strikes or demonstrations, you know that work will decrease by
70% for two or three days, not for long. The problem in Lebanon is that you never know for how long.\textsuperscript{3}

The assessment of an event as an emergency was a deliberate call, specific to each entrepreneur—that is, although our interviewees experienced the same series of events, they often deemed different events emergencies for their venture, and they did so for distinct reasons. The literature has long acknowledged that the same event can yield drastically different results for different types of organizations, from devastating effects on the tourism and retail sectors to beneficial effects on arms exporters (Spilerman & Stecklow, 2009). Research also reveals that entrepreneurs respond quite differently to the same events (Williams & Shepherd, 2016).

From the beginning of our data-collection process, we were intrigued by how the entrepreneurs we interviewed interpreted the exact same event in different ways. Most of the entrepreneurs in our sample experienced these events firsthand, at the same time, and in the same sequence; for example, the assassination of the late Prime Minister Hariri in 2005 was followed by the 2006 Lebanon War, which sent the country into a tailspin of political insecurity and economic “suicide.” There were several other assassinations, bombs, and intermittent security breaches, and eventually, multiple spillovers from Syria’s conflict, including the world’s largest influx of refugees. The aftermath, however, was uneven.

For many, the impact of the 2006 War was devastating. Amer noted, “It happens so fast, and when it goes down, it all goes down fast.” Yet others, like Yasser, found the impact translated to an opportunity to do more. When Yasser arrived at his coffee shop in Beirut “to find people waiting for him” at the onset of the war, he instantly decided to keep his coffee shop open despite the curfew. He would serve his customers in the morning, then capture the conversation of the day in his blog in the afternoon, as he described: “At 7:00 a.m. I used to open the café and

\textsuperscript{3} All the quotations in this paper are based on personal interviews, and prioritize the accurate transcription of those interviews (i.e., maintaining the interviewee’s exact words) over the presentation of polished grammar or syntax; accordingly, some “errors” may be present in this regard.
people came, had their coffees and talked ... and I would write what they were saying… so I
would take notes, and when I finished, I would go home and blog, I did this for 33 days.”

Unlike Amer, Yasser did not interpret the war as an emergency. Rather, he embraced the
opportunity to do more than usual for his customers: “I was trying to get [the clients] a good
feeling. First, there was no TV in the shop, so [they couldn’t] see the news of the incidents.
People met there … for the first time [since the war started]. People loved each other … people
became a family during those 33 days.” What was normally “business as usual” became an
unusual achievement under the circumstances, even an occasion for celebration: “The coffee
truck arrived [after roads had been blocked for so many days]. The clients outside started
clapping. It is very nice. They were clapping for me because I got the coffee,” Yasser recalled.
Even for the same entrepreneur, the same event could affect operations in different locations
quite differently, as Gaby explained to us while sketching a map on a paper: “[Restaurant A] is
here and [Restaurant B] is there. Between here and there, there are only 50 metres, but it is a
totally different story. Really. I will say it from the end. This is the border. It is crazy, one was
not affected by the insecurity and was working well, while the other was extremely affected …. 
This one was working well, this one wasn’t working at all.”

To arrive at an interpretation of an event as an emergency, the entrepreneurs we interviewed
engaged in four separate assessments, often sequentially. First, they placed the event in its
historical context; second, they corrected for what the new norm had become for themselves,
given their own prior experience with conflict; third, they estimated foreseeable ups and downs
for their specific ventures; and fourth, they expressed how they felt about these fluctuations.

2.3.1.1 Historicizing

Our interviewees customized their assessment of the damage using two complementary
estimates. First, they tried to pinpoint specifics about the events themselves (markers). Then,
they evaluated the imminence of the threat itself, establishing how soon and/or severely a given
event might impact their venture (attributions). Oscar referenced to Prime Minister Hariri’s
assassination using specific calendar dates as markers—“Our official opening was supposed to
be February 20, 2005, and guess what happened on February 14, 2005?”—underscoring the
proximity and inevitability of impact. Oscar had one week to brace for impact, but did not do so because “we were ready to open in downtown. So we opened there and then sh*t hit the fan.”

2.3.1.2 Normalizing

Experiencing and living through constant instability for a prolonged length of time makes one “grow a thick skin.” The more setbacks the entrepreneurs had successfully survived previously, the more likely they were to downplay the possible negative consequences of turbulent events on the venture. Normalizing referred to recounting one’s adaptability to—and survivability of—past encounters that had left them unscathed, drawing the lesson that they had developed the expertise, even the habit, to bounce back from historical setbacks: “I personally have been a long time in the business. And in this [environment] what do they say? Things coming over my head, incidents over incidents, so I am used to how to do it.” (Yasser).

We found two facets of normalizing: (1) comparing current events with past events the entrepreneurs remembered overcoming and (2) contrasting the setbacks current events may cause with positive aspirations. Reminders of bad events that ended well offered a more lenient or favourable interpretation of the disruption likely to follow a specific event, as Omar stated: “This is the Lebanese trait. You rebuild and continue. It’s a survival mode. So I asked [my father] last year, ‘What do we do if there is a civil war?’ He told me, ‘Omar, during the civil war, when they bomb us, we hide. When they don’t, we work.’ Aspirations enabled entrepreneurs to emphasize positive expectations in a way that counterbalanced the negative impact of current events, as Amer described: “We are waiting for better days. Our objectives become waiting for promises and hope. You start to convince yourself because you are the local and it is your country. … God, please make tomorrow a better day. … You start to make plans, saying let me get over this year, and see what next year will bring. Maybe next year is better. But technically speaking, if you get an external eye that is looking into what you are doing, he will tell you leave.”
2.3.1.3 Volatility

Entrepreneurs vividly described the unpredictable downturns after events: “Something came up every two days. We opened, closed, opened, closed. So we had to close. With big losses.” (Luke). They also contrasted these with the expected upturns, had the events not happened: “Honestly speaking, we started this year extremely well. So it should not be, it could not be, as good as it is in this kind of environment, that is so unstable,” (Gaby).\(^4\) This jigsaw of the ups and the downs created a great deal of generalized volatility. “When it is going good, it is so great. Everybody comes, everybody is attracted by it. When it is not blooming, it gets thorns; no one wants to come close to it.” (Anthony). But for some entrepreneurs the downs kept coming, and cumulating: “We opened in February after a soft opening two months prior. What happened? In March, the work was very good. In April, it was amazing. If we had continued like that, everything would have been good. On May 11, people visiting Lebanon on a bus were kidnapped next to Syria. Then, let me put it bluntly. In just one day, customers dropped by 50%. During the last 20 days of May, we worked 50% less than the first 10 days, while the work was supposed to go up because the season is getting better. In June, we lost 50% of the 50% that were left. So we lost 75%. In July, we then lost 50% of the remaining 50%. That means we had 12.5% left.” (Kamal).

The volatility was particularly dreaded by entrepreneurs like Kamal who, after a cascade of downturns, could no longer foresee what may happen next. We heard a lot of “I don’t know” in the interviews, which we coded as unknown consequences because entrepreneurs were still trying to rebound, counting the many sleepless nights they had spent trying to figure out what might happen the next day and what their next move should be. “You have to find a way to keep going … [but] there is an uncertainty. … What is going to happen? … We don’t know. We don’t know.” (Luke). What made this downward spiral even worse were the known dependencies (i.e.,

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\(^4\) The summer period in Beirut after the interview was conducted was relatively calm with no major security issues; however, in November, following the interview, there were two suicide bombings, killing 43 people in Beirut.
commitments entrepreneurs had made, often years in advance, which, as the setbacks cumulated, they realized they could no longer honour). “In 2008, things were good, and this is when we started to think about [this project], planning [this project]. It was three years before, and what can you do? You already invested in it, $5 million.” (Charbel).

2.3.1.4 Vulnerability

Irrespective of whether/how badly they had been hit, all entrepreneurs underscored how vulnerable they felt. Those whose operations had not been negatively affected yet used the expression “living with the sword of Damocles hanging over [their] heads” to express their feeling of looming danger. Those whose operations had been disrupted used the words “force majeure” to underscore the significance of the setbacks. We found two aspects of vulnerability: first, as a lack of choice (“There is only so much that you can do.” (Zach)), and second, as an absolution of fault and blame (“We can’t blame ourselves.” (Anthony)), because there was nothing that anyone could have done differently. The two sides reinforced each other: “So many times you needed to shut down the operations, close on many weekends and many days. How can you make money? And how can you progress in an environment like this? (Ralph).

2.3.2 Exit

When entrepreneurs concluded that they were facing an emergency, even if they had no prior plans to exit, they began contemplating it: “In 2004, when they killed [Prime Minister] Hariri, we started to worry. The business started to go down but 2006 was the last straw. It was a true wakeup call. 2006 was the wakeup call. I had salaries to pay in 2006 but I couldn’t. You can say that life stopped in 2006. Something had to be done, we couldn’t continue as we were. It was the worst time for us. We fled Beirut and went to Faraya. I had to pay payroll and had people to give jobs to, but everything collapsed.” (Claude). If they had prior exit plans (i.e. “We also had offers that were supposed to allow us to exit in a clean way …. ‘Clean’ means in a way where we didn’t lose much. Meaning, selling the store,” Kamal told us), the emergency nullified all lucrative options and “when you don’t sell the store and you leave it as it is without doing anything, it is then that you lose a fortune,” Kamal explained. Whether or not entrepreneurs had
executed exit before in other ventures or had contingencies in place for their current ones, they felt unanimously unprepared for an emergency exit: “We didn’t know how to exit. We didn’t know we had to exit,” Oscar underscored.

Our interviewees described exit in two opposite ways. Some, like Amer, told us, “It is not about you anymore.” Others, like Yasser, emphasized, “It affected me on a personal level.” We used the words de-personalized and re-personalized to differentiate these two extremes, because in each case, entrepreneurs qualified their changing individual-venture relationship as being less or more relevant to their person.

2.3.2.1 De-personalized exit

Some entrepreneurs de-personalized exit by interpreting away personal inputs and outputs and focusing instead on everyone else—the employees, the creditors, the customers, and the community, as Samer described: “There are a lot of considerations that you have to make, not only for you, in terms of making money, but also for families, for your employees. We have many families that live from this business.”

Many entrepreneurs used the Arabic expression “Haram” to qualify the premature closure of their ventures as not right, or against the nature of things, because they felt their businesses were good, well-run commercial establishments, with a long history, high status in the community, and excellent prospects. Had it not been for the emergency they faced, these entrepreneurs would have kept investing in their ventures, expanding and growing them instead of contemplating termination. Many used this expression, [in translation] “it’s a shame,” to qualify the gratuitousness of the unwanted yet unavoidable losses. “It’s a shame for someone to work in Lebanese cuisine and not do it in Lebanon. That’s why I was really excited about this project … It’s a shame. It went away really quickly. Like I said, we opened in February and closed in August … but it was a shame.” (Kamal).

Our interviewees called attention to the many parties likely to be harmed by a premature or poorly executed exit, and underscored their intention to prevent, minimize, or mitigate the likely negative consequences on all relevant third parties. Entrepreneurs listed the stakeholders
impacted, counted the families affected by the layoffs, took into account their obligation to the community, and then took all the steps they felt they could in order to exit as responsibly as possible. “We exited with our head held high. We wanted to pay our suppliers, but they told us, ‘It’s okay, you can wait.’ We refused. We paid right away and gave them everything. We wanted to close our accounts and have clearance. They went crazy. When we reopened, some suppliers told us, ‘We have never seen people work as good as you do.’” (Oscar).

As we describe below, entrepreneurs delayed a de-personalized exit as long as they could afford to stay open: “If I close the [business] down in Beirut, there are 150 families that will be affected. Can I sleep at night? My decision will affect 150 families.” (Ghassan). Amer agreed: “[Delaying exit] becomes humanitarian and moral because I have those people who work for me.” Entrepreneurs justified the delay as a way to avoid the anticipated harm that a premature exit would cause to their employees and their families. “I cannot tell our employee Elias Sr., who has been with us for 40 years, ‘Sorry we are closing down the factory.’ If I didn’t have this obstacle, I would have closed it for sure.” (Claude). Giving themselves a little extra time allowed them to focus their energy on the problems they could solve. “Have to suck it in and do” (Ghassan). Amer elaborated: “We have to survive, we have to inject money into the business, we have to work on our payments, we have to find a way to survive.” Solving problems motivated these entrepreneurs to continue business as usual for a while longer, until they found another problem to solve, which bought them a little more time yet: “We take altogether the risk, attack versus an attack. That way, you can survive during this crisis. … If I don’t take care of my employees who have been working with me for 10 years, we will go.” (Maggie).

### 2.3.2.2 Re-personalized exit

Other entrepreneurs re-personalized exit by calling attention to their personal feelings of loss, deep sadness, and even suffering. Kamal commemorated the closure by posting a short poem on his Facebook page: “I am sad; the restaurant is dead, and many things inside of me.” Exit hurts. The pain entrepreneurs experienced made them feel emotionally exhausted: “What can I do on my own? You get tired, you feel exhausted and consumed.” (Amer). The more exhausted the entrepreneurs felt, the less likely they were to keep going, even if the venture was not in a dire
situation yet: “I had another operation (at this mall) that was making 10% profit when it was time to renew the rent for six years. I refused, although it was making money. I decided to close it, because the headache and the risk factor is so big, … to the extent that I don’t want to try anymore.” (Anthony).

In stark contrast to instances of de-personalized exit that prolonged entrepreneurs’ efforts and rekindled their will to survive along with the ingenuity to revive the individual-venture relationship, in cases of re-personalized exit, the hurt and exhaustion entrepreneurs felt dulled the will to survive. Their efforts to cope with these negative emotions made the situation even more unbearable: “It affects your energy because we were not creative anymore,” Jean explained. “You get sick, you get tired, enough. Enough! I personally went through a lot of stuff here.” (Yasser). The more hurt and exhausted entrepreneurs felt, the sooner they came to recognize an irreconcilable mismatch between their resources (time, energy, ingenuity, etc.) and what the venture might need to survive the emergency. “You feel this is the last straw,” Yasser explained. “You know … it is just gonna make it worse, so you just have to kill it,” Zach added.

### 2.3.3 Adaptation

Both de-personalized and re-personalized exit were adaptive responses: once entrepreneurs interpreted a given event as an emergency, they took the steps they deemed appropriate to preserve the individual-venture relationship. In every case, they reassessed all the parts that might keep their venture running and adjusted the time frame, by either lengthening or shortening the time horizon for their next move. We refer to these processes as partial and temporal adaptation. While four combinations of these two adaptation mechanisms are logically possible, we only found two combinations in our data. Furthermore, the order between partial and temporal adaptation was reversed, with temporal adaptation preceding partial adaptation for de-personalized exit, and partial adaptation preceding temporal adaptation for re-personalized exit. Figure 2.2 shows these two paths.
Figure 2.2 Inductive Framework of Emergency Exit

- **Problem-Focused Coping**
- **Emotion-Focused Coping**
- **Lengthening Time Horizon**
- **Shortening Time Horizon**

**Emergency**
- **Temporal**
- **Partial**
- **De-personalized Exit**
- **Re-personalized Exit**

**Historicizing**
- **Normalizing**
- **Vulnerability**
- **Volatility**

**Partial**
- **Temporal**
2.3.3.1 Path 1: De-personalized emergency exit

With a single exception (unpacked further below (Jean)), entrepreneurs’ initial response to the first event they deemed an emergency was to stay the course and figure out a way through the adversity. It is important to note that not all adversity was bad for business—our data included one extreme case where a serious incident was framed as an opportunity to launch the venture in the first place (Marwan)—nor did the severity of events automatically threaten all entrepreneurs or all ventures. Whenever entrepreneurs came to realize that the individual-venture relationship was in jeopardy due to the specific aftermath of a given event on their operations, they tried to figure out how long they could afford to stay open. Then, critically dependent on this time horizon, they chose which problems they should begin tackling: “We have reserves which we keep for this type of situation. Today, I know if my business stops, how long can I last? ... I’ve always tried to never be in debt so that when the situation is bad, I could survive.” (Luke).

Lengthening time horizon. Emergency made survival important for its own sake, and overcoming the emergency set a new bar or metric of success: “Whoever will survive, will succeed.” (Maggie). Julian underscored the same point: “The only adaptation we have is survival. And sometimes this means taking on more loans and that means we [self-] re-finance … I’m putting money from my own pocket.”

Entrepreneurs delayed exit for one of two reasons: (1) because they felt that staying was, on balance, better than the alternatives, or (2) because they had made commitments they could not easily break, as Ghassan explained: “You can't get out of it. You can’t. ... You have also your reputation and this is what I am saying in any situation, in anything, there are many things that are going to get affected: name, credibility, financial situation, the loans of the bank, your employees, there are many things. ... Forget about me and my financial situation. There are so many [other] things: my name... Oh!! The [Ghassan] family closed a [business]! Oh!! They laid off employees. Oh! This and that. There are so many things that you need to endure. Have to suck it in, and do…. Here, if I don’t have this asset: the hotel and gardens, I would never do something in Lebanon.” (Ghassan)
**Problem-focused coping.** Once entrepreneurs decided to delay their exit, they took specific steps to improve their odds of survival by identifying and tackling (if not always solving) some of the problems brought on by the event itself with the resources at hand (more specifically, the subset that remained viable). We found three key approaches: focusing on critical resources or rents; shifting critical resources or rents to more favourable contexts; and changing key configurations or conditions altogether so that critical resources could be leveraged in an entirely new way. All three approaches helped update the individual-venture relationship by changing (in part rather than the whole) the venture side of the relationship.

**Shrinking.** We often heard explicit or implicit statements along the lines of “we shrunk the business” (Jean), which meant shutting down operations bit by bit, starting with the ones that were obviously not working anymore, and focusing on the most critical resources, like core employees or the brand. Everything that was not critical could be dispensed with, and was reframed as a “luxury”—something no longer warranted given the new reality of the business, and something that could or should be given up to preserve the core: “It is (like) you don’t have the luxury to spend a lot of money on advertising, you will bring down the advertising budget, you don’t have the luxury to do some costly events…. You have an outlet that makes you lose money, you close it.” (Amer).

**Stretching.** Once entrepreneurs understood which resources remained viable in the aftermath of the emergency, they sought to extend or multiply their uses and create new sources of rents, iterating through different levels or applications in the hope that they might find a new way to keep the business running. Stretching was often radical: prices were cut; customers changed (e.g., from wealthy tourists to impoverished Syrian refugees); offerings shifted (e.g., from food venues to disco clubs); operations were revamped with ad hoc repurposing of common spaces. In all of these cases, a previously critical resource was used in a radically different way in an effort to bring out an alternative source of revenues. “I started to change the prices. We did more promotions. I did everything that anyone can do within the restaurant business to be able to overcome this period. Then I changed the décor. I made a new investment, thinking that people might have become bored of the old décor, so I will give them a new look, new menu.” (Anthony). These iterations were not trivial undertakings because they were expensive to try out:
“Everything will cost you, and the cost is not only the financial cost, but also the time cost. [I don’t] want to waste two weeks of my time studying something that I won’t implement or include.” (Yasser). Stretching viable resources did not assure business survival. Anthony, for example, tried and tried, “but still it didn’t work.” Anthony and Yasser took as many detours as possible, and tried as many new combinations as they could afford, all in an effort to avoid severing the individual-venture relationship.

Substituting. At some point, a critical mass of entrepreneurs ran out of the changes they could make within Lebanon, and “stepped outside” (Aziz) in search of new conditions or circumstances where their businesses could be relocated. Substituting referred to replacing factors that shortchanged critical resources or rents with factors that might allow these resources or rents to work well again. The predominant change was contextual because, as entrepreneurs unanimously concluded, most aspects of the business worked well before the emergency, and would have continued working well had it not been for the emergency. As the events escalated, more and more entrepreneurs tried to remove themselves from the emergency in an effort to preserve their individual-venture relationship by transplanting it elsewhere: “Every time I boarded a plane, or after the (2006 War), I met entrepreneurs who were starting businesses outside. I do believe that point was a big turning point for many Lebanese businesses.” (Mike).

Respondents did not run away from instability per se, and in some cases, they started over in dangerous settings: “We cannot work in Lebanon anymore, nor can we in America or Europe. Nigeria isn’t heaven. It’s dangerous too … but we had to do it.” (Claude). By proactively releasing one critical constraint, substituting changed some of the ways in which entrepreneurs previously did business so they could go on: “So I could say the political instability sped up our expansion process to go abroad. So this is silver lining to it. At least it motivates you to look for different alternatives in different markets to apply your investment and your human capital.” (Zach).

Despite the fact that most entrepreneurs felt compelled to delay exit to safeguard others, and most had incurred significant and unrecoverable losses along the way, the harder they tried to overcome setbacks, the more satisfied they were with their initial decision to stay rather than leave. “It is a good thing that we didn’t close the factory, as things got better later on,” Claude
told us. “You have to accept the system here is winning sometimes and losing a lot, the other times, it’s not always a win-win situation. You just need to accept you are bound to lose business in this country.” Trying longer and harder by no means guaranteed success. Ghassan, for example, had no choice but terminate the individual-venture relationship once he ran out of things he might fix: “I cannot find a way … but I tried everything … I tried to think inside the box, and outside the box, and in and out of the box… and half in and half out … enough! F*** the box.”

One of the most counterintuitive ways in which entrepreneurs lengthened the time horizon and engaged in problem-solving coping was by starting something else, effectively instantly overwriting the individual-venture relationship getting broken by the emergency with a new individual-venture relationship, which the entrepreneur felt had better odds of success. “I officially signed off [Restaurant X] on April 30, 2013, to open [Restaurant Y] on May 15. That was like [rising] from the ashes … 15 days later, you open a new place.” (Zach). “[It seemed] crazy enough to open another restaurant … everybody told me, ‘What you are doing?!’” (Maggie).

2.3.3.2 Path 2: Re-personalized emergency exit

“Surviving” the 11-year window of adversity we studied proved extremely challenging, and for 20 out of the 27 ventures, we witnessed at least one instance of re-personalized emergency exit. This type of exit typically occurred late or last, when, after multiple attempts to prevent premature exit, most entrepreneurs had not only already run out of resources and options, but were also beginning to run out of energy and ingenuity. As they rapidly approached their threshold of personal suffering, they shifted attention to emotion-focused coping. Unfortunately, in many cases, this effort proved to be too little too late. Anthony told us, “Today, the game is not within our hands anymore…. Here, if you have a grand big ambition, you will hit the wall, look at me from nine restaurants to food carts. At the end of the day you say, enough!” Once they understood how personally taxing their efforts had already been, most entrepreneurs accelerated time to exit: “We didn’t have the guts to take a decision to shut down, the first time.
This click of a button. The second time, the “shut down” was like a quick push of a button. The decision was overnight with big losses.” (Oscar)

**Emotion-focused coping.** Entrepreneurs faced their hardships in two different ways. They found new appreciation for whatever alternatives they had in place; and they reclaimed their confidence in their abilities to try again and hope to succeed, at a different time or in a different place.

The worse their ventures got, the more appreciative entrepreneurs became of options they might have created for themselves. “There is a hope someday that things will change. If they don’t change, we’ll have options. Most importantly, for me, as a person, I do have other options. I have Kuwait, Canada, Bahrain, London, and other options. I can move and live … as long as you have the option. And this option, not a lot of people have it. And it took me a long time to establish these options.” (Oscar). If they had no options, either because their prior options no longer worked or because they had not yet looked beyond the failure of the current venture to what may come next, they appreciated the lessons they had learned and contemplated ways in which these lessons might prove generative in the future. “Practically… you need to reinvent yourself in this line of business,” Jean reflected.

The strong negative emotions stirred up by the pressures or losses entrepreneurs experienced motivated them to claim newfound capabilities: “Because we believe in what we have, we have a product that is second to none, we are innovative, we’re creative, and when you are creative and innovative and passionate about what you’re doing, the sky is the limit. … What we learned in Lebanon and the experience we had in Lebanon … all of it aggregated, but mostly in Lebanon. We will definitely benefit from this experience.” (Oscar). Even those who had lost everything could reclaim their confidence in themselves: “Wow! I did this. I could. I survived this incident, and I survived it well. Therefore, seriously, I am very good. You become confident. Definitely, you become more confident.” (Yasser).

Emotion-focused coping allowed entrepreneurs to see and accept that the individual-venture relationship was about to end. As the end became clear, they let go of any rationales they might have given themselves previously: “Forget about the money … I don’t want to live in a country where … one time this person is shot dead, another time one person gets exploded. Every time
something happens, I would be afraid [and wondering] where my son is … why would I want to do this to my kids? … I cannot live on hope. One day I have money, the other day I don't have money. … Personally, I am leaving. I don't know where yet, but definitely I'm not staying here.” (Ghassan).

**Shortening time horizon.** Once entrepreneurs realized that they were fast approaching (and in some cases, had even exceeded) their threshold of suffering, they would bear no more pain. Looking back, the entrepreneurs wished they had exited sooner, in part to minimize the financial loss and in part to avoid the personal trauma, ranging from health problems to marriage difficulties; many entrepreneurs expressed, “I kept it open longer than I should have.” (Hadi). Some entrepreneurs made the explicit decision to exit sooner. The actual losses were substantial, and the higher the losses, the more painful their decision to exit: “It was a painful decision. … It was painful because we invested $1 million and nothing was returned. So [we lost] all the money invested in the project.” (Zach). Some could still keep going but had simply gotten tired of trying so hard and going nowhere: “We took the decision after 2011, but the decision inside was already taken, because it was obvious, we were not expanding, we were focused on a couple things but we were not going left and right. … We had to take a decision.” (Ralph). Those who overstayed “were massacred. Twice. Twice is too much. Total loss: $2 million.” (Oscar).

Typically, the re-personalized exit path unfolded extremely quickly, with exit imminent in days or weeks after entrepreneurs realized how miserable they really were. However, it was often a by-product of a hidden sense-making process that, for many, had gone on for months or even years of unsuccessful efforts to prevent exit: “It’s like having a lymphoma on your back. And it’s getting bigger…It’s not cancerous [so far]. You can’t sit the same way. First you were used to sitting a certain way, but not anymore. It’s growing, and you can’t control it. You have one of two choices. Either live with it with the pain, and never know what will happen, maybe it will be cancerous [and you won’t survive]. Or you can have an operation and fix it, suffer for a while, remove it, and then live with the scar.” (Oscar).
2.4 Discussion

The dual adaptation pathways we induced from the data reveal that individual-venture relationships are malleable enough to overcome even the direst or most dramatic situations, at least for some time, while there are enough resources set aside to try something new or different. Perhaps the single most significant insight from this qualitative study is that a great deal happens before exit takes place. We wind back the proverbial clock, which most studies set at the time when the entrepreneur herself/himself makes an exit decision (Hiatt & Sine, 2014; Wennberg et al., 2010), all the way to the adverse events that precipitate this decision. In so doing, we discover that entrepreneurs follow two very different paths to this decision: one deliberately slowing down the exit process enough to try as many alternatives as they can afford, and the other hastening exit to prevent further personal distress. Some of the actions entrepreneurs may take on either path have been touched on before, for example in prior studies of grief and post-failure recovery (Shepherd, 2003) or in the literature on post-disaster start-ups (Shepherd & Williams, 2014; Williams & Shepherd, 2016). What the current framework adds is a fine-grained understanding of when and why entrepreneurs choose one pathway or the other.

As shown in Figure 2.2, all entrepreneurs start with a careful assessment of a specific event. Entrepreneurs do not react to the events themselves; rather, they respond based on their interpretations of multiple aspects of the event, starting with historical observations, remembering how they may have experienced similar events in the past, estimating the ups and downs such events are likely to cause to their ventures, and assessing how vulnerable they feel given their own predictions. While entrepreneurs consider all four of these aspects for most events, they tend to gravitate towards either normalizing a given event and continuing business as usual, or sensitizing themselves to the vulnerability other events may cause. For events unfolding over extended periods of time, or with escalating consequences, entrepreneurs often return to their emergency assessment multiple times, and thus have the option to restart on one path or the other, depending on their iterative assessments of the same event.

Knowing that some entrepreneurs find themselves in an emergency does not tell us much about whether they would decide (let alone execute) exit. While prior literature yields detailed predictions regarding the time to exit once entrepreneurs have taken the decision to exit.
(Yamakawa & Cardon, 2017), we know relatively little about when and how such exit trajectories might be shaped even before the decision to exit. Indeed, our inductive framework suggests that exit trajectories fork while entrepreneurs contemplate when and how they would exit if they had to.

Perhaps most importantly, entrepreneurs engage in a great deal of work before they decide whether they have to exit. They lengthen or shorten the time horizon. They engage in problem-focused or emotion-focused coping. Even the order in which they engage in these adaptive processes matters, because emotion-focused coping tends to further shorten the time horizon, while lengthening the time horizon affords additional problem-focused coping. Moreover, because we have shown that what entrepreneurs do first is foreshadowed by their emphasis on either the normality of the event or their vulnerability to it, an important insight of our study is that the interpretation of adverse events is critical, because it tends to lead to path-dependent decisions and behaviours.

To further our understanding of the two pathways, and determine whether or why they may intertwine at times, we constructed visual maps for each of the 27 entrepreneurs during our analysis. These visual maps preserve the associations the entrepreneurs themselves made among specific events and their responses, and draw specific attention to the exit pathways and their sequencing over time. Most entrepreneurs organized their narratives from the present to the past, and typically started with the events they felt were most impactful for themselves, personally and individually. However, in order to facilitate comparisons among events, we re-organized these associations chronologically, as if there was a logical progression between perceived emergencies, the adaptation pathways, and the kinds of exits that followed. In fact, we find no evidence of progression. Instead, our data suggest that major discontinuities in the business are by-products of entrepreneurs’ responses to those events they deemed emergencies.

Many entrepreneurs, like Claude (Figure 2.3), felt responsible for the continuation of a long-lived family business, particularly so when they had a large footprint (infrastructure, employees, etc.). Their emergency exit process was largely de-personalized, and they sought to delay exit and prolong the status quo—often to assure their employees’ livelihoods. Yet as the pressures
intensified, these entrepreneurs exited specific areas or activities and added others. Claude, for example, de-personalized exit multiple times before eventually re-personalizing it.
EMERGENCY

Normalizing: We have been living in times of war since we were kids. We are used to this type of life. We used to hide during the war.
Vulnerability: In 2004, when they killed Hariri, we started to worry. … It was then that we realized that this wasn’t a one-time deal, it was a constant thing.

Volatility: After the big shock of the war in 2006, we had small shocks too with the different assassinations and then the war in Syria happened so it was going down from all angles. We didn’t know what was coming. … There are so many incidents that are making me close down and leave.
Vulnerability: You can say that life stopped in 2006.

Normalizing: It is all relative. However, comparing to Lebanon, Nigeria is better. … I prefer to do it in Africa, in Nigeria in particular. If you ask me if it is dangerous, I would tell you it is extremely dangerous from Ebola to Boko Haram to kidnappings. … It is very dangerous. … So one needs to accept these to the expense of working there. … This is the case with me and many others.

Historicizing: We were affected greatly [by the war in Syria], both directly and indirectly.
Normalizing: It’s all the same, if you came to my office a year ago and watched the news it would have been the same type of news you hear now.
Vulnerability: The crisis isn’t affecting me much now. However, it is a different story if ISIS attacks Lebanon.

Figure 2.3 Emergency Exit for Claude

De-personalized Exit 1
All the warehouses, factory, showroom and workshops are all based here in Lebanon. The whole company’s structure is based in Lebanon, we have been here for 51 years.

Lengthening Time Horizon: Something had to be done, we couldn’t continue as we were. My thinking and my outlook changed.
Problem-focused Coping: Since 2004 we had a lot of outstanding payments, this wasn’t the case before. We always had outstanding payments but the amount became a lot bigger after 2004. We reduced the team, we shrunk the business. We focused on other brands. We changed a lot.

De-personalized Exit 2
The business started to go down but 2006 was the last straw. During the war in 2006, it was the worst time for us. We fled Beirut and went to Faraya.

Lengthening Time Horizon: I seriously thought of closing down the business here. … If I didn’t have people working in the factory since my father’s reign, I would have closed down the factory long ago.
Problem-focused coping: Therefore, we decided to go international. This was the only strategy! Otherwise, we would have closed the whole business if we relied on the business in Lebanon. … Today we are at 80% of the work being abroad while 20% being in Lebanon. We are targeting to reach 95% abroad and only 5% in Lebanon.
Lengthening Time Horizon: I am a businessman, as long I am not losing money I will stay open. The day I lose money, I will close down and focus on renting my real estates. That way I will make more money.
Problem-focused coping: We saw that the business isn’t working here so we decided to go abroad with putting the base here in Lebanon and using whatever advantages Lebanon is still offering. … In Lebanon, we are on survival mode for the business. Abroad, we are doing amazing. In Lebanon we are just breaking even and covering our costs. The profit is coming from abroad. As long as I am doing great abroad with the base and support from Lebanon, I will not close down.

De-personalized Exit 3
We cannot work in Lebanon anymore.

Lengthening time horizon
If there were a bit more security in Nigeria, it would have been a dream come true. … Africa is a bit dangerous but we do not have a better option. … Besides [the dangers], the potential is there.
Problem-focused coping: I am so happy that we took that decision to move to Nigeria. It was the right thing to do. … I would have never invested in software without Nigeria. I invested in it so I am aware of all aspects of the business there.

Re-personalized Exit 4
It affected me greatly. … This would take up my energy and I wouldn’t be able to work.

Emotion-focused coping: The day I feel my children are in danger, I close everything and move abroad. This is the only thing that will make me leave the country fully. … We already have plan B to go to NYC and plan C to go to Dubai.

Shortening time horizon: In case one day the war comes to Lebanon, I will move my whole operations abroad too.[…] When they are 1 km away from us, we will leave the country on the first plane.
Emotion-focused coping: I put my energy at work during the day and when I get home, I put my energy on my family. When we finish the interview, I will go see my children and spend quality time with them. This is where I like to put my energy.
Shortening time horizon: Every year I was losing more confidence than the year before. … When you look at the country, you see what I am doing makes perfect sense.
At the opposite extreme were a few entrepreneurs, like Jean (Figure 2.4), who chose to exit early for personal reasons. While the event itself did not require such a precipitous exit in Jean’s case, the exit motivated him to reallocate a great deal of his initiative and ingenuity to scoping out and building up the business in different contexts, like Europe, Qatar, and Dubai. Jean made multiple re-entry moves in response to a single event, which many others (including his own partner and many investors) did not even interpret as an emergency at that time. For instance, Jean’s own partner, Ralph, elected to stay behind and manage some of the ventures in his stead for many years after Jean severed his own relationship with these ventures.
Figure 2.4 Emergency Exit for Jean

Re-personalized Exit 1
My partner told me that things will be ok. Personally, I am a coward: I don't want to die on the street because of a fight. … This scared me. [My partner] tried to cool me down. I told him I am leaving. He said ok.

Lengthening time horizon: If you go back to 2006, when we had the war, all the clubs opened in Faraya, but what is the crowd? 2,000-3,000? You cannot base the economy of a country on 2,000 people. By 2007 we ended up with 13 outlets. We were the first group to export a Lebanese brand to Europe. … We had one outlet in 2006 in London. … We opened in St. Tropez in 2007. We were super big.

Problem-focused coping: I moved to Dubai [in 2005, it was a reaction of the assassination of PM Hariri] … So I went to Qatar, Jordan. I was trying by hook or crook to tie up with an existing clubbing company and to bring our expertise and name, and we ended up here. … We opened our first place [in Dubai], and we were shutting down in Beirut, expanding here, shutting down there, expanding here. … We were expanding in Dubai.

Lengthening time horizon: We had the best locations, best buildings, you cannot find places [like these] every day in Beirut. We wanted to keep them.

Problem-focused coping: In 2007, we stopped expanding. Our [flagship outlet] started losing [money] at the end of 2007. We had a negative P&L. I used to buy from our outlets; we were buying the POS system. I was taking the gear from the kitchen, just to reduce the losses. Sometimes we used to rent the outlet empty, for arts exhibition, or … a private party.

Re-personalized Exit 2
Until we drowned. We drowned in 2009, because we were not able to pay rent. The bankruptcy was a domino effect. We had 450 employees. We had loans. And the operations [overseas] could not sustain.

Emotion-focused coping: When it comes to such a decision, I cannot take it alone. We called the board and then we decided and of course they agreed. … How can we get money? Who is the investor who is willing to give you money? Which bank will give you [a loan]? … Our bank account told us then that we need to close.

Shortening time horizon: When you don't have literally any option, you need to stop loss. Why are you going to drag yourself in more? Because you cannot see the light at the end of the tunnel. It is a super dark tunnel. You’d rather stop your losses there, and then you negotiate in how you are going to close in the least damage possible;

Re-personalized Exit 3
We were not living. We were hoping to survive and when you hope to survive … you lose it.

Emotion-focused coping: It affects your energy because we were not creative anymore. … Practically, you need to reinvent yourself in this line of business. But when you were drowning, what kind of moves you can do? You are just want to breathe.

Shortening time horizon: Bit by bit, we had to shut down because we could not sustain our operations. To come to our place is not a necessity. It is not a school or a hospital. It is extra-extra spending, just to have fun and people stopped to have fun,

Re-personalized Exit 4:
We started closing in 2008 … getting out of Lebanon (as a company) in 2012.

Emotion-focused coping: It is not that we are losing. We didn’t lose. It was not a mismanagement thing. It was a force majeure.

Shortening time horizon: I would say [we were] around 700 people then. Today we are around … 300, all located in the UAE. In Lebanon we have 4 employees: one auditor, one lawyer, one office boy, one taking care of the HR.

Re-personalized Exit 5:
Now [my partner] he relocated to Dubai but only two years ago. He was the last man standing.

Emotion-focused coping: It has been two years since I was shouting: Enough! Enough! What for? What for? It is a waste of energy. Every time I go back I feel sad, and then I want to take back the plane and go somewhere else. So it bothers me and then I feel like leaving Beirut again.

Shortening time horizon: We shut down everything in Lebanon. We just have a virtual office because we still have some staff on our company for social security. We still have our lawyers and a virtual office. We reduced the costs to like really nothing and that’s it.
Several entrepreneurs iterated between de-personalized and re-personalized exit processes. Marwan (Figure 2.5), for example, switched from one path to the other and back again. He actually entered Lebanon at a peak of turbulence, and even leveraged it in its brand, so it is not surprising that he started off as if the disruption was normal and he had the time and the means to troubleshoot any specific challenges he might encounter along the way. However, his view of normal turbulence turned out to be very specific, and had one exclusion: civil war among his fellow citizens. Once this bridge was crossed, Marwan felt quite vulnerable, not only because there were no precedents, but also because the event itself clashed with his personal philosophy. As a result, he felt “disgusted” and accelerated the breakdown of the individual-venture relationship, even though his business and brand continued to thrive in the inauspicious conditions. He had much less trouble with subsequent events, which went back to his idea of “normal,” and he gave himself the time to experiment and figure out the best way to leave.
**Figure 2.5 Emergency Exit for Marwan**

**Start of the business:** In 2005, we started the discussion and chat about the [product] idea. … In 2006, I told him. Are you serious or are you joking? He said. I'm serious. … Up to that time, I have never had [experience in making this product]. … I started [preparing] during the war. It all began with being Lebanese as a brand. … My brands are all about the stories behind them. … The brand that I build is not about marketing, but it is all about the story. All about actual reality of what it is going on in real life. … We raised $5 million to build a new [plant] with 10 times the capacity and look at doing global domination.

**De-personalized Exit 1**

I don't have other choice.

**Lengthening time horizon:** Up to that point, I was not worried about the impact of the situation on my business ideas.

**Problem-focused coping:** It was just me and one of our head sales back then. We sat down and we looked at the map. Do they drink a lot of [our product] in Sweden. F***! I don't know. Let’s have a look. Oh yes, they do. Who is there? I don't know. Let’s call the distributors there. … I got on a plane and travelled the world trying to sell our [product] and I opened Sweden, Norway, Finland and Iceland, UK, Spain, Portugal, France, Switzerland, Australia, made US bigger. We went to Brazil, Ghana, the UAE, and we closed the year with our exports up 20%. … Now 90% of my work is export.

**Re-personalized Exit 2**

I relinquished the chairmanship.

**Emotion-focused coping:** I no longer focus my energy on it. … I stopped being proud of my country since May 7 2008. I don't want to leverage the brand anymore because I’m not proud anymore of Lebanon.

**Shortening time horizon:** You wake up after one month and you find that your company is going to go bankrupt and disappear, the whole company and you send your employees home. … We stopped it. If we did it, we would have gone bankrupt. … In retrospect, if I knew that May 7 would happen, I would have said F*** you and F*** [the country] then. … What am I still doing here?

**De-personalized Exit 3**

The Syrian problems started in 2013. Last year, the Syrian market was screwed. It represents 60% of our sales. From November we lost a chunk of sales. By January, the market was low because of seasonality and then we had Syria beginning 2013.

**Lengthening time horizon:** Since the start of the turmoil in Syria every year we are facing deterioration.

**Problem-focused coping:** Since the first day we started, it is all about problems and decisions to make. … And then I travelled to Australia …. In 2013 I went 3 times … and said let’s do it here. I moved to Australia. … We wrote a business plan and raised some money. Set up an Australian company around September 2013. With Australians. It was my first production outside Lebanon.

**Historicizing:** Then ABC explosion, then Verdun explosion, then they killed Samir Kassir, then they killed Pierre Gemayel.

**Volatility:** The Syrian market is hit, and our local market here is a joke, where will I sell my products? … What the F***?

**Vulnerability:** Two months ago, I was going to build a factory. What happened? I did nothing wrong.

**Historicizing:** Then Hezbollah came and did May 7 civil unrest and siege of Beirut.

**Volatility:** F*** off! Leave me alone. Every week there is something happening out of these events.

**Vulnerability:** In one night only, through no fault of our own, because of the events. Yes! of no fault of our own!!

**Vulnerability:** We were exporting to Syria. There was a new law early in early 2013 that affected our exports. There was a new law that prohibited the import of anything without prior consent from government.
By using data to theorize the connection between emergencies and entrepreneurial exit, our inductive framework draws attention to the many steps entrepreneurs take ‘before exit’, fulfilling recent calls to pay close attention to what happens “before, not after failure” (Singh et al., 2015, p. 150). Our findings suggest that exit pathways are especially malleable very early on, particularly before entrepreneurs have settled on their interpretations of events.

Our work also shines a spotlight on the individual-venture relationship (foundational to the entrepreneurial exit literature) by showing how malleable this relationship can be, even in the harshest of circumstances. Specifically, we show the different ways in which entrepreneurs can adjust the venture and/or themselves to preserve core aspects of the relationship, so that even in cases where we can observe a departure from a given context and/or a closure of the commercial establishment, many aspects of the individual-venture relationship carry on.

Taken together, our findings motivate more theory-building efforts to ascertain what happens before exit, especially when exogenous events threaten the continuation of businesses at peak performance. Our insights also suggest that exit may be more richly understood as work on repairing the individual-venture relationship as recurrent events keep breaking it (Fathallah & Branzei, 2017), rather than by isolating or modelling the ultimate consequences of singular precipitating events. In our study, the link between emergencies and exit grew clearer the more entrepreneurs dwelled on the when and the how of sequences of unexpected events.

As theories of entrepreneurial exit become more nuanced, and begin to pay closer attention to what happens before exit (Singh et al., 2015), there is new theoretical and empirical space to articulate prospective explanations of when and how entrepreneurs exit. While theories of voluntary exit have long acknowledged that exit can be proactive and purposeful (DeTienne, McKelvie, & Chandler, 2015), theories of involuntary exit have so far largely focused comparatively more on how entrepreneurs mitigate personal downsides, such as the stigma associated with failure, rather than on the steps entrepreneurs take to accelerate recovery. As turbulence increases, and entrepreneurs face a greater range of shocks and disruptions, exit may (or may not) be unavoidable. Our study suggests that even in response to emergencies, entrepreneurs can exert significant choice over exit by engaging in partial and temporal
adaptation, within and beyond their existing venture. Our inductive findings demonstrate that the individual-venture relationship affords significant degrees of adjustment at both ends. By juxtaposing adjustments for their ventures and themselves, entrepreneurs can exert a great deal of latitude over the degree and timing of their exit, even when they face dire or dramatic circumstances; their idiosyncratic choices, rather than their circumstances, determine how well or how long their ventures will outlast adversity.

By revealing the flexible coupling between emergencies and exit, our study elaborates on the construct of exit, offering three distinct extensions (Suddaby, 2010). First, this study broadens the scope of the exit construct to explicitly include what happens before exit. In addition to work entrepreneurs do on themselves to prepare for anticipated failure (Singh et al., 2015), we show that entrepreneurs significantly and repeatedly adjust their venture as well. This give and take in the individual-venture relationship allows some entrepreneurs to avoid exit altogether, and enables many others to exit with dignity—and even renewed confidence—knowing they did everything possible to honour their responsibilities to their many stakeholders.

Second, our findings draw explicit attention to the temporality embedded in exit. While other studies have recently examined the pre- and post-exit dynamics, broadening the chronos view of exit beyond the exit event itself, we are just starting to explore the non-linear effects of time. Our study shows that some entrepreneurs buy themselves and their ventures more time to problem-solve in response to emergencies, while others rush for the proverbial emergency exit.

Third, the many downsides of exit, especially involuntary exit, have spearheaded much more attention to its relationships with negative constructs (such as failure and stigma) than to positive constructs (such as coping and confidence) (Shepherd & Haynie, 2011). By fleshing out the complex relationship between emergencies and exit, we hope to rekindle interest in the ways in which pressure to exit may be generative. We are especially excited about theorizing exit as non-terminal, and as a precondition for positive discontinuities in one’s entrepreneurial journey.

Finally, we contribute to the emerging literature on adversity, which is beginning to differentiate between acute (Bullough & Renko, 2017) and chronic (Powell & Baker, 2014) adversity, by underscoring that the progressive accumulation of adversity—setback after setback—creates
distinct pressures and exit approaches (Fathallah & Branzei, 2017). When adversity is cumulative, entrepreneurs respond to one event at a time; however, they may not always or accurately anticipate how one specific disruption may impact their future trajectory. Situations initially assessed as manageable can end up being terminal as their impact unfurls; similarly, some truly traumatic events end up being quite manageable for some entrepreneurs as they tackle one problem and one setback at a time.

2.5 Conclusion

Our inductive theorizing using the first-person accounts of 27 entrepreneurs facing recurrent adversity in Lebanon extends the literature on entrepreneurial exit to account for what happens before exit. We underscore the malleability of the individual-venture relationship and show two exit pathways that combine partial and temporal adaptation to repair relationships repeatedly damaged by cumulative events that disrupt either side.
2.6 References


## Appendix 2.1 Timeline of the Major Political Events in Lebanon

<table>
<thead>
<tr>
<th>Date</th>
<th>Description of the Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-1990</td>
<td><em>Lebanese Civil War</em></td>
</tr>
<tr>
<td>Feb. 14, 2005</td>
<td>A massive car bomb in Beirut kills Prime Minister Hariri and many others. Immense street protests take place as a reaction to the assassination.</td>
</tr>
<tr>
<td>Jun. 2, 2005</td>
<td>Journalist Samir Kassir is assassinated in a car bomb in Beirut.</td>
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<tr>
<td>Jun. 21, 2005</td>
<td>A bomb kills George Hawi, former leader of the Lebanese Communist Party.</td>
</tr>
<tr>
<td>Jul. 12, 2005</td>
<td>Defense minister Elias Murr is among those wounded in a car bomb in Beirut.</td>
</tr>
<tr>
<td>Dec. 12, 2005</td>
<td>An explosion kills Member of Parliament Gebran Tueni. Two other people are also killed.</td>
</tr>
<tr>
<td>Jul. 12, 2006</td>
<td>Israel launches a one-month-long war against Lebanon after Hezbollah captures Israeli soldiers in an attack across the border.</td>
</tr>
<tr>
<td>Nov. 21, 2006</td>
<td>Industry Minister Pierre Gemayel is assassinated by gunmen.</td>
</tr>
<tr>
<td>Jun. 13, 2007</td>
<td>Member of Parliament Walid Eido is assassinated in a car bomb in Beirut.</td>
</tr>
<tr>
<td>Sept. 19, 2007</td>
<td>Political party lawmaker Antoine Ghanem is assassinated in an explosion.</td>
</tr>
<tr>
<td>May 7, 2008</td>
<td>Pro-Hezbollah fighters lock down Beirut and clash with people.</td>
</tr>
<tr>
<td>May 8, 2008</td>
<td>Pro-Hezbollah gunmen take over large parts of West Beirut. Gun clashes lead to many casualties.</td>
</tr>
<tr>
<td>Mar. 15, 2011</td>
<td>The Arab Spring reaches Syria. The conflict eventually develops into a civil war in Syria. In Lebanon, one coalition of political parties backs Syrian rebels, while the other coalition supports the Syrian regime.</td>
</tr>
<tr>
<td>Summer 2012</td>
<td>The Syrian war spills over to Lebanon through violent clashes in Tripoli and Beirut.</td>
</tr>
<tr>
<td>Oct. 19, 2012</td>
<td>Police intelligence chief Wissam al-Hassan is killed along with eight other people in a car bomb.</td>
</tr>
<tr>
<td>Dec. 2012</td>
<td>Violent fights break out between supporters and opponents of the Syrian president in Tripoli.</td>
</tr>
<tr>
<td>May 20, 2013</td>
<td>Sectarian violence continues to spill over from the war in Syria. Many fights take place in Tripoli.</td>
</tr>
<tr>
<td>Jun., 2013</td>
<td>The main provider of Lebanon’s tourism revenue, the Gulf Cooperation Council (GCC)—Saudi Arabia, Qatar, Kuwait, Oman, Bahrain, and the United Arab Emirates—issues a travel warning for citizens thinking of visiting Lebanon, as Syria’s civil war is fuelling violence in Lebanon.</td>
</tr>
<tr>
<td>Jul. 9, 2013</td>
<td>A car bomb wounds at least 53 people in Southern Beirut where many support Hezbollah.</td>
</tr>
<tr>
<td>Aug. 23, 2013</td>
<td>Two car bombs in Tripoli kill 42 people and wound hundreds.</td>
</tr>
<tr>
<td>Dec. 27, 2013</td>
<td>Mohamad Chatah, Lebanon’s former finance minister is killed with at least five others in a car bomb in a central location in Beirut.</td>
</tr>
<tr>
<td>Apr. 2014</td>
<td>The United Nations announces that the number of Syrian refugees registered in Lebanon is over 1 million.</td>
</tr>
<tr>
<td>May 2014</td>
<td>Lebanon’s President Suleiman ends his term of office, leaving a power vacuum. Several attempts are made in parliament over subsequent months to choose a successor.</td>
</tr>
<tr>
<td>Aug. 6, 2014</td>
<td>Syrian rebels cross to the Lebanese town of Arsal and get involved in clashes. They withdraw after being confronted by the military, but take many Lebanese soldiers and police captive.</td>
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Appendix 2.2 Initial Interview Guide

Introduction: I am interested in the impact of political instability in Lebanon on the ways in which you operate in this context.

The Impact of Political Instability
- How does the political instability in Lebanon affect your firm? (firm’s operations and strategies)
- Would your strategy be different if there was no political instability in Lebanon? Why and how?
- How do you cope with this environment?
- What are the objectives of the business in this unstable context?
- How does the threat of the country’s political instability differ from other risks and uncertainties your organization faces?
- How does this context influence your strategies – are there any significant differences from what you think any business (that operates in politically stable context) needs to consider? What resources and capabilities are the most helpful during distress and why – and how do they differ from resources and capabilities most organizations need and use?

Stay or Exit / Motivation and Strategies
- Are you contemplating future turbulence? What scenarios are you thinking of? For example, if a civil war erupts, what is the course of action you might take?
- What levels of performance will be acceptable to stay in business? What would have to happen (in terms of losses, disruption etc.) to cause you to exit – i.e. terminate all operations in Lebanon? (Probe: How patient would you be and why? What factors determine the final decision?)
- Why do you stay in those situations? Or why have you exited (in case you have)?
  - Probes: Thinking about Exit could be triggered by: small market, turbulent industry (losing customers), losing money because of bad operations, hard to manage operation, general economic environment, institutional settings, political instability, changes in competitive advantage, intensity of rivalry in market, exit of competitors, shortages of resources, strategic-poor fit, getting rid of undesired/unprofitable units, shifting resources into units with greater growth or opportunity…
  - Probes: Exit barriers: cost to divest: sunk and relocation costs, organizational entrenchment, management attachment to previous choices, resistance to admit economic failure, personal commitment, trapped by assets, aversion to loss, denial, family obligations
- What event do you recall most vividly as having had a significant impact on business (in general, in your industry, on your own organization)? (Probes: what happened, what issues did the events create for you, what did you do? Why? What was your thinking at the time? What were your objectives?)
- What event has had the strongest impact on your own operations?
- How did these events affect you and your business?
  - Civil war
Prime Minister Hariri assassination and the 2005 series of assassinations
August War 2006
Spillover of the Syrian civil war
Series of car and suicide bombs in 2012 – 2013

- Please tell me about any shifts or changes in your business strategy that may have been triggered by any one of these events:
  - Civil war
  - Prime Minister Hariri assassination and the 2005 series of assassinations
  - August War 2006
  - Spillover of the Syrian civil war
  - Series of car and suicide bombs in 2012 – 2013

- Looking across these events, tell me more about your decisions on staying vs. exiting.
- What strategies help you continue operating? How are they helpful? (What difference did they make?) (What have you done, you think, that has allowed your company to stay?)
- What has worked for you? What has not worked? What have you learned about how to operate successfully in politically turbulent conditions?
- Have you made any specific decisions about exiting? How would you know when it may be better to go than to stay?
- If a waiting approach has been suggested by the interviewee… when is a wait-and-see approach is more expedient?
- What is your thinking about staying and going now, and how has it changed over your tenure with the current organization?

Stay or Exit / Forms: (specific to probe more discussion, if needed)
- Have you ever thought of exiting from: the specific venture? Entire business? Industry?
  Country? Region?
- When does an exit become an option to consider? (Intention to exit) is it always an option?
- What were the reasons at the time? What were you thinking at the time?
- What would an exit look like? Forms of exit: liquidate; sell, staged (gradual) or immediate, complete or downsizing and downscoping as partial exit?
- What are the factors that you consider when exit is on the table?
- How do you feel about the possibility of an exit?
- Who is involved in the decision? What is the process?
- How do other stakeholders within the organization (e.g. investors, employees) affect your decision to stay vs. exit? How do other stakeholders may limit your ability to make exit or stay decisions?

Understanding the context
- Do you have operations outside Lebanon?

- If yes, do you compare across contexts? e.g. Lebanon vs the UAE or Iraq? Take me through what dimensions are most important to you across contexts and how they compare with your operations in Lebanon.
Within Lebanon, what are some of the key local institutions (rules, regulations, organizations) that influence your operations in a positive or negative way? Are some institutions missing – what would you like to have in place that is not currently available or useful to your own operations or to business in general?

To help us contextualize your answers, can you tell us a little more about yourself, professionally and personally?

- Tell me first about your professional satisfaction – in your current position and organization.
- Remind me of your position, main duties, and how long you’ve been in this position
- How long with the organization overall
- Remind me of where the organization is right now…Number of employees, total annual sales, field of business, year of foundation, number of business offices or branches in domestic market.
- How have these changed since you first joined – how low or high did some of these metrics get – were there any major changes associated with some of the events we talked about?

- How much time have you spent thinking about the effect of the political/economic instability on your business operations? Were there times when you were particularly preoccupied with the effect of context?
- Looking ahead, how do you think the business (and you yourself?) will be a year/5 years from now? Are you looking at any major changes in the next few years?

- Last, tell me about your personal approach – how do you think about the context of Lebanon and what you do here from a personal perspective? Does the continuation of your business here influence your family life? In what ways?

- Anything else you’d like us to think about?
- Thank you.
Appendix 2.3 Follow-up Questions – Interview Guide

1. When you considered shutting down some of your operations, how did you think or talk about it? Have you since changed your mind about what it meant – or the way you talk about the cessation of operations/locations?
2. How far back in time did you begin contemplating the shut down? Give me a timeline of the main triggers and thinking behind whether or when you may have to close at least part of your venture down or relocate it elsewhere?
   a. Do you recall a threshold or tipping point along the journey?
   b. Did the decision suddenly become more (or less) professional vs. personal to you?
3. In the end, did you exit – if so, when and what exactly did the exit mean (physically, geographically, materially, emotionally)?
   a. How did you “date” when the exit actually happened?
   b. How did you delineate where and how the exit took place?
4. Did you ever felt like you had to choose between your survival or your venture?
   a. Were there scenarios in which your venture could have gone on without you?
   b. If you were not in Lebanon – could the venture have survived without you? (Was there something specific then and there that interlinked your fates?)
5. If an exit was articulated or executed (not just contemplated): Do you recall particular moments or decisions along the way when you may have felt relieved it’s all over?
   a. Were there other reactions you noticed at that time?
   b. How do you feel now (how long has it been) about the exit?
6. Was the exit something you grappled with on your own or did you involve others (e.g. friends, competitors, family)?
   a. If others were involved at that time, what roles did they play – specifically did they make it easier or harder to exit?
7. At what point did you start considering alternatives for yourself or the venture? Did you look for options while you were contemplating or actually closing down operations? If so, what difference did this dual approach (exit and re-entry) make to you personally –
8. How did you feel back then about alternatives coming online – did it make you feel better about yourself and/or the venture?
   a. Did it change in some way the way you related to your venture and if so, what was the difference you felt at that time?
   b. Looking back, do you feel the pressure to exit opened up new opportunities for you, and if so, how did the exit make a difference to the opportunities you contemplated or pursued since?
9. Comparing the re-entry post exit with the other opportunities you pursued without any pressure or constraint before, what would you say was different for you? Did the ‘crisis’ model bring out new skills/expectations, or did it help you let go of some old skills/expectations?
10. What was the best thing you would say came out of contemplating exit? If you actually closed down operations, are there any subsequent wins or even breakthroughs that you attribute to that forced exit?

11. Could you give me an update on what you have been up to since we last spoke?
   a. Any changes in your operations at home or abroad?
   b. Any personal revelations or transformations?
   c. Anything else you’d like to share?
Chapter 3

3 No Place like Home? How EMNCs in distressed contexts arbitrage resources, values, and opportunities abroad*

ABSTRACT

Through an inductive study of 12 firms over 12 years, we examine how political and economic instability at home influences the internationalization of emerging market multinational companies (EMNCs). Our central contribution is a framework that outlines how EMNCs internationalize under prolonged turmoil, that is, by sequentially replacing the resources, values, and opportunities no longer available at home with alternatives they seek and find in foreign contexts. We further elaborate on existing theories of institutional arbitrage by inducing how each of the three ways in which EMNCs respond to distress qualitatively updates key attributes of the home context.

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3.1 Introduction

“On a recent flight from Beirut to Addis Ababa, Lebanese businessmen were swapping stories. “Business is excellent in Angola,” declared one. “I hear it’s good in Ghana?” inquired another. Flights out of Lebanon buzz with optimism. For Lebanese businessfolk, the juiciest opportunities are abroad.”

The Economist, March 16, 2013

3.1.1 Why Home?

Home contexts shape firms’ global strategies (Peng, Wang, & Jiang, 2008; Wan & Hoskisson, 2003), influencing their domestic versus international choices (Zahra, Korri & Yu, 2005), performance trade-offs (Wright, Filatotchev, Hoskisson, & Peng, 2005; Peng, Wang, & Jiang, 2008) and patterns of growth (Khan, Rao-Nicholson, & Tarba, Forthcoming; Storper, 1997; Scott & Storper, 2003). The (dis)advantages provided by home-of-origin endowments are foundational in theories of international business (Elango & Sethi, 2007; Harzig & Sorge, 2003). We know that institutional conditions, and changes, within a given context shape or shift firm-level actions (Cuervo-Cazurra & Genc, 2008; Liang, Lu & Wang, 2012; Luo & Tung, 2007; Witt & Lewin, 2007; Yamakawa, Peng, & Deeds, 2008). We also know that firms recognize, and sometimes deliberately arbitrage, institutional disparities among different contexts (Marano, Arregle, Hitt, Spadafora, & van Essen, 2016).

The relationship between home context and internationalization is double-barreled. Abundance at home broadens firms’ options elsewhere. Firms’ embeddedness within local networks (Guler & Guillén, 2010), communities (McKeever, Jack, & Anderson, 2015), and eco-systems (Dahl & Sorenson, 2009; Pajunen, 2008) enables and/or accelerates internationalization (Arregle, Miller, Hitt, & Beamish, 2013; Goerzen & Beamish, 2003; Hitt, Hoskisson, & Kin, 1997). Firms may leverage strength at home either by looking for more formal or stricter institutional environments that challenge them to develop new capabilities (Witt & Lewin, 2007) and/or exploiting their current skills in less formal or institutionally weaker settings (Luiz, Stringfellow, & Jefthas, 2017; Cuervo-Cazurra & Genc, 2008). Scarcity, (i.e. weak or unstable institutions), (Luo & Tung, 2007; Witt & Lewin, 2007) and/or instability (Hiatt & Sine, 2014; Henisz, 2000; Peng,
Wang, & Jiang, 2008) at home may reduce or delay internationalization (Gammeltoft, Pradhan & Goldstein, 2010; Wu & Chen, 2014), by threatening survival at home (Guillén & Suarez, 2005; Ramamurti, 2009) and thwarting firm’s ability to plan ahead (Hiatt & Sine, 2014). However danger and distress at home may, on occasion, accelerate internationalization (e.g., Holmes, Miller, Hitt, & Salmador, 2013; Stoian & Mohr, 2016) as exposure to uncertain and crisis-prone environments increases a firm’s willingness to deal with risk and internationalize to more distant or even riskier countries (Cuervo-Cazurra, 2012). Some firms “escape” challenging environments altogether (Yamakawa, Peng, & Deeds, 2008), leaving settings where capital markets are underdeveloped, or critical institutions (e.g., infrastructure, intermediary markets, regulatory systems, contract-enforcing mechanisms, etc.) missing, in search for greener pastures elsewhere (Luo & Tung, 2007; Witt & Lewin, 2007).

Such extreme conditions, unfortunately, are no longer an exception (Cantwell, 2009; Cantwell & Mudambi, 2011; Eden & Molot, 2002). The World Economic Forum’s Global Risks Report 2017 (2017) underscores a rising trend of political disruptions with inter-state conflicts and state collapse or crisis making the top five global risks in 2015 and 2016 (HIIK, 2010, 2016). Yet, we have limited knowledge on how the internationalization process unfolds as many previously stable homes are being buffeted by distress. We therefore ask how political and economic instability at home influences the internationalization of emerging market multinational companies.

### 3.1.2 One’s Place of Business

Recent literature reveals an increasing preoccupation with how crises, shocks, and disruptions may affect a firm’s relationship to the places in which it conducts business (Chung, Lee, & Beamish, & Isobe, 2010). Perhaps due to the growing incidence of such disruption and its often-detrimental effects on global operations (Czinkota, Knight, Liesch, & Steen, 2010; Jallat & Schultz, 2011), most papers focus on minimizing the downsides of adversity by reducing exposure (Yamakawa et al, 2008). Getting away from danger has been presented as a strategic endeavour (Berry, 2010; Belderbos & Zou, 2007)—firms reconfigure their subsidiaries to balance risks across multiple (but differentially risky) host countries. Established multinational
companies (MNCs) typically do so by timing or pacing their exit strategies (Dai, Eden, & Beamish, 2013; Dai et al., 2017; Darendeli & Hill, 2015; Figueira-de-Lemos & Hadjikhani, 2014). It is economically rational, and often beneficial in the long term, for MNCs to divest subsidiaries located in politically unpredictable environments (e.g., Dai et al., 2013; Darendeli & Hill, 2015; Soule, Swaminathan, & Tihanyi, 2014), and there is robust support for such flexibility under different kinds of uncertainty (e.g., Chung et al., 2010; Belderbos & Zou, 2007; Belderbos & Zou, 2009). MNCs have the flexibility to close some businesses, relocate or invest in new subsidiaries (Berry, 2010; Harrigan, 1981), and/or refocus on core activities (Duhaime & Grant, 1984; Markides, 1992; Bergh, 1997; Chang & Singh, 1999).

Detachment from one’s place of business is never easy (Kibler, Fink, Lang, & Muñoz, 2015; Lawrence & Dover, 2015). Foreign subsidiaries are comparatively cheaper and quicker to uproot (Alvarez & Görg, 2009), but when crises strike one’s home (Coucke & Sleuwaegen, 2008), escape means relocating the company’s headquarters (Meyer & Xia, 2012). Laamanen, Simula, and Torstila (2012) deem this “the ultimate international business decision” (p. 187) because it challenges the very identity of the firm. Leaving one’s home presents an even greater challenge for emerging country multinational companies (EMNCs), either because they may not have the choice of “opting-out” of their home-context institutions (Meyer & Thein, 2014, p. 157), and/or because doing so may be misinterpreted as giving up on their home countries. Extant research documents voluntary headquarter relocation, typically motivated by tax avoidance (Birkinshaw Braunerhjelm, Holm, & Terjesen, 2006; Baaij, Van Den Bosch, & Volberda, 2004). Instances of involuntary relocation of headquarters are quite rare, in large part because most firms do everything they can to avoid leaving their home in the first place. For example, Luo and Tung (2007) explain how EMNCs deliberately offset institutional voids at home by going to environments rich in well-developed institutions—especially when dependence on domestic norms shortchanges their global prospects (Luo & Wang, 2012; Luo, Zhao, Wan, & Xi, 2011) and the new environments are better aligned with their strategic needs (Witt & Lewin, 2007).
3.1.3 Institutional Arbitrage

Boisot and Meyer (2008) define institutional arbitrage as “an exploitation of the differences between different institutional arrangements operating in different jurisdictions” (p. 356). They document how institutional arbitrage enabled Chinese firms to access better and more efficient institutions in developed economies, and how supplementing what they could access at home with what they could reach for abroad allowed these firms to better compete with MNCs from developed markets on a global scale.

The notion of institutional arbitrage (Boisot & Meyer, 2008) is relatively recent, and existing literature is not yet very clear on the specific forms of arbitrage that firms may pursue (Jackson & Deeg, 2008; Luo & Zhang, 2016). We have also little understanding how institutional arbitrage unfolds and what determines firms’ arbitraging needs (Luo & Zhang, 2016). We contribute by inducing and illustrating three distinct mechanisms of institutional arbitrage, which we refer to as resource-centric, value-centric, and horizon-centric arbitrage. To preface our qualitative findings, we show how adversity helps a firm figure out what it needs abroad, as well as why and when.

The first, and most discussed thus far, mechanism of institutional arbitrage focuses on the what – the resources that a firm (no longer) controls. As resources become scarcer or pricier at home (Wu & Chen, 2014), or are not available in the first place (e.g., technology and brands) (Luo & Tung, 2007), firms “explore” other contexts in a quest to replace what they need to continue operating.

The second mechanism contemplates the why. As the rules of their environment get interrupted or interpreted in different ways, firms need to revise and realign what they stand for. While some of these changes are concrete and materialize in operations (Sullivan-Taylor & Wilson, 2009), others are more abstract or subtle and engage notions of fit, legitimacy, and even ideology. As firms fall out of sync with their home contexts, they may be more inclined to question their original beliefs and allegiances. Greater exposure and experience with instability makes some firms more willing and able to adjust to what is (no longer) valued in their home country.
The third mechanism of institutional arbitrage touches on the when. As the home environment runs dry of opportunities, it forecloses firms’ planning horizons (Hiatt & Sine, 2014), and forces them to break free from their past and rebuild their future elsewhere.

Our inductive approach recasts internationalizing out of a challenging home context as a gradual and deliberate process, whereby firms progressively engage in distinct types of institutional arbitrage deemed appropriate given successive changes in one’s place/s of business. We specifically show that EMNCs sequentially engage in resource, value, and horizon arbitrage. We further reveal that each type of arbitrage recasts the relationship with one’s home context by rendering core attributes more or less pertinent to their internationalization. Taken together, our findings advance new inductive propositions on the role of home context, offering a multi-modal process model of institutional arbitrage as a step-wise detachment (Boddewyn, 1983) that sometimes ends with a firm relocation (Laamanen et al., 2012; Meyer & Thein, 2014; Meyer & Xia, 2012; Yamakawa et al., 2008). In so doing, our process model bridges theories of attachment (McKeever et al., 2015) and escape (Witt & Lewin, 2007), explaining how different modes of arbitrage punctuate firm’s movement along the continuum they anchor.

3.2 Methods

3.2.1 Longitudinal Comparative Case Study Design

To understand how unrest at home may influence EMNCs’ internationalization, we chose an exploratory, longitudinal, multiple-case study design (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). Given our interest in home context in the midst of turmoil, we focused on Lebanon at a critical juncture in its history. Within Lebanon, we further focused on the food and hospitality industry, which conflict historians suggest bears the brunt of the disruption (Spilerman and Stecklov, 2009) and local as well as global account depict in dire terms (e.g. experiencing “a regression as high as 10 to 15% a year,” (Uncovering the Lebanese Restaurant Industry, 2014)) as we commenced our data collection. By picking the worst circumstances, and holding them constant across firms, we rule out the role of adversity per se as a plausible explanation of our findings. Specifically, because all firms we studied were steeped in the exact same conditions to
begin with, any variance in their internationalization choices could not be reduced to exogenous events. There is one caveat: prior research posits that crises can be interpreted and enacted in different ways, even by seemingly identical firms. The literature suggests that history affects how entities (individuals, ventures, communities) experience adverse events, depending on their embeddedness and endowments (Barin Cruz, Aguilar Delgado, Leca, & Gond, 2016; Maitlis & Sonenshein, 2010). We therefore included both firms that were well-established before the onset of adversity in 2005 and firms that were just starting.

Comparative designs are also premised on variability along one or more critical theoretical dimensions (Patton, 2002). Because we were interested in internationalization, we purposefully sampled firms with one of three types of prior experience overseas: 1) none; 2) exports only; and 3) established subsidiaries. Arguably the internationalization options might differ across the three types of firms, albeit in non-obvious ways. For example, it is not a foregone conclusion that firms with more foreign experience would adapt quicker or better to distress, because their prior commitments may now hinge on resources that are destroyed or discontinued at home or oblige firms to exchanges they can no longer honour. At the same time, having done it before might offer helpful lessons, and help some of the ‘veterans’ avoid rookie mistakes. Given the novelty of the research question we ask, there are no clear priors in how prior internationalization experience patterns subsequent internationalization. Instead we warrant sufficient variability by sampling, so we can analytically discern if or how past internationalization choices might (or not) affect future moves.

As we began our data collection, we became sensitive to the multiple attributes of home, with a possible contrast between Lebanese-born and Lebanese-based firms. Three quarters of our sampled firms were Lebanese-born; one quarter referred to Lebanon as their home, but we soon realized it was their second rather than first home. While we did not have any reasons to expect (nor did we eventually find) any systematic differences between these two groups, we continued sampling until we were able to match these second-home firms (Lebanese-based, but not born) on the same three kinds of prior internationalization experience we sampled the Lebanese-born firms.
All firms we considered were indigenous standalone firms; that is, they had not been subsidiaries of either domestic or international companies. While many begun without much of an international footprint and none of our respondents described them as multinationals at the beginning of our inquiry, by the end of our study, all firms met Casson’s (1982) definition of MNCs because they “owned outputs of goods or services originating in more than one country” (p. 2), as well as Buckley and Casson’s (1985) definition of the same term because they “owned or controlled income generating assets in more than one country” (p. 1–2). To accurately describe their changing nature, we refer to them as nascent EMNCs, and explain their internationalization as an emergent rather than planned process. By tracking how, and explaining why, the same changes in these firms’ shared place of doing business yielded rather different internationalization moves as the crises escalated, we induce new theory about the recursive relationship between home context and internationalization for indigenous EMNCs (Doh, 2015).

Table 3.1 introduces our 12 cases using the names of Phoenician and Greek gods and goddesses as pseudonyms to disguise the firms.\(^6\)

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\(^6\) Seven of these cases were included in Essay #1 and further analyzed here in Essay #2. Appendix 3.1 reveals those cases. We also pursued two additional, de novo cases, and then added three contrast cases, which were not included in Essay #1.
3.2.2 Time-frame, 2005–2016

While Lebanon has been an on-going theater of disruption for several decades, we focused on a 12-year window of a series of severe crises (“Lebanon Country Profile,” 2016) that clearly demarcated by the onset of adversity in 2005 and the return of instability once the Syrian refugee crisis peaked in 2014. Appendix 3.2 lists the key events. The 2005 assassination of Prime Minister Rafik Hariri and the 34-day military conflict between Hezbollah and Israel, shook up an otherwise prosperous and entrepreneurial landscape of businesses, which had long included a mix of multi-generational family firms and start-up along with subsidiaries of established MNEs (Jamali & Mirhsak, 2010). Before 2005, the vast majority of food and hospitality businesses focused within Lebanon, serving a wide diversity of tourists pouring in from the region. Growth was thus largely indigenous and premised on the much that Lebanon had to offer. By 2016, the Lebanese eco-system was decimated, with the majority of establishments pared or even completely closed down. As the Economist opening quote vividly suggests, Lebanese-born and based ventures sought and found greener pastures elsewhere, often by following their customers no longer travelling to Lebanon and finding ways to serve them in their own (relatively more stable) countries.

By using a combination of retrospective and prospective interviews, our inductive design allowed us to document how a common but rapidly changing home context systematically influenced the internationalization pattern of 12 nascent EMNCs over an eventful 12-year window.
<table>
<thead>
<tr>
<th>Firm</th>
<th>Domain/Business</th>
<th>Private Interviews</th>
<th>Public Accounts</th>
<th>Internationalization</th>
</tr>
</thead>
</table>
3.2.3 Data Collection

We developed detailed longitudinal narratives for each one of the 12 cases using a combination of in-person observations in three consecutive two-month field trips (approximately 2 weeks per case), archival sources (89) and analyses (5 expert interviews), in-depth interviews (13, lasting between 60 and 120 minutes\(^7\)) and two follow-ups (18, half-sample in 2016, then full-sample in 2017)\(^8\), including the presentation and validation of the induced framework to all protagonists between June and August 2017.

While each one of our cases spanned approximately the same 12-year window\(^9\), data pertaining to the 2005-2013 period was collected retrospectively and therefore subject to recall biases (Golden, 1992). To mitigate this concern, we took several steps to verify these retrospective accounts by triangulating archival data and probes in later interviews, and did not detect any inconsistencies between early and later accounts. However, it is possible that protagonists would have selectively retained, or discarded, key information during the eight years we did not have direct or recurrent contact with them. Should this have been the case, we might have expected a distinct pattern of internationalization between firms who moved early and late, and even more precisely between those firms, which began to arbitrage after rather than before our first wave of direct contacts in 2013. We were on alert for such discrepancies throughout the analysis, but found none. Indeed, restricting our analysis to the 2013-2016 yielded the exact same inductive findings, despite the significantly reduced subset of internationalization moves undertaken by the firms we sampled.

\(^7\) 7 of these interviews were conducted in person in Lebanon by the first author, four interviews took place in person in Dubai, United Arab Emirates (UAE), and the remaining two occurred via Skype.

\(^8\) All except six of the follow-ups which were held on location were conducted remotely via phone or Skype.

\(^9\) Two of the cases were founded in 2006.
We updated the protocol for each of the different waves of interviews. The 2013 and 2015 version was used in a broader study of how indigenous firms responded to emergencies reported in Chapter 2 and appears on pages 66-68 (Appendix 2.2) of this dissertation. The 2016 and 2017 follow-ups are included in Appendix 3.3.

The primary data for the case studies were collected during three consecutive two-month field trips in 2013, 2015, and 2016, and included 13 in-depth interviews with 12 organizations (we interviewed both co-founders for one organization), as follows. In 2013 we visited 4 Lebanon-born firms (4 interviews); in 2015 we visited 5 more (6 interviews). In 2016 we added the 3 contrast cases of Lebanese-based firms (3 interviews).

The first round of interviews with the firms (in 2013 and 2015) focused on how the political and economics instability impacts the firm and what kind of changes the management team made to accommodate to the political and security disruptions. In an effort to capture some of the emerging insights, our second round of interviews (i.e. first follow-up in 2016 with 6 out of the 9 cases) added a second protocol, which encouraged a comprehensive and accurate depiction of internationalization moves, experiences and rationales, requested comparisons of moves in and across time (earlier versus later moves), and sought reflections on any connections between going abroad and leaving Lebanon. Both interview protocols were semi-structured, with enough commonality to allow us to establish a common and comparable foundation among the firms while remaining sensitive to key differences among them. In each field trip, we resorted to questions and clarifications to more fully capture nuances in the interviewees’ interpretations and tease out differences among their understanding, choices and experiences. We reused the two protocols for interviewing the contrast cases in 2016.

The first follow-up in 2016 focused on connections among emerging constructs, while the second follow-up with the full sample (12/12) in 2017 zoomed even further into the recursive relationship between home context and internationalization. Each additional layer was analyzed with, rather than separately from, all prior rounds and types of data. Each layer unsettled old insights, replacing them with new ones.
We supplemented the interview data with detailed field notes. Because all the interviews were conducted in Arabic, with some informants resorting to English or French for added eloquence, the second author did not have instant access to the interviews. The field notes served a dual function by crossing the language and the distance barrier, so that authors could process new insights in real-time. These field notes neither reduced nor replaced the original accounts, which were translated and transcribed as soon as possible, often within a week. Rather, they captured themes that recurred within and across interviews. We conducted the follow-ups in English, with both authors present and probing. Instead of written field notes we conducted verbal debriefs immediately following each interview. These debriefs were more interactive, allowing us to compare and contrast our understanding in real-time.

While in the field, the first author engaged in observation of the studied firms, and the industry overall. He added 5 interviews with experts (in 2013); immersed himself in conversations with local businessman and women; crossed paths with some of the protagonists in economic forums and events he attended, and had brief conversations with them whenever possible. For example, he met three of his informants during the June 25 “Appeal against Economic Suicide,” a movement with a public symposium that took place in Beirut on June 25, 2015. These conversations were rapport-building rather than data-gathering encounters, since it would not have been appropriate to ask such sensitive questions amidst their competitors.

External accounts are particularly helpful for longitudinal case comparisons because they can reveal differential trajectories and patterns, over and above differences among protagonists at a given point in time (e.g., Santos & Eisenhardt, 2009). For each of the 12 firms, we conducted comprehensive archival searches of public records and solicited private records including press releases, websites, presentations, and brochures. We paid particular attention to public accounts given by our protagonists in the local and international media (e.g., magazines, newspapers, reports, cases, videos, and social media activity). We added analyst reports and industry articles describing differential responses by their competitors. In total, we used 89 corroborating documents to triangulate the insights from our interviews with key informants and industry experts. We complemented the firm’s interviews and follow-ups with the five in-person, in-depth
interviews with industry experts who provided their opinions about different events and firms. On average, expert interviews lasted 87 minutes.

3.2.4 Data Analysis

Our inductive approach closely heeded Eisenhardt’s (1989) and Eisenhardt and Graebner’s (2007) recommendations for multiple case theory building. We constructed detailed case-by-case narratives, which captured each firm’s internationalization moves over time (Santos & Eisenhardt, 2009). We then juxtaposed the 12 cases and identified three groups of moves, which sought and found resources, values, and opportunities no longer available at home elsewhere. We zoomed into each subset of moves to better understand the three kinds of arbitrage, articulating and illustrating differences among them. We noticed that firms lacked and pursued resources early on and opportunities later on, with an interim stage where they focused on their values rather than things or actions. We also noticed that the meaning of home was not static, and seemed to get updated once firms switched to a different kind of arbitrage. Attributes ubiquitous in prior accounts became rarities in subsequent descriptions, while new ones cropped up unexpectedly. Switches from positive to negative, then again from negative to positive, attributes of home further puzzled us, especially when there had been no sudden changes in the environment per se that might warrant such dramatic re-categorizations. We remained unclear, however, on whether the meaning of home was a cause or an effect of internationalization. Our follow-ups honed in on the relationships between each kind of arbitrage and the meaning of home. We came to understand that the relationship was recursive, with one informing the other over time. Internationalization often motivated how one categorized one’s home so that multiple attributes of home got added or dropped as firms transitioned from one type of arbitrage to another. While it is not necessarily productive to claim that one always comes first, let alone causes the other, the co-evolution between home context and internationalization recurrent in our 12 cases suggests that the meaning of home is not a byproduct of exogenous events in as much as reconstructed as firms seek and find greener pastures elsewhere.
3.3 Findings

All firms in our study deemed internationalizing essential to the challenge of surviving the disruption at home.

Dione started brand new business concepts aimed exclusively at international markets: “We are living in an unstable country. To survive, you need not only to have one leg outside of Lebanon, but 15 legs... Opening in other countries in the region, and hopefully outside the region as well, gives us this stability and this gives us a way to keep growing and to know that in 10 years we can still be here.” Adonis similarly explained: “We were just starting our international markets, but we were not as aggressive. When things got bad here, we became more aggressive in international markets. What can [we] do? [...] We don’t have other choices.”

Our data suggest that how firms experience political and economic unrest in their home context shapes their internationalization. Because instability at home hindered firms’ operations through erratic customer behaviour, questioned their plans, and restricted their prospects, firms sought out multiple institutional contexts in order to mitigate the progressive deterioration in their resources, values, and horizons at home. All firms started with resource-based arbitrage, and all tipped from one mechanism to the next sequentially, but only as they were fast approaching the limits of their resources, values, or horizons. Once a given limit had been reached, firms recast their relationship with their home context by, respectively, recommitting, rescinding, or relocating.

3.3.1 Recommitting

Firms rapidly and often radically reoriented their internationalization strategy towards other institutional contexts in order to leverage assets under-leveraged at home. This resource-centric arbitrage was evident through three mechanisms: conserving resources, compensating for lost rents, and complementing risk-return. “Conserving resources” is all about salvaging or saving critical assets left undamaged but also unused due to the distress at home. “Compensating for lost rents” means using these assets in international markets instead. “Complementing risk-return ratios” refers to one-sided expansions of a firm’s portfolio of activities abroad by deliberately
selecting deployments where remaining critical resources could be put to their most lucrative use.

The assassination of Prime Minister Hariri in 2005 abruptly impacted Ugarit’s home operations as the threat level discouraged local clients from going out and tourists from visiting Lebanon. Concerned about the impact of the crisis on its employees, Ugarit pursued alternatives in international markets that would safeguard their jobs, through franchising in Dubai: “the name gives small royalty fees to the mother company. I might be saving half of the salaries from the percentages I’m going to get from there.” Among other markets in the Middle East, Dubai also came first on all three criteria: some of their employees (their most critical resource) idled by the instability at home could be redeployed there at a favorable risk-return ratio. Ugarit had a distinct preference for markets like the UAE that were proximate enough to home, so the firm could offer temporary job opportunities, and even growth prospects, to their current employees with the goal of encouraging those employees to come back to Lebanon once the situation stabilized. Kuwait was off the list because it was a too small market. The Saudi market was sufficiently large, but Ugarit decided against it because Saudi Arabia was experiencing political instability of its own at that time. Ugarit also opted against entering more distant markets such as North America because they were worried that once their employees relocated there, they would never come back to Lebanon.

All nine firms resorted to conserving resources, compensating for lost rents, and seeking risk-return ratios that complemented current activities in order to salvage their operations and sustain presence at home. Table 3.2 summarizes our data on recommitting. The more dependent the firms were on the domestic market, the more committed they were to safeguarding their relationship with the home context. Their internationalization moves merely redeployed their existing assets to other institutional environments where they could temporarily generate better yields. These surplus rents earned through subsidiaries abroad were channeled right back into the home-based operation, treated as a form of “foreign aid” for their struggling headquarters. Even when firms experienced unprecedented success in international markets, they still attributed most of their success abroad to the advantages that their home country continued to provide. Even as operations thinned out to a standstill, most continued to describe Lebanon as “the showcase.”
Despite the worsening crisis in Lebanon, firms like Ugarit remained hopeful that the situation would soon get better and they could focus back on operations at home. Second-generation firms like Nomios even had plans to resell all of their temporary operations abroad so they would be able to expand their operations in Lebanon as soon as the situation stabilized.
### Table 3.2 Recommitting

<table>
<thead>
<tr>
<th></th>
<th>Overall Rating*</th>
<th>Conserving resources</th>
<th>Compensating for lost rents</th>
<th>Complementing risk-return ratios</th>
<th>Result</th>
</tr>
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<tbody>
<tr>
<td><strong>Definition</strong></td>
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<td><strong>Rationale</strong></td>
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<td>Frugality extends the lifespan of critical assets, allowing firms to use them longer</td>
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<tr>
<td>Overall Rating</td>
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<tr>
<td>Nomios</td>
<td>++++</td>
<td>We will give it at least one more year. … We went abroad because of [our home operation]. This is the pilot. How can you close it?</td>
<td>More employees want to leave Lebanon than stay. When there are a lot of people wanting to leave, instead of requesting $1 to go and work in our international outlets, they would do so for $0.70. … We make the salary higher for people who are willing to stay, and make the salary lower for people who want to leave.</td>
<td>Our international operations are growing on their own. We do one restaurant that works out well and it makes another new restaurant. The second makes the third. We are not injecting money as a big corporation.</td>
<td>We don't want to take a huge risk outside … if Lebanon gets a quiet and stable situation … I would sell all my international operations and … even stop travelling for business purposes.</td>
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<tr>
<td>Ugarit</td>
<td>++++</td>
<td>If I don’t take care of my employees who have been working with me for ten years, we will go. This is where the franchising idea started. … We are securing jobs to return. … For me, it was another way. Because the person who went to Dubai or Saudi Arabia as a manager will come back to Lebanon.</td>
<td>Look how much smaller Lebanon got. … You need licensing, branding, franchising, you have to open abroad. That way, you can survive during this crisis. An incentive to put our feet outside Lebanon [and obtain] a certain income.</td>
<td>I took a big risk here [which Dubai helps offset, financially]. I get a small percentage as personnel. Plus the name gives small royalty fees to the mother company. I might be saving half of the salaries from the percentages I’m going to get from there.</td>
<td>We are thinking of the coming days and taking precautions. If the days go right, no one needs anything. … Call it Lebanonization, call it what you want, but it’s a bond. … We are Lebanese and we are coming back.</td>
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<tr>
<td>Cadmus</td>
<td>+++</td>
<td>We were able to make up for our drop in Lebanon by exporting to other markets.</td>
<td>We export to over 30 countries now.</td>
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<td>… which helped us in maintaining our stability in Lebanon.</td>
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<tr>
<td>Dione</td>
<td>++</td>
<td>Lebanon for us is like a catalogue. Potential partners such as investors from Saudi Arabia come to Lebanon to look at the concept.</td>
<td>[New concept] was done to grow the brand outside of Lebanon. From the start, we had the vision and the manuals ready from the first day we were working on the brand, so we can take it international.</td>
<td>There are more restaurants closing this year than opening. To be able to stay here, you need to have antennas elsewhere.</td>
<td>We are very biased for Lebanon, and we wanted to be in Lebanon; but a year like this one is carnage for the Lebanese market.</td>
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<td>Byblus</td>
<td>+</td>
<td>The political instability sped up our expansion process to abroad. So there is a silver lining to the instability; it motivates you to look for different alternatives in different markets to apply your investment and your human capital.</td>
<td>The cost-benefit analysis is better for Dubai. Why I would invest here put all the investment here when I would do better in Dubai. However, if the situation is still stable here and growing, then, yeah, I would open one more branch here.</td>
<td></td>
<td>Ideally, I would have stable a Lebanon with a strong economy and tourism sector. If that were the case, we would invest everything to make it a better country. [He is still hopeful that one day he can return to a peaceful, stable country.]</td>
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<tr>
<td>Case</td>
<td>Mechanism</td>
<td>Description</td>
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<td>Adonis</td>
<td>+</td>
<td>Had a struggle month to month to pay the salaries and the rent. I would have been gone bankrupt.</td>
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<td>Part of what happened in Syria forced us to go out and export. And so the business got geared more and more towards export.</td>
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<td>That was the straw that broke the camel’s back. We built the business on the understanding that Hezbollah might fight with Israel again. … It’s when the Lebanese started shooting at each other that it turned to a complete dysfunction.</td>
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<td>Kothar</td>
<td>+</td>
<td>Fear of the unknown, of not being able to pay the salaries. It’s a big responsibility. When you have an employee that is not paid, what can be worse than this? The business fear, … the continuity fear.</td>
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<td>We reduced our exposure in Lebanon but we still have an office there and we still have a few outlets there. … Why would you stick to the idea of taking from outside to cover losses inside? for what? For ego reasons? Bit by bit we had to shut down because we could not sustain our operations. We [eventually] shut down everything in Lebanon. we just have a virtual office because we still have some staff on our company for social security. We still have our lawyers. But we reduced the costs to, like, really nothing and that’s it.</td>
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<td>We’re not investing in any new projects for the time being but we look at this market as a great opportunity as soon as the consequences of the Syrian war are reduced and there is more stability in Beirut.</td>
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<tr>
<td>Sydyk</td>
<td>+</td>
<td>There were huge losses. The factory stopped. When the factory stops; the employee has nothing to do with, he has to get paid. Everything stopped but I’m still paying my employees. I don’t want to lose them and they all have families. … Everyone [in Lebanon] is paying half salaries now because there is a crisis. I found the right formula with my team here to be able to grow. That is why we are [still] paying good salaries.  We decided to go abroad with putting the base here in Lebanon and using whatever advantages Lebanon is still offering. If I wanted to hire someone like Head of Projects in Africa, it will cost me 10 times more what I pay him in Lebanon. In Africa, I need to pay his salary, accommodation, security and other costs. We decided to go out [of Lebanon]. I didn’t have a choice. To survive, I had to diversify. … This was the only strategy! Otherwise, we would have closed the whole business if we relied on the business in Lebanon. … As long as I am doing great abroad with the base and support from Lebanon, I will not close down.</td>
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<tr>
<td></td>
<td></td>
<td>In Lebanon, I will not make it bigger, I will keep it as is. However, if we need to leave the country, we will leave the country. … I am a businessman. As long I am not losing money I will stay open. The day I lose money, I will close down.</td>
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<tr>
<td>Thalassa</td>
<td>+</td>
<td>You have almost 1,000 employees and their families. You feel this is the driving force … What will they do if we close the business?</td>
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<tr>
<td></td>
<td></td>
<td>We were planning to go into Syria, but the war escalated there. Now, I’m trying to expand into Iran and Africa. I have a large team working on the Africa project.</td>
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<tr>
<td></td>
<td></td>
<td>It is all affection in Lebanon because you are the local and it is your country … Not always 1 plus 1 equals 2 in Lebanon, they make minus sometimes … It becomes emotional and humanitarian.</td>
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</tbody>
</table>

* To rate the mechanisms, we assigned each case a score of “+” for use of a particular mechanism. We added plus signs to denote how prominently that particular mechanism factored in the public and private accounts for that case, relative to the eight others we examine in this paper.

# The text in this table is based on personal interviews, and prioritizes the accurate transcription of those interviews (i.e., maintaining the interviewee’s exact words) over the presentation of polished grammar or syntax; accordingly, some “errors” may be present in this regard.
In this first stage, firms’ internationalization moves were home-bound: firms pursued, and justified, foreign entry as a way to capitalize on their strong ties to their home context and make ends meet while their home market was on the mend.

While all firms engaged in at least one of the three resource-centric arbitrage processes, some reached the limits of their critical resources a lot sooner than others. Like Ugarit, Adonis initially “jumped” to international markets to keep the business running. “Our local market here is a joke” and “I had a struggle month to month to pay the salaries and the rent,” Adonis explained. “I had no choice,” he added, “I had to go out to compensate for this net loss.” For Adonis, success abroad was quick, and the company soon started questioning its ties to Lebanon.

3.3.2 Rescinding

As instability at home started to impinge on foundational values, defined as what is right/good or wrong/bad for the organization (Gehman, Trevino, & Garud, 2013), firms began questioning their long-term commitment to their home country context by engaging in three related forms of value-centric arbitrage: dissonance becomes habit; demonizing “the downs”; and de-valorizing “the ups.” Dissonance becomes habit captures repeated instances of incommensurability between what firms did and the consequences of their actions: the harder they tried, the less satisfactory the outcomes. As firms repeatedly tried, but failed, to find the right combinations of actions that were good or right for them, they started condemning the negative consequences of the increasingly restrictive home context on previously valued aspects of the operation, that is demonizing “the downs”. “So we’re working, it’s true that you’re working, but do you want it or not? You’re going backwards,” Ugarit explained. When struggling firms caught a break in the turbulence and the business picked-up enough to offer them some respite, firms reflected on the more and more limited upside of their efforts at home compared with similar efforts elsewhere, which we labelled de-valorizing “the ups”.

The start-up of Byblus coincided with the onset of the political and economic unrest in Lebanon, but the founder and his partner were determined to make a go of it. During the war in 2006, they had to postpone the opening of the business and take refuge at Muscat. Soonest the war was
over, they returned to Lebanon and hosted “a CFP: cease-fire party.” In 2012, the business started to struggle due to a ban on tourists visiting Lebanon from the Gulf Cooperation Council (GCC). Byblus had just expanded the year before, so it was ready for more—and not less—business. The set-back rendered the prior investment useless. While the founder was initially quite bullish on the prospects of Byblus, he became “more mature and pragmatic”, and eventually grew outright pessimistic: “For now, in Lebanon you feel you can’t improve.”

Table 3.3 illustrates the use of value-centric arbitrage by the nine firms in our study. Whereas resource-centric arbitrage prolonged the survival of the firm in Lebanon by preserving the significance of the home context throughout any and all internationalization moves, value-centric deliberately downplayed the importance of the home context. Recognizing that doing what was good and right for their firm was getting them further and further behind at home, as Ugarit noted, firms began decoupling their domestic and international strategies. While most still valued their survival within Lebanon and did what they could to continue their operations there, they gradually refocused on growth elsewhere independently from what they or might accomplish at home. As firms straddled multiple contexts, they leaned less and less on their home context.
Table 3.3 Rescinding

<table>
<thead>
<tr>
<th>Overall Rating*</th>
<th>Definition</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dissonance becomes habit</strong></td>
<td>Repeated instances of incommensurability between actions and their consequences</td>
<td>Revising what one has long deemed worthy based on feedback from the home context</td>
</tr>
<tr>
<td><strong>Demonizing “the downs”</strong></td>
<td>Damning accounts of negative consequences that are unwarranted, given the investments</td>
<td>Reluctantly coming to comprehend how the home context severely constrains the value of previously cherished skills and moves</td>
</tr>
<tr>
<td><strong>De-valorizing “the ups”</strong></td>
<td>Decrying the progressively limited upside of intensifying efforts</td>
<td>Adjusting downward the value one places on previously cherished skills and moves, and discarding those that no longer yield payoffs</td>
</tr>
</tbody>
</table>

| **Dione** | ++++ | To be able to sustain from a business perspective, you need some stability, you need to be able to make long-term plans. [At present] we only make plans for next month, cannot make plans for next year or for five years. |
| **Byblus** | ++++ | For now, in Lebanon you feel you can't improve. When you have no help from the government you can't do anything. ... What did these governmental institutions provide? Heartache! Nothing! They do not provide anything well for us. ... It is easier to say what they don't provide. ... Here you are on your own. |
| **Thalassa** | +++ | If I were based in a different country that had stability, I would definitely double the existing business. At least. Without exaggeration. |
| **Adonis** | +++ | I've had enough. 42 years of worrying over s*** that I had no control over ... No, no, no. I don’t want any more of your challenges, thank you very much. |
| **Kothar** | +++ | The stability, whether it is political, security, or economical, is key for any kind of business and especially for ours. ... The |
political instability is the major factor that made the market as it is today [unfit]. and how can you progress in an environment like this? are ultimately going outside and looking for other opportunities in different markets.

Sydyk +++ I am by nature an optimistic person but when it comes to Lebanon I am not. I am very happy, the business is growing, we are getting new exciting projects but I cannot trust the country anymore from the business sense.

Cadmus + During 2006, … all the ports were shut due to the war. … We were very worried, as if we stop importing our factory stops production. Also, if we stop exporting, we lose our sales and revenues.

Ugarit + Here in Lebanon we don’t have strategic planning. Here we have day-to-day, sorry, minute-to-minute, second-to-second planning. Day-to-day is too big. … Your problem today is you cannot do a five-year strategic plan when you don’t know your second.

Nomios + I used to be looking forward to coming to Lebanon. It used to be stars glowing … Now I come back indifferent.

The crisis isn’t affecting us much now. If nothing major happens here, we will not close down the business fully. It’s more cost effective for [us] to stay here. However, it is a different story if ISIS attacks Lebanon. We started to have a fear, as our international customers do not wait for your production. … The supermarket can’t wait for your products if you are late in fulfilling the order.

We started thinking about [going outside] after only 3 years from opening [in Lebanon], because of Hariri’s events. If it would have continued like this, I think I would have stayed another year or two years before saying “next.” We can’t stay here; we have to have a foot outside Lebanon. Now, outside Lebanon is a bit shaky too. But compared to Lebanon, everything is great. So, this is what made us go outside.

Every year we are going backward. You look around and see cats and mice walking on the streets [once buzzing with clients]. You become sad about the country. … There’s no money in Lebanon. Let’s put it this way. Imagine we only have this restaurant. Would we have been able to live like this?

In case the business is going down and down, I would close this restaurant in Lebanon and we would continue outside, but this is something I would hate to do because Lebanon is the foundation of our business … so I prefer it won’t happen.

* To rate the mechanisms, we assigned each case a score of “+” for use of a particular mechanism. We added plus signs to denote how prominently that particular mechanism factored in the public and private accounts for that case, relative to the eight others we examine in this paper.

# The text in this table is based on personal interviews, and prioritizes the accurate transcription of those interviews (i.e., maintaining the interviewee’s exact words) over the presentation of polished grammar or syntax; accordingly, some “errors” may be present in this regard.

All our eggs were in this country. … We’ve been here for 52 years and we were happy. But if I get an opportunity to exit, I wouldn’t say no.
3.3.3 Relocating

Starved of opportunities due to worsening instability in Lebanon, the nine firms not only intensified their search for greener pastures but also began separating their past (at home) from their future (elsewhere). As prospects for doing business at home became dimmer, firms reframed their internationalization moves as ways to “raise their own bar” from what was no longer possible at home to what may still be possible elsewhere. Kothar eloquently explained this separation: “Until 2011, there was no decision to leave Lebanon at all; there was still a decision to expand in Lebanon. We knew the ups and downs. We knew the instability. We were trying to live with it. It was challenging, but at the same time, we were hedging our bets by opening more businesses. [But] after 2011, with the Syrian crisis, we came to a point where we saw the efforts made … and the problems reached a point where it did not make any sense for us to continue … having a base there. And we saw that being based in Dubai gives us a much bigger [advantage].”

Among the nine firms in our study, Kothar and Adonis were particularly effective in separating the past from the future. They both ended up relocating their headquarters. Other firms, such as Dione and Byblus, clearly prioritized their international expansions but did so without fully relocating elsewhere. Nomios pursued opportunities within Saudi Arabia and the UAE to make up for shortfalls of opportunity at home, but capped international expansion to two or three foreign markets, iterating their readiness to cash out of all these subsidiaries once stability allowed them to re-focus on Lebanon.

We identified three types of horizon-centric arbitrage: renouncing goals, removing limits, and rebalancing priorities. Renouncing goals refers to letting go context-specific goals that are no longer achievable. Removing limits is about recognizing that the limits imposed by the home context are not a reflection on the firm, and might be transcended by going outside. Rebalancing priorities captures the work firms do to focus away from dimming prospects at home and orient themselves towards brighter prospects abroad. Byblus noticed “a negative aura of fear, the unknown, and pessimism” in Lebanon and “a positive aura of growth and expansion” in Dubai. As illustrated by quotes in Table 3.4, horizon-centric arbitrage enabled some firms to detach
from home and relocate elsewhere, even though all relocating firms in our study continued to keep at least a symbolic foothold in Lebanon. For example, Sydyk kept a showroom and a factory running there, although the local time budget was significantly compressed from 20% to 5%.
Table 3.4 Relocating Horizon-centric Arbitrage

<table>
<thead>
<tr>
<th>Overall Rating*</th>
<th>Definition</th>
<th>Rationale</th>
<th>Result</th>
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<tbody>
<tr>
<td><strong>Adonis</strong></td>
<td>Separating goals inherently linked with the home context from broader prospects and possibilities</td>
<td>Taking account of the specific ways in which a given context might be holding back the progression Transcending the constraints imposed by any given context, including one’s home</td>
<td>Refocusing on what is possible beyond the home context Exploring new opportunities afforded by the choice of different contexts</td>
</tr>
<tr>
<td><strong>Kothar</strong></td>
<td>[We were] in an uncomfortable seat, I saw a nice place; I was like “enough of this s***.”</td>
<td>I just struck me when I went [to Australia] that there is an opportunity screaming ahead. … I have never felt stronger about a business plan. As an opportunity, I have never anything this clearly.</td>
<td>We will break even in Australia from day 1 because I’m that confident. I have already pre-sold half of my capacity. … Australia is such a hospitable, friendly place and Melbourne is wonderfully multicultural. I don’t feel homesick at all; everything I need is here. … It’s such a big [beverage] centre that I can ask for any ingredient on earth, and it’s already in stock an hour’s drive from me. We can produce whatever f***ing [beverage] I want and sell it.</td>
</tr>
<tr>
<td><strong>Sydyk</strong></td>
<td>[We were] in an uncomfortable seat, I saw a nice place; I was like “enough of this s***.”</td>
<td>We used to be bigger. What happened in Lebanon made us smaller and gave us an incentive to leave and be outside. We have down sized our exposure in Lebanon due to political instability while increasing and overweighting our development in the UAE.</td>
<td>The political situation in Lebanon forced us to move our headquarters from Lebanon to Dubai. We moved here and decided that most of our expansion would be in the UAE. One of the things at the heart of our business strategy is not to present ourselves as Lebanese, but as a Dubai group.</td>
</tr>
<tr>
<td><strong>Dione</strong></td>
<td>[We were] in an uncomfortable seat, I saw a nice place; I was like “enough of this s***.”</td>
<td>We used to be bigger. What happened in Lebanon made us smaller and gave us an incentive to leave and be outside. We have down sized our exposure in Lebanon due to political instability while increasing and overweighting our development in the UAE.</td>
<td>The political situation in Lebanon forced us to move our headquarters from Lebanon to Dubai. We moved here and decided that most of our expansion would be in the UAE. One of the things at the heart of our business strategy is not to present ourselves as Lebanese, but as a Dubai group.</td>
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thinking about relocation for 5 years before 2008, but when things are growing you already have lots of work in the local Lebanese market, you become lazy, you get the attitude that we are doing fine, why I should think about something else? The start of internationalization was initiated by the War of 2006 … We need a back-up plan. turmoil, the ongoing crisis management is difficult to handle on a day to day basis. We’ve been good at it. But I think we are good enough now. We should stop and try to get to learn how to manage in a stable situation. I am looking forward to opening in some countries where we are going to be in a more stable environment. It is going to be a new experience for us. countries in the region and hopefully outside the region as well gives us this stability. unstable country, I prefer not to go to the countries which are very unstable, when we want to extend our legs outside, I prefer to do in more stable countries. Unless, the opportunity like in Iraq is huge and is worth it because Iraq is an emerging market.

Byblus +++ Since 2010, each year has been worse than the last. By 2012, we already had expanded but there wasn’t enough business to meet our demands. [In March of 2012, the GCC (Gulf cooperation Council) encouraged their nationals not to visit Lebanon. Byblus was forced to close down operations catering to foreign tourists that were no longer coming to Lebanon.] The market is small. You could eventually succeed but going abroad is quicker. Even though it’s a bit risky, you feel the investment, you feel the purchasing power, you feel the business, everyone who’s in business wants to open up there. So if you succeed there you’re already succeeding in a place where the top layers in the world are also trying to succeed. Lebanon will always be the creative and emotional hub, but when we talk business, it is abroad.

Thalassa +++ Lebanon is more unstable than Africa. The simple reason why I want to go there [instead] is because there is something that compensates the instability. There is money. There is income. There is a large market. While here, there is instability and a small market. Scarcity and complaints and nags. I am trying to expand into Iran and Africa, because Iran has potential. It has a big market: 70 million people. And Africa, I think it is the future. There is saying by Ali Ibn Abi Taleb: Wealth converts a strange land into homeland and poverty turns a native place into a strange land.

Cadmus + We needed an extra factory to relieve the production pressure on the Lebanese facility. We had two options, either Lebanon or outside. We had already bought the land in Lebanon … We had the war in 2006, so we decided that we need the factory outside. When we invested in Jordan, we felt relieved, as we were not facing the problems we face in Lebanon, especially problems related to economic and political stability. However, today we believe that the entire Middle East region is not stable. Eventually, someday, if we keep on growing Inshallah, we should put our foot somewhere in Europe, whether Western or Eastern Europe, or even Cyprus. The international trade agreements are much better in Jordan [than Lebanon]. I can sell directly to the US from Jordan with no added customs on my products. My agent in the US will be very happy when I start to export my products to him from Jordan. We’re not aggressive. We are receptive. … For me, the best defense is an offense.

Ugarit + When Jeddah closed and no one was coming to Lebanon … Dubai was the nearest place to put the name on. I was there for another meeting. I had this opportunity, I just jumped on it. Crazy jump. I’ve chosen from several countries. For example, I had the option of Riyadh, the option of Kuwait, and the option of Abu Dhabi/Dubai. Riyadh was so much money but yet too risky in those days. Kuwait: small country. I chose Dubai. Dubai is the hub which has just come out of the small crash, and I think in three years, it won’t have a crash, unless they go in the bubble again. That is my option and that’s the card I’m playing.
The plans are already made. What may change is how much more effort I invest outside of Lebanon. [But] we will be the last to take the Lebanese flag and leave. Currently [We are] focusing more on the international operations rather than on Lebanon. I will expand outside, but not more than these two countries. … Riyadh and Dubai are the only two places in the Gulf where it is worth the effort to do business. This is why Dubai and Riyadh have become important to us, because all the tourism had been hard hit in Lebanon. All our problems turned into benefits for Dubai.

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* To rate the mechanisms, we assigned each case a score of “+” for use of a particular mechanism. We added plus signs to denote how prominently that particular mechanism factored in the public and private accounts for that case, relative to the eight others we examine in this paper.

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We labelled this third mechanism horizon-centric arbitrage because firms focused on the discrepancy in their time horizons between home and host contexts. Kothar looked back: “The biggest loss of all is time! Even if you are not losing money, you are losing time. If you have a normal situation and you have a prosperous country, you would be growing. [In Lebanon] we were not growing, we were regressing. And this [lost] time, no one would give it back to you.”

Dubai was full of opportunities, and well-worth his time. There, he forged new partnerships that fueled further expansion to Southeast Asia and Europe. Today, Kothar introduces the firm as a Dubai-based MNC. They no longer look back at Lebanon; Kothar shut down most of its operations there, leaving behind only a small representative office with five employees. Rather, Kothar looks forward towards new opportunities opening up within and beyond their new base in Dubai.

Dione was among the first firms in Lebanon (and the first among the nine in our sample) to recognize the war in 2006 as the beginning of the end. She described it as a “wake-up call.” “We looked at conditions at home and realized it was time to focus outside.” Her team worked to obtain a master license for Jordan, Syria, and Egypt. Witnessing another crisis in 2007, Nahr el-Bared, the team decided to initiate a new business concept targeting international markets from inception, spinning out a born-global venture: “From the start, we had the vision and the manuals ready … from the first day we were working on the brand.” Dione targeted countries in the GCC, setting a joint venture in Dubai, and eyeing the U.S. market. Its subsidiary in the United States soon became a top priority for the team, securing a US$7.4 million investment to enter the market. Even though Dione has maintained a token presence in Lebanon until today, she completely rebalanced her priorities: “[In] everything that we do, we don’t look at Lebanon as a market anymore,” she underscored.

### 3.3.4 Contrast Cases

The three Lebanon-based but not born firms provided us an opportunity to question whether our interpretations of the first-stage findings are specific to having Lebanon as a first home of the firm. Melkart was established in Saudi Arabia, Astarte in Bahrain, and Medea in Venezuela. Our data indicate that the internationalization trajectories were not a function of Lebanon per se, but
rather, a function of the relationship of the firm with its context and what it was considered home for the firm at the time. Table 3.5 summarizes the data of the contrast cases.

Melkart relocated its headquarters to Lebanon from Saudi Arabia before the unrest started in Lebanon. It already had active international subsidiaries in Japan and the Philippines, and there were opportunities then in Lebanon for expansion. However, since 2005, the firm experienced multiple setbacks in Lebanon but was able to survive by relying on revenues earned in international markets. The founder expressed that disruption had escalated in Lebanon and affected the business locally multiple times yet, in all these instances, “[the international subsidiaries] were helping the survival of the business in Lebanon.” When business was down in Lebanon, the team at Melkart could allocate more efforts and attention to expanding in international markets. We noted that Melkart was adopting resource arbitrage patterns, replacing resources no longer available in this context with alternatives in other contexts, very similar to the strong cases we discussed in the “recommitting to home” stage (e.g., Nomios, Ugarit, and Cadmus). The main difference is that Melkart already had some of these alternatives in international markets, while Cadmus and Ugarit had none before the unrest. Although Lebanon was a second home for Melkart, the company was very much attached to its Lebanese base. The founder explained, “It is your base … wherever you go and establish, whether Japan, Spain, or the United States, … [Lebanon] is your home. It is your country. It is your base. Always, always, your reference is your country. Let me give you this scenario: if things got very bad in Lebanon, and the business was affected badly, losing money and is draining us … then what would you do? That was a question a TV reporter asked me once … You have to close. We would still continue working outside Lebanon, but our base would stay in Lebanon. We would stay in Lebanon. We would try to find and manage any business here in Lebanon that could be done until the situation is stable.” This attachment to this second home, or to what he describes as “the base,” was evident in the recommitting trajectory followed by Melkart.

Both Astarte and Medea illustrate cases of firms that experienced political and economic unrest in their first homes (outside Lebanon), and then came to Lebanon. Astarte was founded in Bahrain, and during a political upheaval in 2011, the team decided to venture abroad. Astarte decided to come to Lebanon because the founder had some personal ties in the country. Within a
year of operating in Lebanon, the company experienced the negative repercussions of the Syrian war spillover and its two venues were losing money. Straddling Bahrain and Lebanon, and comparing the operations between the two countries, the founder explained that Astarte’s operation in Bahrain was thriving at that time because the government offered incentives to businesses to survive and the unrest was temporary, while in Lebanon there was no support and the disruption was recurrent. We identified a value-centric arbitrage pattern at Astarte, similar to the rescinding ties internationalization trajectory of Byblus, Dione, and Thalassa. This path was a reflection of the progressive displacement relationship between Astarte and Lebanon. The founder expressed, “Putting an X on Lebanon … in Bahrain, it is working well. It is the place, the reference.” The Lebanese context became less valued for Astarte, as business was struggling there and the team was becoming aware of the inequality of opportunities between the two contexts.

Medea is an extreme example. This EMNC was founded in Venezuela, but the recurrent political violence and instability in Venezuela pushed the founders to relocate to Lebanon. We identified horizon-centric arbitrage patterns in Medea’s case similar to the situations faced by Adonis, Kothar, and Sydyk. While Adonis relocated to Australia, Kothar to the UAE, and Sydyk to Nigeria, Medea relocated to Lebanon. Medea replaced opportunities no longer available in its first home market due to the distress, with alternatives found in Lebanon. Although the founders acknowledged the challenges and recurrent disruptions in Lebanon, one of them explained, “We decided to come back to Lebanon as things in Venezuela have become very much challenging. … We thought that Lebanon, despite what people say … about Lebanon being dangerous, is not that risky.” Medea was investing and expanding in Lebanon, though carefully, to leverage long-term opportunities and take advantage of an eventual influx of consumers when the war in Syria is over and the situation is calm in Lebanon. Avoiding danger in Venezuela, Medea left its old headquarters and relocated its efforts and senior management team in the relatively better perceived circumstances in Lebanon, while trusting the local management team to lead its remaining operations there. Medea’s internationalization trajectory reframed the firm’s relationship with Venezuela to one of detachment from the first home.
Table 3.5 Contrast Cases

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Resource-centric Arbitrage</th>
<th>Value-centric Arbitrage</th>
<th>Horizon-centric Arbitrage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melkart</td>
<td>Our main target was to establish our main office in Beirut and to conduct our distributing and supplying operations from the capital.</td>
<td>Dissonance becomes habit</td>
<td>Renouncing goals</td>
</tr>
<tr>
<td>Contrasted to Byblus, Dione</td>
<td>We used to work outside Lebanon to secure resources to be able to bring them back and fund [Lebanon-based venture] and keep it alive.</td>
<td>Demonizing “the downs”</td>
<td>Removing limits</td>
</tr>
<tr>
<td>Cadmus</td>
<td>Because my work went down here, you can give more time to this other business, and put more efforts into its activities. When you give it more time, it will generate more revenues.</td>
<td>De-valorizing “the ups”</td>
<td>Rebalancing priorities</td>
</tr>
<tr>
<td>Nomios</td>
<td>Wherever you go and stay, whether Japan, Spain, or USA, when you say where is home? It is your home. It is your country. It is your base. Always, always, your reference is your country.</td>
<td>Rescinding</td>
<td>Relocation</td>
</tr>
<tr>
<td>Ugarit</td>
<td>If you want to go and make a base outside Lebanon in the US, you should not come back or plan to come back. No one would succeed in his business if he makes its location as a second base.</td>
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</table>

| Astarte                                     | I opened in Bahrain because I was living there. … I couldn’t expand elsewhere before my country. It was something important. I wanted to work with people who speak the same language. |                          |                          |
| Contrasted to Byblus, Dione                  | There’s stress that I didn’t live in Bahrain. Every second there’s stress, will I finish the month or not? Will I manage this month or not? These things, I didn’t feel in Bahrain at all. Plus, there’s instability. And it’s not just about bombings. Even the employees, you can’t know it they will come or no, you can’t know if they are fooling you or not. |                          |                          |
| Byblus                                       | In Bahrain there’s something called “Tamkeen.” When there was instability we got 2 or 3 months of free rent [plus subsidized wages]. The “Tamkeen” compensated the businesses that were affected by the instability. So you had someone to lean back on [unlike Lebanon]. |                          |                          |
| Dione                                        | I blame myself for not taking time to see how things are working in the country. That’s one. Another thing is that I blame myself because I wanted to deal with everyone like I did in the Gulf. Everyone as in customers, employees and suppliers and even administrative things, I think I’m one of the few who didn’t lie to the NSSF. |                          |                          |
| Thalassa                                     | If you can do business in Lebanon, you can do business anywhere. Starting operations in Lebanon was more complex than what she was used to in Bahrain: doing business in Lebanon was way more difficult on multiple levels, including the relationship with the government, suppliers and employees and implementing requirements for tax purposes. |                          |                          |

| Medea                                        | Many people ask me why Lebanon? There is danger in Lebanon. … The country has been here for 6,000 years, would it all collapse during our time? If it does, then what can I do? | It is known that the strong capital is audacious. … Many people make a lot of business and buy during a crisis, so by the time things are back to stability, those businesses have a head-start. | Lebanon is known for its turbulent and chaotic nature, with politics being at the forefront of the unstable environment, but our project is for the long term. We have come back to invest our experience and wealth in our homeland, to benefit its economy and people; and just as Lebanese excel abroad, we want to shine in our home country. |
| Contrasted to Adonis, Kohhar                   | In Venezuela today, there is danger, risk, armed conflict. There is kidnapping and I don’t like to talk about this, but this is the truth. … In Lebanon, I don’t see risks. | I knew that business [in Lebanon] is a bit challenging. But I never thought that you cannot do business here. You need to know what you are doing. Then you can invest in Lebanon as you would in any other country. | Lebanon is for its relocation |
| Sydyk                                         | The company in Venezuela is 60 years old. Our employees over there are very honest and loyal … of course the business there went down a lot, a lot, a lot, but we still have some business running, and our employees are taking care of it. | It is known that the requirements for tax purposes. |                          |
3.4 A Model Of Institutional Arbitrage By EMNCS

In prior sections, we sketched the three kinds of institutional arbitrage that emerged from our data through which firms in economically and politically adverse environments internationalize by replacing resources, values, and opportunities no longer available at home with alternatives in other institutional settings. These processes suggest three corresponding propositions:

Proposition 1. Firms that engage in resource-centric institutional arbitrage (i.e., conserving resources, compensating for lost rents, and seeking risk-return ratios that complement their current portfolios of activities) are more likely to approach internationalization as a way to recommit to their home contexts.

Proposition 2. Firms that engage in value-centric institutional arbitrage (i.e., habituating to dissonance, demonizing “the downs,” and de-valorizing “the ups”) are more likely to approach internationalization as a way to rescind ties to their home contexts.

Proposition 3. Firms that engage in horizon-centric institutional arbitrage (i.e., renouncing goals, regretting limits, and rebalancing priorities) are more likely to approach internationalization as a way to relocate from their home contexts.

Taken together, these three kinds of institutional arbitrage demonstrate a continuum of responses to distress in the home country context. Rather than considering the decision to stay or leave as a one-time choice (Dai et al., 2013; Darendeli & Hill, 2015), EMNCs that internationalize in response to distress iterate between their embeddedness within their home context and their ambitions abroad. As their ambitions are progressively restricted by adversity, they do not give up suddenly or entirely. Instead, they observe and deal with what is missing or inadequate, one setback at a time. In contrast to prior studies, which discuss the holistic picture of institutions at home or abroad (e.g., Witt & Lewin, 2007), we find that internationalizing firms piece together matching pieces— that is, they look for institutional contexts rich in resources to make up the shortfall at home, they seek institutional contexts with better aligned values when the ups and downs triggered by instability at home become hard to reconcile with their ambitions, and they
are more likely to enter distant, even dangerous, contexts the more starved of opportunity they become.

Our findings are also consistent with earlier arguments by Luo and Wang (2012) that arbitrage tends to be specialized (i.e., aimed at specific things) rather than generic. Our inductive framework adds two novel insights. First, there is a progression from the concrete (resources) to the abstract (values and opportunities). In the early stages of internationalization, EMNCs from distressed home contexts focus on material hurdles first; if they successfully overcome these hurdles, they slow down or even resettle in their home country. It is only when attempts to make up for the material discrepancies fall short that they begin to question the alignment in values, and whether or not the ties to their homeland are worth the continuous dissonance between what they want to accomplish and what is (no longer) possible. Second, there is a temporal sequencing in that resource-centric institutional arbitrage occurs quickly, almost immediately, and can be dialed up and down as the adversity intensifies. In our first field trip, we were highly sensitive to these instantly effective forms of internationalization, which seemed to occur almost overnight with hardly any forethought. Some of our informants told us casually they just got on a plane, and 10 or so countries later, they were no longer home-bound. In contrast, value-centric institutional arbitrage is slow and progressive. Our informants question and debate what they value, and how much they value their home context relative to their own survival and success, often straddling one or more alternative contexts for years before they contemplate (let alone communicate) a willingness to rescind their ties to home. Finally, horizon-centric arbitrage comes last—typically, as a last resort. Our informants described it as coming up for air when they could no longer breathe, and going after contexts (sometimes even dangerous ones) on a whim in a quest for opportunities that would unleash their growth.

Interestingly, most of the firms we studied engaged in all three kinds of institutional arbitrage, in the same sequence. Even those who, eventually, recommitted to their home contexts grappled with values and horizons later on, and even those that ultimately relocated elsewhere had earlier reasserted their attachment to the home context, acknowledging the influence it continued to have on their EMNCs. But while we found evidence of all three kinds of arbitrage across the 12-year timespan of our longitudinal case studies, there was hardly any evidence of overlap between
these three kinds. The well-punctuated transitions from one kind to another became obvious to us late in the analysis when we configured geographical moves by each EMNC: the initial pursuit of any given new context was motivated by one (not all) of resources, values, or opportunities. Only once the firms had begun operating in that context—and were therefore more aware of the institutional complexities at play—did they observe whether or not it fit their other needs. In summary, this discrete and sequential approach to internationalization suggests that the home context influences the emergence of EMNCs in a step-wise fashion.

Proposition 4. Firms that face distress in their home context are more likely to emerge as EMNCs when they progressively engage in (a) resource-centric, (b) value-centric, and (c) horizon-centric institutional arbitrage.

Further, our analysis points to the key insight that the relationship with the home context and the motivation for internationalization co-vary. EMNCs that are recommitting to their home context describe internationalization as home-bound: the more they go abroad, the more they want to return and resume growth at home. EMNCs that are rescinding ties to their home contexts describe internationalization as straddling multiple homes at once, and switching back and forth between the two in sync with the ups and downs of their home operations. Last, EMNCs that are relocating interpret their internationalization as an invitation to settle into a new home, one that is more fitting to their ultimate aspirations, and also offers them well-deserved respite from a long and assiduous struggle to survive. While closely interrelated, how the firm interprets the relationship with the home context is conceptually different and clearly distinguished in the narratives from the internationalization moves and the firm’s motivation. For example, in one of our cases, we observed substantial deliberation over values and whether or not to build a second factory in another country, despite the fact that the firm already served 30 different markets. In another case, we observed repeated recommitment to Lebanon, despite multiple forms of business expansions in multiple countries and regions. However, the association between the two is almost perfect in our interview data, in that in the vast majority of instances, there is a direct attribution drawn between how one frames home and why one internationalizes. Of course, even with longitudinal data, the causality underpinning such attribution is hard to determine. It is plausible that informants reconstrued their understanding of what home context meant to them as
they internationalized. Our questions and probes helped us reveal that, move by move, a firm’s relationship with home at that point in time was a very good indication as to which institutional context it may go to next, and, in particular, the reasons why it chose to do so.

To further unpack this changing relationship with the home contexts, we took a closer look at the risk-versus-opportunity frames revealed in the narratives. Attention to these frames was triggered by the recurrent observation (puzzling to us at first) that most respondents approached danger in new contexts (often higher than in Lebanon) with equally reckless abandon—as long as they deemed it worth their while due to the presence of resources, values, or opportunities in the new context.

Proposition 5. EMNCs are more likely to engage in resource-centric institutional arbitrage (i.e., conserving resources, compensating for lost rents, and seeking risk-return ratios that complement their current portfolios of activities) when they seek to prolong a well-defined home advantage and manage “the devil they knew.”

Proposition 6. EMNCs are more likely to engage in value-centric institutional arbitrage (i.e., habituating to dissonance, demonizing “the downs,” and de-valorizing “the ups”) when they are mindful to inequality in opportunity between different potential homes, and consider that their many trials at home immunized them to all sorts of other dangers that they now felt fit to bear.

Proposition 7. EMNCs are more likely to engage in horizon-centric institutional arbitrage (i.e., renouncing goals, regretting limits, and rebalancing priorities) when they adopt an all-or-nothing frame whereby they had nothing more to lose at home but everything to gain elsewhere, and seek to avoid any and all further dangers to the best of their ability.

We also went back to the data looking for instances where a particular type of institutional arbitrage backfired—that is, instances where firms not only failed to reclaim resources, values, or opportunities, but ended up worse off for trying. We found that recommitting to the home context led to overconfidence in the prospects of stability and repeated deferrals of giving up, which, in some cases, added a sense of defeat (getting further behind the harder one tried to hope for the best). We also found that rescinding ties with their home contexts made EMNCs more
likely to randomize their entries and pursue next chances without much analysis. Further, we found home-straddling EMNCs to be prone to taking multiple options at once, hoping that at least one would work out. Last, we observed that while relocation was costly, and firms that relocated had forgone familiar skills and ways of doing business in the process, there was an appreciation of the fact that the new home afforded not just greater stability, but also a fuller set and sense of prosperity, making them feel that they are settling in for a better, longer future.

3.5 Discussion

We reveal a step-wise pathway of internationalization in response to distress at home. Our three-stage, sequential framework, shown in Table 3.6, shows that EMNCs arbitrage among home and abroad institutional contexts to make up shortfalls in resources, values, or opportunities at home. Our propositions inform the growing intersection of home country contexts and internationalization by EMNCs (Cuervo-Cazurra & Genc, 2008; Luo & Wang, 2012; Ramamurti, 2009). We extend prior literature on the internationalization of firms from emerging economies (Bonaglia, Goldstein, & Mathews, 2007; Goldstein, 2007; Luo & Tung, 2007) and answer calls to study how firms “become” MNCs (Ramamurti, 2012).

A more fundamental contribution speaks to the rapidly unfolding literature on institutions and internationalization, specifically the ways in which institutional contexts are compared and contrasted as firms internationalize. Prior literature has only begun to examine which institutions matter to firms from specific contexts (like China) (e.g., Luo & Wang, 2012) or to a specific multinational ‘giant’ (Luiz et al., 2017), but has not yet explained why different institutional arbitrage may matter at different times, nor how attention to specific (even specialized) institutions may be predetermined by one’s home country. Instead of taking the country of origin for granted, we show how changes in the relationship a firm has/maintains with one homeland may radically reorient its internationalization. In addition, we reveal an important silver lining of disruption at home, showing that it may hasten internationalization for firms that may not have gone global yet, or otherwise.
Our work also enriches our understanding of firms’ and MNCs’ relocation (Birkinshaw et al., 2006; Jenkins, Steen, & Verreyne, 2015; Laamanen et al., 2012; Meyer & Xia, 2012). As firms progressed through the three paths, they diminished their ties to home, rather than relinquishing them abruptly. Even firms that relocated from their first home did not abandon their homeland; they still kept some ties to the first home country through smaller subsidiaries.

Weak or unstable institutions may encourage internationalization (Luo & Tung, 2007) or constrain foreign expansion (Wu & Chen, 2014). We argue that, initially, firms in distress resort to internationalization as a potential solution (a means rather than an end), and would follow different paths based on the constraints they face at home. Some EMNCs end up going to stronger institutions (Witt & Lewin, 2007), while others relocate to weaker institutions (Cuervo-Cazurra, 2012; Cuervo-Cazurra & Genc, 2008) premised in large part on what is lacking at home.
Table 3.6 Framework of Institutional Arbitrage by EMNCs from Distressed Home Contexts

When subject to recurrent disruptions in their home country, EMNCs pivot on assets undamaged by the crisis by rapidly—and often radically—reorienting their internationalization strategy towards institutional contexts where they can leverage these assets.

<table>
<thead>
<tr>
<th>Internationalization Path</th>
<th>Recommitting</th>
<th>Rescinding</th>
<th>Relocating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation</td>
<td>Home-bound</td>
<td>Home-straddling</td>
<td>Home-settling</td>
</tr>
<tr>
<td>Relationship with Home Context</td>
<td>Dependency</td>
<td>Displacement</td>
<td>Detachment</td>
</tr>
<tr>
<td>Opportunity Frame</td>
<td>Home advantage</td>
<td>Inequality</td>
<td>Anything is better than nothing</td>
</tr>
<tr>
<td>Risk Frame</td>
<td>The devil you know</td>
<td>Immunity to danger</td>
<td>Danger avoidance</td>
</tr>
<tr>
<td><strong>Institutional Arbitrage</strong></td>
<td><strong>Resource-centric</strong></td>
<td><strong>Value-centric</strong></td>
<td><strong>Horizon-centric</strong></td>
</tr>
<tr>
<td>Mechanisms</td>
<td>Conserving resources</td>
<td>Dissonance becomes habit</td>
<td>Renouncing goals</td>
</tr>
<tr>
<td></td>
<td>Compensating for lost rents</td>
<td>Demonizing “the downs”</td>
<td>Regretting limits</td>
</tr>
<tr>
<td></td>
<td>Complementing risk-return</td>
<td>De-valorizing “the ups”</td>
<td>Rebalancing priorities</td>
</tr>
<tr>
<td>Trade-offs &amp; Traps</td>
<td>Overconfidence</td>
<td>Randomness of chance</td>
<td>Foregoing the familiar</td>
</tr>
<tr>
<td></td>
<td>Deferral leads to defeat</td>
<td>Failing forward</td>
<td>Settling for better</td>
</tr>
</tbody>
</table>
3.5.1 Limitations

Ours is a single-context study, and despite the historically significant comparison of multiple internationalization moves unfolding over time, inductive references are limited to Lebanon. We adopted an innovative design by examining three cases of Lebanese-based (but born elsewhere) businesses, and replicated the tripartite pattern of findings for these firms. This qualitative validation is important on two counts: first, the robustness is reassuring, showing that one’s adoptive home can be as influential as the place where a firm was initially born; second, the three contrast cases originated in three very different contexts (Saudi Arabia, Bahrain, and Venezuela), yet spoke of similar relationships to their adoptive context as Lebanese-born firms, suggesting that what a firm identifies as current home is most influential for internationalization. Of course, future studies could examine MNCs from different emerging settings with comparative designs that privilege heterogeneity over homogeneity in cases. A logical next question would be whether different kinds of adversity at home (i.e., political vs. economical, chronic vs. acute, etc.) have stronger or longer-lasting effects on EMNCs’ internationalization.

3.5.2 Contribution to theory

These limitations notwithstanding, our findings extend theories of institutional arbitrage (Boisot & Meyer, 2008; Jackson & Deeg, 2008), by beginning to show a nuanced and cascading series of comparisons among institutional contexts. In our study, these comparisons are triggered by shortfalls, and are calibrated by simultaneous attention to risk and opportunity differentials. The accounts we analyze in this study go significantly beyond the state of the field, which debates whether or not singular dimensions or the plurality of institutions (Schneider, Schulze-Bentrop, & Paunescu, 2010; Witt & Lewin, 2007) in a given context matter, to reveal that firms orient themselves towards different institutional matches depending on what they need the most at a given point in time. We complement the current work that focuses on outward FDI as a signal of institutional arbitrage (e.g., Luo & Wang, 2012) by delineating different mechanisms of institutional arbitrage and their robust progression.
We also contribute to research on home country contexts in general (Cuervo-Cazurra & Genc, 2008; Luo & Wang, 2012; Ramamurti, 2009), and emerging country contexts, more specifically, by showing that despite its dire consequences, distress may play a catalytic role in moving cohorts of organizations towards greener pastures. We answer calls to pay more attention to changes in institutions and environments to understand “the period effects” on the internationalization of EMNCs (Ramamurti, 2009), including the initiation and acceleration of this process. Yet it is not adversity per se that predetermines where firms will look to go next, nor their reasons for going; if adversity did serve this purpose, the firms in our study would have adopted very similar internationalization approaches, or undertaken the same moves simply because they were confronted by the exact same events at once. Rather it was the way firms reconstrued their own relationship with their home country context that oriented their next moves; this is the most revelatory theoretical takeaway of our inductive work. As a firm realized that a certain form of institutional arbitrage did not fit its needs anymore, it updated and redefined its relationship with one homeland; looking for a new matching of foreign institutional environment. This updated relationship of the firm with its home context reoriented the firm to the next form of institutional arbitrage.

We note that institutional escapism (Witt & Lewin, 2007; Yamakwa et al., 2008) and institutional arbitrage (Boisot & Meyer, 2008; Witt & Lewin, 2007) have not been well nuanced. We find that institutional arbitrage is triggered by constraints and challenges at home, consistent with previous research. However, not all EMNCs are “escaping” their home country when they adopt institutional arbitrage. In fact, our findings show that some firms pursue arbitrage (i.e., resource-centric arbitrage) to recommit to and save their presence at home. Escapism is also a matter of degree, and our data show that a more “dramatic” escape appears only at a later stage of institutional arbitrage (i.e., horizon-centric arbitrage), when firms contemplate relocating.

3.5.3 Contribution to practice

There has been a steady surge in interest in emerging country contexts, and an unfortunate increase in the types of adversity buffeting these contexts. Yet we know relatively little about how firms continue operating under chronic or cumulative distress, especially when they are
already operating in a restrictive or underdeveloped institutional environment to begin with. Attention to how setbacks inform institutional arbitrage is also important, as firms from better-studied contexts (e.g., China) may also face some type of turbulence. However, these insights are even more informative and encouraging for contexts affected by recurrent crises, like Afghanistan or Bangladesh (where most wonder how businesses survive at all, let alone internationalize).

Our study suggests that internationalizing moves can be instrumental in prolonging a good life for businesses operating in bad settings. Even if some of these moves may not succeed, they broaden a firm’s set of capabilities, better preparing it for the next wave of adversity at home or the next attempt to escape. Despite the conventional wisdom that firms wishing to internationalize must contemplate this move only after they have established a strong and successful presence at home, we argue that there are instances when firms need to internationalize earlier or faster. Perhaps the most intriguing practical takeaway is that institutional arbitrage influences how a firm reconstructs its own relationship with the homeland. Firms may recommit (at their peril) to progressively worsening contexts when they construe their relationship as one of dependency, while others willingly detach from reasonably good circumstances and leave for what they deem greener pastures.

3.6 Conclusion

Extant theories of internationalization have predominantly developed based on the following assumptions: (1) political or economic turbulence affects the host contexts of firms’ subsidiaries more often than the home context of the parent(s), (2) internationalization proceeds and relies on a relatively stable home context, and (3) the process of internationalization optimizes the mix of foreign markets to help firms attain or sustain a global competitive advantage.

Our findings challenge and complement these positions by showing how distress in a firm’s home context can become a powerful force for the decision to internationalize—or to expand much earlier or differently than the firm might have otherwise intended. While economic crises and political turbulence can have dire consequences on firms (Oh & Oetzel, 2011), driving some
to escape (Stoian & Mohr, 2016), leaving one’s home is hardly an easy (let alone quick or automatic) decision. Our findings show that firms facing distress at home engage a complex, nuanced, and multi-stage process. They carefully and iteratively compare resources, values, and horizons across contexts; as these get depleted at home, they attempt internationalization moves to replenish them. When these moves fail, or even backfire, the firms switch to another kind of institutional arbitrage. How one relates to worsening conditions at home becomes defining of what a firm becomes and systematically patterns its internationalization moves and emergence as an EMNC. We offer propositions that flesh out the interdependence between EMNCs’ home contexts and their early internationalization, and show an overarching positive insight—that adversity at home may drive firms towards greener pastures.
3.7 References


Appendix 3.1 Data Overlap and Acronyms

We examined 12 firms, in total, in Essay #2, seven of which are also analyzed in Essay #1. Below are the overlaps and corresponding acronyms.

<table>
<thead>
<tr>
<th>Essay #1 Entrepreneur(s)</th>
<th>Essay #2 Firm</th>
<th>Domain/Business$^{10}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claude</td>
<td>Sydyk</td>
<td>Food and beverage (F&amp;B) production firm founded in 1964 150 employees</td>
</tr>
<tr>
<td>Jean + Ralph</td>
<td>Kothar</td>
<td>F&amp;B services firm founded in 2003 330 employees</td>
</tr>
<tr>
<td>Amer</td>
<td>Thalassa</td>
<td>F&amp;B services and retail firm established in 1999 500 employees</td>
</tr>
<tr>
<td>Maggie</td>
<td>Ugarit</td>
<td>F&amp;B services firm founded in 2003 180 employees</td>
</tr>
<tr>
<td>Marwan</td>
<td>Adonis</td>
<td>F&amp;B production firm established in 2006 50 employees</td>
</tr>
<tr>
<td>Nader</td>
<td>Nomios</td>
<td>F&amp;B services firm founded in 1960 730 employees</td>
</tr>
<tr>
<td>Zach</td>
<td>Byblus</td>
<td>F&amp;B services firm established in 2005 130 employees</td>
</tr>
</tbody>
</table>

$^{10}$ There are discrepancies between the number of employees reported for each venture in the two essays: consistent with the respective research questions, Essay #1 includes only domestic employees (or just international if the firm had exited Lebanon) while Essay #2 includes all employees (both domestic and international).
### Appendix 3.2 Timeline of the Major Political Events in Lebanon

<table>
<thead>
<tr>
<th>Date</th>
<th>Description of the Event</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1975-1990</strong></td>
<td><em>Lebanese Civil War</em></td>
</tr>
<tr>
<td>Feb. 14, 2005</td>
<td>A massive car bomb in Beirut kills Prime Minister Hariri and many others. Immense street protests take place as a reaction to the assassination.</td>
</tr>
<tr>
<td>Jun. 2, 2005</td>
<td>Journalist Samir Kassir is assassinated in a car bomb in Beirut.</td>
</tr>
<tr>
<td>Jun. 21, 2005</td>
<td>A bomb kills George Hawi, former leader of the Lebanese Communist Party.</td>
</tr>
<tr>
<td>Jul. 12, 2005</td>
<td>Defense minister Elias Murr is among those wounded in a car bomb in Beirut.</td>
</tr>
<tr>
<td>Dec. 12, 2005</td>
<td>An explosion kills Member of Parliament Gebran Tueni. Two other people are also killed.</td>
</tr>
<tr>
<td>Jul. 12, 2006</td>
<td>Israel launches a one-month-long war against Lebanon after Hezbollah captures Israeli soldiers in an attack across the border.</td>
</tr>
<tr>
<td>Nov. 21, 2006</td>
<td>Industry Minister Pierre Gemayel is assassinated by gunmen.</td>
</tr>
<tr>
<td>May–Sept., 2007</td>
<td>Clashes between Islamist militants and the Lebanese military at the Palestinian refugee camp Nahr al-Bared. More than 300 people die.</td>
</tr>
<tr>
<td>Jun. 13, 2007</td>
<td>Member of Parliament Walid Eido is assassinated in a car bomb in Beirut.</td>
</tr>
<tr>
<td>Sept. 19, 2007</td>
<td>Political party lawmaker Antoine Ghanem is assassinated in an explosion.</td>
</tr>
<tr>
<td>May 7, 2008</td>
<td>Pro-Hezbollah fighters lock down Beirut and clash with people.</td>
</tr>
<tr>
<td>May 8, 2008</td>
<td>Pro-Hezbollah gunmen take over large parts of West Beirut. Gun clashes lead to many casualties.</td>
</tr>
<tr>
<td>Mar. 15, 2011</td>
<td>The Arab Spring reaches Syria. The conflict eventually develops into a civil war in Syria. In Lebanon, one coalition of political parties backs Syrian rebels, while the other coalition supports the Syrian regime.</td>
</tr>
<tr>
<td>Summer 2012</td>
<td>The Syrian war spills over to Lebanon through violent clashes in Tripoli and Beirut.</td>
</tr>
<tr>
<td>Oct. 19, 2012</td>
<td>Police intelligence chief Wissam al-Hassan is killed along with eight other people in a car bomb.</td>
</tr>
<tr>
<td>Dec. 2012</td>
<td>Violent fights break out between supporters and opponents of the Syrian president in Tripoli.</td>
</tr>
<tr>
<td>May 20, 2013</td>
<td>Sectarian violence continues to spill over from the war in Syria. Many fights take place in Tripoli.</td>
</tr>
<tr>
<td>Jun., 2013</td>
<td>The main provider of Lebanon’s tourism revenue, the Gulf Cooperation Council (GCC)—Saudi Arabia, Qatar, Kuwait, Oman, Bahrain, and the United Arab Emirates—issues a travel warning for citizens thinking of visiting Lebanon, as Syria’s civil war is fuelling violence in Lebanon.</td>
</tr>
<tr>
<td>Jul. 9, 2013</td>
<td>A car bomb wounds at least 53 people in Southern Beirut where many support Hezbollah.</td>
</tr>
<tr>
<td>Aug. 23, 2013</td>
<td>Two car bombs in Tripoli kill 42 people and wound hundreds.</td>
</tr>
<tr>
<td>Dec. 27, 2013</td>
<td>Mohamad Chatah, Lebanon’s former finance minister is killed with at least five others in a car bomb in a central location in Beirut.</td>
</tr>
<tr>
<td>Apr. 2014</td>
<td>The United Nations announces that the number of Syrian refugees registered in Lebanon is over 1 million.</td>
</tr>
<tr>
<td>May 2014</td>
<td>Lebanon’s President Suleiman ends his term of office, leaving a power vacuum. Several attempts are made in parliament over subsequent months to choose a successor.</td>
</tr>
<tr>
<td>Aug. 6, 2014</td>
<td>Syrian rebels cross to the Lebanese town of Arsal and get involved in clashes. They withdraw after being confronted by the military, but take many Lebanese soldiers and police captive.</td>
</tr>
<tr>
<td>June, 2016</td>
<td>Suicide bombers, allegedly Syrians, strike Lebanese village; aggravating already strained relations between Lebanese and more than 1 million Syrian refugees in the country.</td>
</tr>
</tbody>
</table>

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Appendix 3.3 Follow-up Questions - Interview Guide

2016 Follow-up Guide

The Impact of War and Conflict
- How does the chronic conflict in Lebanon affect the strategies of the firm? How do you adapt?
- What are the options of the firm when it faces new political turmoil?
- What resources are the most helpful during distress and why?
- Can you tell me about the business strategy you followed during Summer 2006 (The War between Lebanon and Israel)?
- What are the objectives of the business in this unstable context? To survive or grow?

Incentives to Internationalize
- What were the main motives of the firm when it contemplated to venture into international markets?
- What factors did help the company to internationalize?
- What were the major barriers for the firm when the management considered internationalization?

Internationalization Behaviors
- Name and total number of countries the company has international activities with (in order, first to last) and year of internationalization. Percentage of total annual sales coming from international sales
- How do you identify and exploit international opportunities? Can you provide me with an example?
- How do you identify your internationalization strategy? Risk-seeking or risk-escaping? Why?
- What are the entry modes that you currently use in the internationalization of the firm?
- Would your internationalization strategy be different if there is no political instability in Lebanon? Why and how?

General information about the company and the respondent
- Position of the respondent, years with the company, main duties
- Number of employees, total annual sales, field of business, year of foundation
Closing Questions

- What would be your suggestion to the Lebanese SMEs that are suffering from the local/regional political instability?
- Do you have anything else you would like to tell me or is there anything I should have asked you that I neglected to?

2017 Follow-up Guide

Overview: Can you recall some of the international moves that made you seriously rethink your relationship with Lebanon?

Question 1: Please give us one or two examples of specific international expansion moves that made you more (or less) committed to Lebanon as a context for you to do business? How did these moves challenge or complement some of the prior meanings you associated with Lebanon as home?

Question 2: Please give us one or two examples of specific international expansion moves that made you feel there are differences between your own values and what was (or was no longer) possible in Lebanon at that time. What values would you have to give up on if you stayed? What values would you preserve, or even gain, if you go outside?

Question 3: Was there a specific turning point when you felt like going far away and never looking back? If so, did you eventually look back – and what did you rediscover in Lebanon that you might have missed or not fully appreciated before?
Chapter 4

4 Time To Say Goodbye: A Systematic Review of What Happens before Exit

ABSTRACT

This essay presents a systematic review of the decisions, actions, and processes that take place from the contemplation of an entity’s exit through its execution and implementation to the finality or irreversibility of the exit. We review 90 articles that were published in top management journals across the literatures in strategy, international business, and entrepreneurship over the last 21 years, and elaborate on two dimensions: partiality and temporality. The analysis of prior studies draws attention to the importance of further specifying the partiality of exit (i.e., what parts of a given entity are being discontinued vs. preserved) as well as the temporality (i.e., the timing of terminating the parts). We offer a framework to organize the literatures and discuss new avenues for future research.
4.1 Introduction

Whether, when, and how to exit are all critical questions for any entity (DeTienne, 2010), from the smallest entrepreneurial firm to the largest multinational, in good times and in bad. Exit often carries negative associations, like failure (Cardon, Stevens, & Potter, 2011), for a given firm (Mellahi & Wilkinson, 2004) or individual (Shepherd, 2003). Exit can befall even promising and ambitious firms (Tornedon & Boddewyn, 1974) and is often costly, traumatic, and embarrassing (Wan, Chen, & Yiu, 2015). Exit can even be stigmatizing to oneself (Shepherd, 2003), and sometimes, to one’s peers (Durand & Vergne, 2015). The significance of exit lingers long after, influencing outcomes from rigidity and retrenchment (McKinley, Latham, & Braun, 2014) to rebirth (Walsh & Bartunek, 2011) and to parent companies’ performance (Ioannou, 2013). Failure can also carry over to distant future endeavours because it helps individuals make sense of, and learn from, their mistakes and setbacks (e.g., Shepherd, Wiklund, & Haynie, 2009; Ucbasaran, Shepherd, Lockett, & Lyon, 2013).

There have been several reviews of organizational failure (Mellahi & Wilkinson, 2004), corporate divestiture, (Moschieri & Mair, 2008) and, more recently, entrepreneurial and small business exit (DeTienne & Wennberg, 2014; Wennberg, Wiklund, DeTienne, & Cardon, 2010). Taken together, this body of work suggests that decision makers may choose and control, at least in part, their exit pathways, deciding on the scope of exit (technology, market, industry, or geographic region) (Bowman & Singh, 1993; Decker & Mellewigt, 2007). They also exert some agency in determining when to leave (Elfenbein & Knott, 2015; Shepherd et al., 2009).

Although exit has been studied extensively, it is almost exclusively presented as an event that punctuates different stages in the life of an organization (Mellahi & Wilkinson, 2004) or its founder (Holland & Shepherd, 2013). However, focusing on exit as an event overlooks variations in what may happen after (Ucbasaran et al., 2013) and what may happen before.

This paper systematically reviews the exit literatures in strategy, international business, and entrepreneurship to understand what happens before a complete exit becomes final and irreversible. Because we tackle multiple types and levels of exit across these three literatures, we
position this review to examine entity exit. As entities exist and exit at all levels of analysis, this review applies to any and every unit—be it of a market, subsidiary, business unit, organization, small venture, etc.—insofar as they retain decision and/or behavioural control over their exit. Taking an entity-level perspective allows us to include partial definitions of exit as the termination of a part of the whole, as well as processual definitions of exit that examine the breakdown of a given relationship between a given entity and some other concept, whether between a founder and one’s venture, a corporate firm and one of its business units, or a multinational enterprise (MNE) and its foreign subsidiary. Our reach is deliberately broad and agnostic with respect to what the entity is, partly because we have a much narrower scope of studies which reveals what takes place before an exit decision or action, and partly because our prior work suggests that both the partiality and the temporality of exit may be independently and/or jointly relevant (see Essay #1 for entrepreneurial exit and Essay #2 for headquarters exit).

Our systematic review starts with the prior that entity exit is decomposable by parts and over time. From the literature review, we induce multiple facets and factors underpinning these two overarching dimensions (i.e., partiality and temporality). We elaborate on what we know about each for entities at different levels of analysis. We then combine the two and reflect on the clustering of prior work in each of the four quadrants, with a three-fold intention. First, we aggregate previous findings looking for insights in terms of what happens before exit. Second, we compare and contrast these insights across disciplines to reveal hidden patterns or surface counterfactuals that may deepen our understanding of what comes before an entity undertakes the critical decision or action of exit. Last, we are interested in the white spaces—what aspects of partiality and temporality (or their intersection) we have not yet explored, and suggest an ambitious future research agenda to learn more.

Understanding exit from this dual perspective—that is, as a set of parts that can recombine into old or new wholes, and as a temporally unfolding process—can inform the literature on exit in three ways: (1) by shifting attention from an on/off, one-time event to a deliberate undertaking; (2) by underscoring that exit is often carefully thought of, planned, and executed long before a given decision or action; and (3) by revealing the malleability of the part-whole relationship and its importance for whether an exit decision or exit may be observed to begin with.
4.2 Definitional Issues and Scope of the Review

We take a cross-disciplinary approach to comb through as many distinct ways to theorize and test exit as possible. However, with this advantage comes the challenge of creating, as a starting point, a common strawman definition of what the exit of an entity encompasses.

In strategic management, business exit has been understood as a restructuring activity involving a diversified firm’s divestiture—usually in a form of the sale, in part or totality, of one of its subsidiaries, business units, or divisions of a company (Decker & Mellwigt, 2007; Sharma & Manikutty, 2005) to adjust its ownership and business portfolio (Brauer, 2006). Firm or business exits have been labelled accordingly as divestitures, business exits, or divestments.

In international business, exit is examined as foreign exit or divestment. It refers to the MNE withdrawing from a subsidiary operation (Benito, 1997, 2005; Chung, Lee, Beamish, Southam, & Nam, 2013) and it is considered a significant corporate-level decision (Soule, Swaminathan, & Tihanyi, 2014). International divestments are quite common and could include a broader definition, from pulling out of a market or downsizing foreign operations to switching to lower commitment modes of operation (Benito & Welch, 1997; Wan et al., 2015).

In the entrepreneurship literature, the focus is on the relationship between an individual entrepreneur and one’s venture, and on distinguishing between exit and failure. In particular, business exit has been understood as an intentional and voluntary exit decided by the owner-managers (DeTienne, 2010), whereas business failure has been understood as the forced exit of a venture when it becomes insolvent and cannot continue under the current ownership and management (Shepherd, 2003), or is considered economically and/or subjectively unviable (Coad, 2014; Ucbasaran et al., 2013).

As we want to include as many studies that examine exit as possible in this review, our definition is broad but builds on previous definitions. We define entity exit as a discontinuity in the set of activities previously understood and undertaken by a given entity (e.g., subsidiary, business unit, division, or venture) and/or as stipulated by another entity that is in a direct relation with that entity (e.g., the parent organization, owner-manager, or entrepreneur). This definition covers all
decisions and/or actions—from partial disengagement, such as any reduction in the activities and/or ownership of the firm (Benito & Welch, 1997; Simões, 2005), to total disengagement or cessation of business operations (Gimeno, Folta, Cooper, & Woo, 2013).

In this review, we include studies on firm failure because it is a distinct form of exit (Jenkins & McKelvie, 2016). Further, in the literature and across disciplines, there is a distinction between forms of exit. For example, there are studies of the firm being liquidated, bankrupted, or closed on a permanent basis, sold in its entirety, partially divested, or passed on to a different owner (Coad, 2014; Damaraju, Barney, & Makhija, 2015; Ucbasaran et al., 2013). We include all these types of entity exit in the review.

4.3 Review Methodology

4.3.1 Article Selection Criteria

We employ a systematic review methodology, as proposed by Tranfield, Denyer, and Smart, (2003), similar to reviews published in the Journal of Management (e.g., Keupp & Gassmann, 2009; Ucbasaran et al., 2013). We selected top management journals in the field of strategy, entrepreneurship, and international business. Our intention was not to be exhaustive of all articles published, but to assess the most high-quality, well-scrutinized, rigorous research produced in the last 21 years (from January 1996 to April 2017). These articles can be considered validated knowledge, and are likely to have the highest impact on management research (Podsakoff, MacKenzie, Bachrach, & Podsakoff, 2005). A summary of each step of our methodology, including specific purpose, process used, and outcome, is provided in Table 4.1. On the basis of this methodology, a population of 186 articles was retained for review. From our initial readings of the 186 articles, we started to become attentive to the temporal nature of the exit phenomenon and the partiality of any entity that is in contention for exit (we discuss these two dimensions in the next section). However, these dimensions were not very clear in the articles, so we decided to focus on these two dimensions and try to develop them in the review. We believed that these two dimensions would contribute to our understanding of exit and provide the most interesting research questions for moving the literature forward. We then
started coding the articles based on the temporal nature before the exit event, and the partial nature of exit. We kept only articles that we were able to code for the two dimensions. The final population was 90 articles that we reviewed in detail.
Table 4.1 Summary of Methodological Review Procedures

<table>
<thead>
<tr>
<th>Step</th>
<th>Purpose and Process</th>
<th>Outcome</th>
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<tbody>
<tr>
<td>Step 1: Journal selection</td>
<td>Identify top journals in management including strategy, international business, and entrepreneurship fields.</td>
<td>18 high-quality journals&lt;sup&gt;12&lt;/sup&gt;</td>
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<td>Step 2: Keyword generation</td>
<td>Select search words from our early familiarity with exit research.</td>
<td>14 keywords: exit, failure, mortality, death, decline, bankruptcy, closure, distress, termination, divest*, contraction, downsizing, demise, discontin*</td>
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<td>Check the main articles for keywords used and add them to the list.</td>
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<td>Identify other synonyms from the thesaurus.</td>
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<tr>
<td>Step 3: Keyword search</td>
<td>Perform a comprehensive keyword search of article title, abstract, or keywords in journals identified in step 1.</td>
<td>Cumulative total: 2,119 articles</td>
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<td>Title search in Business Source Complete database for keywords identified in step 2 with ‘review’ in abstract and ‘business’ in all text, with no limit to journals or dates.</td>
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<td>Step 4: Identify core papers and narrow down the pool of articles for analysis</td>
<td>Develop a set of screening criteria (exclusion and inclusion).</td>
<td>186 articles retained for first review</td>
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<td>Exclude articles if they belonged to one of the following categories: (a) the articles examine individual act or choice of exit that is not connected to a business organization (e.g., an employee or leader exit); (b) the focus was on unambiguous exit, so exit leaves no room for interpretation (there is no information about what happened before and/or after) and there is a lack of agency in the exit; (c) the focus is not on organization that is exiting; or (d) the keywords were mentioned only in passing.</td>
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<td>Having passed the above exclusion criteria, an article had to fulfill at least one of the following criteria to be included: (a) it examines or describes exit as a process (or part of a process); (b) it offers some insights into what happens to the organization before and/or after the exit; (c) it offers some discussion on how exit is delayed, avoided or prevented; and/or (d) it offers some insights on how exit is interpreted.</td>
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<tr>
<td>Step 5: Code for two dimensions</td>
<td>Keep articles that offer some insights into the temporality before exit event and partiality of exit.</td>
<td>90 articles retained for detailed review</td>
</tr>
</tbody>
</table>

4.3.2 Analytical Dimensions

4.3.2.1 The temporality of exit

Through multiple iterations across the 90 studies, we came to understand exit as a process that unfolds over time and goes through different stages. The exit process starts when a signal of change (i.e., trigger) takes place and the decision maker has to respond by contemplating a probable exit. Contemplating exit could be a result of a negative event, such as a crisis, disaster, or other trigger that puts the organization in distress. In addition, decision makers consider exit from their current business when better opportunities arise relative to current ones (Moschieri & Mair, 2008). There are many different causes and triggers for exit, but key among all predictors are the gaps or lapses in performance (Mellahi & Wilkinson, 2004).

We realized that the exit process can be reverted, slowed down, or accelerated depending on multiple choices of the decision maker, and conditioned by firm and environmental factors (Cefis & Marsili, 2011); this is not to say that an exit decision can easily be stopped or transformed, but there are many mechanisms and subprocesses that take place before the exit is executed or complete.

We decided to cover research that tackles an entity’s exit from the contemplation of the exit through its execution and implementation to the finality or irreversibility of exit. Henceforth, we do not review articles that examine the performance of any entity after exit, nor do we cover research that focuses on what happens to entrepreneurs after failure or exit (for a review, see Ucbasaran et al., 2013).

We noticed that the exit decision is an important milestone in the overall process. When decision makers realize the need to respond to contextual change, they face the dilemma of whether to exit an entity or not (Buchholtz, Lubatkin, & O’Neill, 1999). The exit decision is made in relation to past decisions and future decisions or outcomes (Shimizu, 2007), and is not necessarily a one-time event, but can be part of a decision-making process that is evolving (Shapira, 1997). If management decides not to exit at one point in time, the decision still needs to
be constantly reevaluated as environmental and organizational contingencies change (Shimizu, 2007). The exit decision can also be separated conceptually and analytically from the organizational decline that often precedes it (Pike, 2005), and from the execution of exit that follows after (Moschieri, 2011). For example, there are many organizational contingencies and managerial influences that determine when organizations make the decision to exit an entity, with some decisions considered early or late (Tangpong, Abebe, & Li, 2015). Moreover, managers of publicly listed companies announce the divestiture (i.e., exit) of certain business units; however, there is a process that follows the announcement of exit that deals with how and when the business unit is divested (Hayward & Shimizu, 2006). The announcement of the exit decision is considered “not the end of the story” (Fothergill & Guy, 1990; Pike, 2005). We use the decision to exit as an anchor point in the exit process to organize the literature and make sense of the current research.

### 4.3.2.2 The Partiality of Exit

We further noticed that entity exit does not necessarily mean that the entity will disappear and die (Coad, 2014): in many cases death can be prevented (Trahms, Ndofor, & Srimon, 2013) or resisted (Erkama & Vaara, 2010). An entity may be partially saved (Damaraju et al., 2015; Durand & Vergne, 2015), partially divested (Brauer, 2006; Vidal & Mitchell, 2015), or partially disengaged from (Rouse, 2016; Shimizu, 2007). There is also quite a wide spectrum of how exit is manifested and a variety of alternatives to entity exit (Brauer, 2006). We decided to focus on the different parts or portions of the whole entity that can continue and/or be reconfigured during the process of exit. Restricting exit to only those circumstances when a whole entity disappears is overly restrictive, and misses out on the wide variety of exit decisions and actions that only affect a subset of an entity’s parts or activities (Buchholtz et al., 1999). The partiality dimension captures the variety of responses that fall between the polar categories of “business as usual” and “complete exit” (Meyer & Thein, 2014).

Due to limitations in quantitative datasets and/or analytical challenges, most researchers only acknowledge these parts in passing (e.g., Mata & Freitas, 2012). Yet as Vidal and Mitchell (2015) recently noted, divesting partial units of a firm provides a more fine-grained adaptation
than a high-risk full exit. Further, forms or cases of partial exit might logically and pragmatically precede further stages of complete divestments (Damaraju et al., 2015). For instance, the termination of some manufacturing activities could be a prelude for complete liquidation (Simões, 2005). Even when exit involves a single individual like a manager and an entrepreneur, the entity engages in several different types of activities, many of which can be escalated or de-escalated from (McMullen & Kier, 2016) without challenging the continuance of the entity. For example, decision makers can de-escalate their commitment to a firm without withdrawing from it completely (Hayward & Shimizu, 2006), or they can disengage partially from an entrepreneurial venture (Rouse, 2016). A partial abandonment adds flexibility to any exit decision and action, but proves especially relevant to entities in transition or distress (Sauer, 1993).

4.3.2.3 Framework

The two analytical dimensions of the exit—temporal and partial—offer complementary insights on entity exit. We combine these two dimensions using a 2x2 framework, shown in Figure 4.1. As previously discussed, the decision to exit was an important anchor in the literature, and we were able to code the articles according to whether they belonged to the “before” or “after” this decision took place. We made a further distinction for the partiality axis, distinguishing between the objective and subjective aspects or attributes associated with the parts of the whole.

Many studies, in particular quantitative ones, equate the decision to exit with the event of exit. An exit decision could, and should, be separated both conceptually and analytically from both any preceding decline (Pike, 2005) and any subsequent event (Moschieri, 2011; Moschieri & Mair, 2008). When exit events (that are observable and recorded) are collapsed into the exit decisions, scholars underrepresent the spectrum and nature of the exit phenomenon.

Most scholars look at exit as a unity, as something that either happens or does not happen. Here, we argue that exit is partial, and before it becomes final and irreversible, it manifests through both objective and subjective considerations (Ocasio, 1995; Shimizu, 2007).
Prior research also compresses the two dimensions. For example, we often think of escalation of commitment as a temporal process only, especially its persistence characteristic, but it is also a partial mechanism. One can escalate commitment objectively by throwing good money after bad, and subjectively by being psychologically attached to it. On the other hand, managers de-commit to a firm objectively by comparing its performance to the organization portfolio, and subjectively by distancing themselves from the firm and de-identifying with its previous decisions (Hayward & Shimizu, 2006). One may still move to a decision to exit in relatively quick terms (i.e., temporal dimension), but not divest the largest resources (i.e., partial dimension). While objective and subjective considerations have not been often or easily separated thus far, we rigorously coded and classified studies as one or the other according to the main conceptual arguments and/or insights made in the article. This approach helps us reveal distinct ways in which decision makers attempt to control the decision or action of exit, as well as which portions of the entity are in contention for exit.

Crossing these two dimensions yields four distinct quadrants. Quadrant I represents research before the decision to exit and includes objective considerations for partial exit; Quadrant II represents research before the decision to exit and includes subjective considerations; Quadrant III represents research after the decision to exit and includes objective considerations; and, Quadrant IV represents research after the decision to exit and includes subjective considerations.

### 4.3.2.4 Coding Method

Each article was assigned to one of the quadrants. However, a couple of articles touched conceptually on more than one quadrant. Our process involved a set of iterative steps with multiple review points and comparisons across the articles. The 90 articles were rered, and we identified and coded for different subthemes within each quadrant. We then organized those subthemes into more overarching themes. Table 4.2 shows the coding structure. Since scholars usually did not explicitly state their assumption of partial exit, we inferred the classification based on a set of definitions we developed from our reading of the literature. In the next section, we identify the different themes and subprocesses that precede and follow an exit decision, and shed light on the repertoire of objective and subjective factors in the partiality of exit.
Figure 4.1 Organizing Framework for Research on What Precedes Exit

Quadrant I
- Retrenchment & refocusing as turnaround attempts
  - Objective
  - Subjective
  - 10 articles
- Real options decision
  - Objective
  - 7 articles
- Divestitures as strategic decisions
  - Objective
  - 6 articles
- Exit & Relocation decisions (home vs. host)
  - Subjective
  - 6 articles

Quadrant II
- Decision-making
  - Subjective
  - 26 articles
- Social & peer influences on exit decision
  - Objective
  - 5 articles

Quadrant III
- Choices of exit modes
  - Objective
  - 7 articles
- Interdependencies of exit moves
  - Subjective
  - 5 articles
- Time to exit
  - Objective
  - 8 articles

Quadrant IV
- Exit disengagement modes
  - Subjective
  - 8 articles
- Resisting exit
  - Objective
  - 2 articles

Partiality
- Objective
- Subjective
- Trigger

Complete and Final Exit
- Objective
- Subjective
Table 4.2 Coding Structure

<table>
<thead>
<tr>
<th>Studies</th>
<th>Sub-theme</th>
<th>Theme</th>
<th>Category</th>
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<tbody>
<tr>
<td>Belderbos &amp; Zou (2009); Berry (2013); Chung et al. (2013); Dai et al.</td>
<td>Real options and foreign subsidiaries exit</td>
<td>Real options decision</td>
<td>Before Exit Decision and Objective Considerations</td>
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<td>al. (2013); Dai et al. (2016)</td>
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<tr>
<td>Damaraju et al. (2015)</td>
<td>Real options in strategic divestment alternatives</td>
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<td>Elfenbein et al. (2017)</td>
<td>Time to take an exit decision – Rational delay</td>
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<td>Berry (2010); Coucke &amp; Sleuwaegen (2008)</td>
<td>Operations exit from home</td>
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<td>Mata &amp; Freitas (2012); Nummela et al. (2016)</td>
<td>Foreign subsidiaries exit and relocation elsewhere</td>
<td>Exit and relocation decisions (home vs. host)</td>
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<td>Figueira-de-Lemos &amp; Hadjikhani (2014); Meyer &amp; Thein (2014)</td>
<td>Sleeping strategy in host countries as a mid-way between stay and exit</td>
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<td>Boyne &amp; Meier (2009); Davidsson &amp; Gordon (2016); McKinley et al. (2015)</td>
<td>Organizational decline and turnaround</td>
<td>Retrenchment and refocusing decisions as turnaround attempts</td>
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<td>Schmit &amp; Raisch (2013); Tangpong et al. (2015); Trahms et al. (2013);</td>
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<td>VanWitteeloostuijn (1998)</td>
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<td>Dawley et al. (2002); Mayr et al. (2017); Lee et al. (2007)</td>
<td>Post-bankruptcy turnaround</td>
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<td>Brauer (2006); Decker &amp; Mellewigt (2007); Feldman (2013); Lieberman et</td>
<td>Strategic divestitures</td>
<td>Divestitures as strategic and reorganizing decisions</td>
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<td>al. (2017); Moschieri &amp; Mair (2008); Vidal &amp; Mitchell (2015)</td>
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<td>Buchholtz et al. (1999); Burgelman (1996); Hayward &amp; Shimizu (2006);</td>
<td>Organizational responsiveness to the need to exit and (de)-commitment</td>
<td>Decision making: Objective considerations</td>
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<td>Hsieh et al. (2015); Santangelo &amp; Meyer (2011); Shimizu (2007)</td>
<td>decisions (objective determinants)</td>
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<td>DeTienne &amp; Cardon (2012);</td>
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<td>Study References</td>
<td>Key Terms</td>
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<td>DeTienne et al. (2008); DeTienne et al. (2015); Gimeno et al. (1997); Wennberg et al. (2010)</td>
<td>Entrepreneurs’ threshold of performance and intentions to exit (objective determinants)</td>
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<td>Hayward &amp; Shimizu (2006); Kisfalvi (2000); MacKay &amp; Chia (2013); Miller &amp; Chen (2004); Pajunen (2008); Shimizu (2007); Wennberg et al. (2016)</td>
<td>Organizational level exit decisions under uncertainty (subjective determinants)</td>
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<td>Family firms exit decisions (subjective determinants)</td>
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<td>Cardon &amp; Kirk (2015); DeTienne et al. (2008); Gimeno et al. (1997); Holland &amp; Shepherd (2013); Khelil (2016); McMullen &amp; Kier (2016); Miller &amp; Sardais (2015); Morgan &amp; Sisak (2016); Shepherd et al. (2009); Shepherd et al. (2015); Singh et al. (2015)</td>
<td>Entrepreneur’s exit decision, persistence and decision avoidance (subjective determinants)</td>
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<td>Durand &amp; Vergne (2015); Meyer &amp; Thein (2014); Soule (2014); Wan et al. (2015)</td>
<td>Exit decision as a signal</td>
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<td>Blake &amp; Moschieri (2017); Durand &amp; Vergne (2015); Meyer &amp; Thein (2014); Soule (2014)</td>
<td>Peer pressures on exit decision</td>
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<td>Balcaen et al. (2012); Damaraju et al. (2015); Fortune &amp; Mitchell (2012); Lieberman et al. (2017); Mata &amp; Portugal (2000) Vidal &amp; Mitchell (2015); Zheng et al. (2015)</td>
<td>Forms of exit</td>
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Decision making: Subjective considerations
Before Exit Decision and Subjective Considerations

Social and peer influences on exit decision

Choices of exit modes: Objective considerations
<table>
<thead>
<tr>
<th>Elfenbein &amp; Knott (2015); Lieberman et al. (2017); Norman et al. (2013); Nummela et al. (2016); Yamakawa &amp; Cardon (2017)</th>
<th>Speed of exit</th>
<th>Time to exit</th>
<th>After Exit Decision and Objective Considerations</th>
</tr>
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<td>Almus (2004); Carreira &amp; Teixeira (2011); Moulton et al. (1996)</td>
<td>Shadow of death as exit approaches</td>
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<td>Bergh &amp; Sharp (2015); Burgelman (1996); Graebner &amp; Eisenhardt (2004); Moschieri (2011)</td>
<td>How exit is executed</td>
<td>Exit implementation and structuring</td>
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<td>Chang (1996); Miller &amp; Yang (2016); Nachum &amp; Song (2011)</td>
<td>Exit as part of the firm’s trajectory</td>
<td>Interdependencies of exit moves</td>
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<td>Mimic exit moves</td>
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<td>Akther et al. (2016); Dehlen et al. (2014); DeTienne &amp; Chirico (2013)</td>
<td>Forms of exit – family businesses</td>
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<td>DeTienne (2010); Graebner &amp; Eisenhardt (2004); Kammerlander (2016); Leroy et al. (2015); Rouse (2016)</td>
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<td>Erkama &amp; Vaara (2010); Walsh &amp; Bartunek (2011)</td>
<td>Organizational members responses to the exit decision</td>
<td>Resisting the exit</td>
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* Please note that some articles overlap between the quadrants.
4.4 Review of the Literature

4.4.1 Quadrant I: Before Exit Decision and Objective Considerations

In this quadrant, we review the literature that discusses how decision makers grapple with a decision to exit, and resort to objective considerations in making the decision. In these studies, scholars ask about the decision to exit, rather than when or how the exit is executed. Yet many studies operationalize the exit decision as the exit event, compressing the temporal distance between exit decision and actual exit execution. In this quadrant, we focus on the real options logic because it dominates the objective considerations in making exit decisions. We then provide an overview of the literature about exit and relocation, turnaround attempts, divestitures as strategic and reorganizing decisions, and the decision-making process.

4.4.1.1 Real options decision

A longstanding literature in strategy and international business has addressed the exit decision from a real options perspective. Times of war (Dai, Eden, & Beamish, 2013; 2017), economic crises (Belderbos & Zou, 2009; Chung et al., 2013), and environmental instability (Berry, 2013) create a dilemma for the MNE as to whether to exit or stay because both actions have costs and benefits attached to them. When organizations need to consider exit due to poor performance, risk of adversity, or any negative feedback from the environment, evidence shows that they tend to delay the decision to exit by considering other alternatives (Buchholtz et al., 1999; Shepherd et al., 2015), especially that there are multiple exit barriers that make an exit decision a challenge (Decker & Mellewigt, 2007). In contexts of uncertainty, the real options perspective may explain many firms’ decisions, as it offers a rationale to wait, delay the exit decision, and remain flexible.

A majority of this literature examines diversified firms operating in different markets locally and geographically. Despite macroeconomic adverse conditions, an MNE might decide to wait and hold on to a subsidiary if it offers an option value—especially during uncertainty, when current
circumstances might change (Belderbos & Zou, 2009). However, adversity and uncertainty in a host market might reach a certain threshold when the MNE starts discounting the option value because of a substantial increase in the costs of staying, and eventually decides to exit the subsidiary (Dai et al., 2017). Firms need to know when to exit in a timely manner (Dai et al., 2013; 2017), and this is contingent on this option value of keeping the business running in this market; for example, the subsidiary would be of high value, even if it is underperforming, when it includes hard-to-replace assets (Dai et al., 2017), or has complementary activities and operations to those of other sister subsidiaries in the portfolio of the MNE (Berry, 2013; Chung et al., 2013; Dai et al., 2017). MNEs with larger portfolios (across different locations) are less likely to exit their foreign subsidiaries, and prefer to wait as they can shift activities from one subsidiary to another in times of uncertainty (i.e., the MNE has built-in redundancy and flexibility in a portfolio of options across those subsidiaries and locations) (Belderbos & Zou, 2009; Chung et al., 2013; Dai et al., 2017).

Those decisions are considered rational decisions on partial exits as they affect only a subset of subsidiaries in certain markets, out of a larger portfolio of the MNE. Many times, these decisions could be made to get rid of subsidiaries that have become a burden on the portfolio. How managers assess opportunities and threats plays a role in making these decisions, and sometimes an exit decision becomes the only option to avoid catastrophic losses (Dai et al., 2017).

Damaraju et al. (2015) apply real options rationale to both the decision to exit (Quadrant I) and the question of how exit will be executed (i.e., mode; Quadrant II). We discuss this study further in Quadrant II, but it is important to note that this research highlights more diversity in exit decisions by proposing an additional option: a partial divestment (i.e., spin-off/equity carve-outs). Partial divestment is a choice that must be counterbalanced to complete divestment, or to non-divestment decisions. Nevertheless, the authors find that a decision for a partial exit has less real options value than those of not divesting or completely divesting, due to the complexity of implementing the partial divestment (Quadrant II) after this decision has been made.

In this quadrant, we did not find research that empirically investigates the time it takes organizations to make an exit decision. The closest study is Elfenbein et al. (2017), in which the authors discuss exit delays by conducting an experiment with entrepreneurs/managers with
equity stakes and advisors with no stakes. Both groups had to make an “exit or stay” decision with an underperforming firm. As expected, decision makers do not make a sudden and prompt decision to exit. When decision makers delay an exit decision, due to the uncertainty of future outcomes, the authors label this delay as rational delay: it is the option to wait, as in a real option logic. However, the authors noted that when entrepreneurs/managers own an equity stake in the venture, they tend to take more time than non-owner advisors, over and above a rational delay, to make an exit decision; owner-managers need more certainty that the business is unprofitable before exiting (Elfenbein et al., 2017).

4.4.1.2 Exit and relocation decisions (home vs. host)

Domestic firms face more challenges than foreign firms when making exit decisions as managers and owners are more attached to locally based operations, which usually represent older businesses or legacy operations (Feldman, 2013). There has been more focus in the international business literature to examine exit from a foreign subsidiary, and in strategy literature, focus on exit from a market or business unit as one of many in a diversified portfolio of the organization. However, there has been little research that examines how multinational or diversified organizations consider exiting home-based businesses. One of the few studies of this nature, Berry (2010), examines how opportunities in foreign markets (such as lower-cost production and new market opportunities) might motivate firms to exit operations from home. Moreover, Coucke and Sleuwaegen (2008) looked into the impact of globalization and entry of new competitors as threats to local firms that need to respond by considering an exit option. The main argument is that domestic firms might need to resort to “partial entity” exit by divesting production activities (Berry, 2010) or offshoring (Coucke & Sleuwaegen 2008), and relocate to foreign locations.

These decisions are partial because they do not entail complete exit decisions of an entity, but they may be necessary so the parent organization could survive in its own domestic market. Exit and relocation became common during the 1997 Asian financial crisis as firms could weather challenges they were facing in certain subsidiaries and/or locations (Chung et al., 2013). At the same time, when better global market opportunities arise, firms might decide to divest some
peripheral businesses of an entity at home to allow more time and attention for new activities in other markets (Berry, 2010). This form of partial exit from the home market to reallocate resources and relocate into new business in foreign markets has not been well developed in the literature, though it is becoming a more common exit phenomenon (Chung et al., 2013; Mata & Freitas, 2012). Instead of looking at those exit decisions as uniform, Mata and Freitas (2012) acknowledge the diversity in exit decisions, such as multinationals partially exiting their operations from Portugal—the focal country of their study—with or without relocation of the divested operations elsewhere in the world, and the partial exit of purely domestic firms by offshoring their operations abroad. Although, Mata and Freitas (2012) note that these partial exits are different from complete exit decisions and have varying implications on the parent organization, they are unable to account for these exit decisions empirically.

Comparing purely domestic firms to foreign firms and to domestic-based multinationals, Mata and Freitas (2012) find that MNEs are more flexible to make an exit decision due to the footlooseness advantage of “being foreign.” In other words, firms are less emotionally attached to their foreign subsidiaries than to their own domestic businesses, especially as those exit decisions are made at headquarters rather than at the subsidiary level (Mata & Freitas, 2012). MNEs resort to more flexible exit decisions by comparing conditions across different subsidiaries in different locations continuously, and then decide whether they should exit a certain subsidiary and maybe relocate somewhere else. Often, they move a business from one location to another, to an extent where foreign subsidiaries’ presence becomes temporary in some locations (Coucke & Sleuwaegen, 2008; Mata & Freitas, 2012). Although foreign firms may require longer periods of activity in order to make a decision to exit (due to large entry costs), they are still flexible and can make an exit decision more easily than domestic firms, especially when environmental conditions change in a host country or elsewhere (Mata & Freitas, 2012). Examining international new ventures’ exits from international markets, Nummela and colleagues (2016) argue that exit from a market is only a temporary problem for MNEs, as they can fall back on revenues from other markets. However, international exit could be more severe for international new ventures that have little or no domestic revenues (Nummela, Saarenketo, & Loane, 2016).
Adding to the diversity of exit decisions, we identified research on exit that postulates that MNEs can resort to a middleground exit choice that falls in between the two extreme decisions of “business as usual” (i.e., continue) and “full exit: (i.e., complete discontinuation of operations and the most radical response to environmental pressures) (Meyer & Thein, 2014). A low-profile strategy (Meyer & Thein, 2014) or sleeping strategy (Figueira-de-Lemos & Hadjikhani, 2014) provides a more fine-grained response to changes in the foreign macro environment. Low-profile strategy is about continuing a presence in a market but reducing commitment and visibility (e.g., lower commitment modes, low-profile branding, or serving the market indirectly through partners in other locations) (Meyer & Thein, 2014). Further, highlighting the diversity in commitment decisions (e.g., divestment, total market exit, or preserving the status quo commitment), Figueira-de-Lemos and Hadjikhani (2014) argue that in highly uncertain environments, the MNE may become unable to make major decisions regarding an entity exit (here, a subsidiary exit) and adopt a sleeping strategy, in which it tends to decrease its tangible assets (e.g., production plants, subsidiary offices, and transportation vehicles) and commit in a more intangible way (e.g., personnel, education, advertisement actions, managers’ meetings, or relationships inside and outside the firm) to reassess its current tangible commitments. Low-profile and sleeping approaches shed light on the aggregated parts of a subsidiary in these contexts, and help to explain how a parent MNE can decide to exit some parts of the entity while preserving other parts by committing intangibly.

4.4.1.3 Retrenchment and refocusing decisions as turnaround attempts

In the context of decline and low performance, there is always reluctance to make the decision to exit. In particular, many exit barriers (Decker & Mellewigt, 2007) discourage firms from engaging with an exit decision. Decker & Mellewigt (2007) identify three main barriers to business exit: structural or economic (e.g., resources, ownership concentration, inertia due to age and size); strategic (e.g., relationships with other businesses of the firm); and managerial (e.g., information asymmetries or conflicting goals that dissuade management from making a decision to exit even though it is justified economically). In the short run, most probably, the management will simply decide to continue with an underperforming firm.
As firms experience low performance and exit becomes a probable consideration, managers and entrepreneurs often resort to failure-avoidance activities. These turnaround attempts can buy the organization some time before making the exit decision (in the case of failed attempts), or avoid the exit decision altogether (in the case of successful attempts). Turnaround is defined as a recovery in performance after a period of organizational failure (Pearce & Robbins, 1993). The management literature has examined different causes of decline, as well as various responses, firm actions, and outcomes of organizational decline and turnaround (for a review, see Trahms et al., 2013).

Van Witteloostuijn (1998) identifies four responses to organizational decline: immediate exit (when profitability falls below zero), turnaround success (firms move from negative to positive profits), flight from losses (after a period of losses, the firm decided to leave the market), and chronic failure (negative profits, but firm stays in the market). The scenario of immediate exit is a compression of this “before exit” quadrant, as the decision is taken abruptly here once the organization perceives the need to respond to the decline. One approach to avoid failure is to undertake partial exit by closing some entities or downsizing capacity; however, this approach can only work if the entity and capacity are divisible. Otherwise, the firm faces a yes-or-no exit decision that can be delayed (i.e., in the long run, a case of chronic failure) or reversed (i.e., in the case of turnaround success) (van Witteloostuijn, 1998).

Turnaround is a sequence of activities to avoid the ultimate decision of a full exit, or what is considered as failure (Boyne & Meier, 2009). Trahms et al. (2013) describe strategic and operational actions as firm attempts for a turnaround. Strategic actions involve leveraging new markets and products, while operational actions include asset and cost retrenchment (Trahms et al., 2013). Retrenchment is a reduction in the size and scope of a business by fully or partially exiting one or more entities, such as exiting difficult markets, deleting unprofitable product lines, selling assets, outsourcing, and downsizing (Boyne & Meier, 2009, p. 843). Retrenchment that includes divesting or exiting a certain entity could impact the viability of the organization on a corporate level. In other words, a partial exit from one of the markets or one of the subsidiaries becomes a solution to avoid a complete exit or collapse of the organization because it helps to cut losses and generate resources for better use (Boyne & Meier, 2009).
Managerial considerations are important in those decisions. For example, appointing new managers will increase the likelihood of a retrenchment decision because they are less attached to the business units or subsidiaries of the organization (Boyne & Meier, 2009). Moreover, mid-level managers can play a role in those decisions, sometimes guiding the top management team in exiting certain businesses and markets, and entering new/different ones (Burgelman, 1996).

Although divesting certain assets and/or exiting entire businesses and markets could help the firm to turn around, there are inconsistent findings in the literature about the effectiveness of retrenchment (Trahms et al., 2013; Wennberg et al., 2010). Retrenchment is not always helpful in addressing the organization’s decline; in fact, it might push the firm to decline further (Boyne & Meir, 2009). Divesting assets and exiting markets may signal that the firm is struggling, and push it into a downward spiral (Vidal & Mitchell, 2015). How effective retrenchment is for recovery is contingent on its early adoption as part of a turnaround attempt (Filatotchev & Toms, 2003; Tangpong et al., 2015). Tangpong et al. (2015) find evidence that early (i.e., within two years of decline) market exits and divestments are effective turnaround attempts, while early layoffs and late retrenchment have adverse effects. This study shows how the timing of various partial exit decisions (e.g., exit from certain markets or layoffs) has a differential impact on the organization’s survival. The timing of retrenchment actions (i.e., the “when”—whether they are taken early vs. late) is just as important as the type of actions taken in declining firms (i.e., the “what”). Although the study does not examine why and how certain timing has been adopted by firms (i.e., why early or late decisions were made), we can assume that organizational contingencies and managerial influences should determine this timing decision (Tangpong et al., 2015; Trahms et al., 2013).

Other studies show that the most effective turnaround attempts are combinations of both strategic change and operational retrenchment (McKinley et al., 2015; Schmitt & Raisch, 2013); however, it is not evident whether the integration of both is effective in cases of severe decline. When managers need “to stop the bleeding,” they may have fewer resources and attention to invest in integrating both approaches (Schmitt & Raisch, 2013)

Another interesting but underresearched topic is the turnaround of firms after filing for bankruptcy. Although bankruptcy represents an indication of a failing firm and a major step
towards organizational death (Moulton & Thomas, 1993), there are studies (albeit few) that looked at reorganization and successful turnarounds after filing for bankruptcy (e.g., Dawley, Hoffman, & Lamont, 2002; Mayr, Mitter, & Aichmayr, 2017). Bankruptcy could be an opportunity for reorganization and a special form of turnaround: “the ultimate turnaround challenge” (Dawley et al., 2002).

Most studies equate bankruptcy with failure or a total exit event. Yet, our conceptual framework helps to contextualize these studies in this quadrant (before exit decision), as there are cases when organizations file for bankruptcy to buy more time and defer the decision to exit (Lee, Peng, & Barney, 2007). Meanwhile, some organizations can reorganize and turn around effectively, bouncing back and avoiding an ultimate exit or failure. Lee et al. (2007) argue that institutional changes supporting easier reorganization for firms after filing for bankruptcy would be conducive to many organizations. Chapter 11 bankruptcy provides an option value for a firm to revive and, even in cases of out-of-court settlement bankruptcy, firms may or may not cease, based on the outcomes of the negotiations (Lee et al., 2007).

Altman’s Z-score (Altman, 1993) has been used as the common measure to assess a firm’s financial health and the likelihood that it will file (or refile) for bankruptcy protection (Dawley et al., 2002). Firms with high strategic choice—determined by re-deployable resources—or low environmental constraints were able to refocus and benefit from the extra grace period they received from filing for bankruptcy, improving their Z-score (Dawley et al., 2002).

There are a variety of outcomes of firms’ turnaround attempts, but current research does not distinguish well among them. The outcomes in increasing order of success are: failure (liquidation), reorganization bankruptcy, discounted sale, limping along, recovery, and sharp bend recovery (Trahms et al., 2013). Nevertheless, there are scenarios of firms that are able to survive and avoid exit despite being economically unviable, outlasting more efficient firms in the long run. These organizations have been labelled as “permanently failing organizations” (Meyer & Zucker, 1989), “living dead” (Ruhnka, Feldman, & Dean, 1992), “chronic failures” (van Witteloostuijn, 1998), and “failure-avoidance organizations” (McGrath, 1999); they are not making the decision to exit and are feigning “immortality.” Sometimes, decision makers are willing to keep a failing entity alive for non-economic reasons, such as emotional or social ties.
They are willing to accept a low level of performance for a long time before even considering an exit decision (Gimeno et al., 1997). Some actors try to turn them around, some are not successful, and some are not willing to try because they have no pressures to improve the organization’s performance. For example, Boyne and Meier (2009) examine public organizations that face no competition and are not threatened by more superior rivals. When actions are not taken to improve performance, these organizations become “permanent failures” (Meyer & Zucker, 1989). Similarly, when firms file for bankruptcy, they are able to postpone their exit decision during the reorganization stage, though technically they are bankrupt. However, Lee et al. (2007) note that, in the long run, these already-bankrupt organizations’ chances of survival are not high.

4.4.1.4 Divestitures as strategic and reorganizing decisions

In the previous section, we discussed retrenchment as a form of divestment that is triggered by negative feedback from the environment and/or when firms are in distress. Yet it must be noted that firms also resort to divestments (or divestitures) for strategic purposes that were triggered by better opportunities, rather than distress. Divestment is part of the resource orchestration of an organization, a phenomenon that draws upon the conceptual work of resource management (Sirmon, Hitt, & Ireland, 2007) and asset orchestration (Helfat et al., 2007; Trahms et al., 2013). This stream of research in strategic management examines divestitures (Brauer, 2006) as adjustments of the ownership and portfolio of the firm via different forms, such as spin-off, equity carve-out, split-up, or unit sell-off. It is the decision for “disposal and sale of assets, facilities, product lines, subsidiaries, divisions and business units” (Moschieri & Mair, 2008, p. 399). Divestiture is considered a tool (one of many) of corporate strategy and restructuring (for a review, see: Brauer, 2006; Moschieri & Mair, 2008). This form of exit decision could enable an organization to reconfigure resources within the corporate portfolio (Capron, Dussauge, & Mitchell, 1998; Helfat & Eisenhardt, 2004; Karim & Mitchell, 2000), leverage better opportunities elsewhere (Brauer, 2006), or remove an underperforming firm (Chang, 1996). Poor firm performance (and not necessarily a firm in distress) at the business unit and/or parent level has been shown to be the strongest predictor of divestiture (Brauer, 2006). Businesses in weak or
declining industries are first to be considered for divesting, including legacy firms that have become unrelated to other businesses in the portfolio (Feldman, 2013).

Firms face multiple challenges before, during, and after divestiture (Brauer, 2006), and the decision to exit a business unit or subsidiary has been compared to a “divorce” between the organization and the exited entity (Brauer, 2006). However, most of the relevant research has focused on the antecedents and consequences of divestitures, with very few studies on the process of divesting (Brauer, 2006; Moschieri & Mair, 2008).

Once managers realize the need to divest a firm, they tend to first redeploy internally rather than sell or liquidate the firm (Lieberman, Lee, & Folta, 2017). Borrowing from research on the resource-based view, scholars show that if the resources of the divested entity are related to the organization’s resources, redeploying internally inside the portfolio makes the exit process faster due to lower sunk costs, shorter redeployment delays, and a larger portion of the investment being recovered (Lieberman et al., 2017). There is also evidence that firms try to reap some benefits before abandoning a business, and try to recombine it with other business units as a first step towards the exit decision. In this way, the parent organization might be able to extend the life of this business and deter its full exit (Karim, 2006; Decker & Mellewigt, 2007). This is a form of a partial exit decision in which a firm achieves the goals of an exit decision, but recovers some of its investments and stays involved with the divested entity. It is an interesting exit decision in that some parts of the relationship between the parent and the entity are kept while others are lost. In addition, research shows that longer-tenured CEOs are more emotionally attached to their entities and will first try to restructure internally to achieve the performance threshold, rather than directly consider a full exit decision (Feldman, 2013).

Building on resource reconfiguration, Vidal and Mitchell (2015) differentiate between partial and full divestiture. Partial divestiture takes place when a portion of the unit, a product line, or a plant from an ongoing business unit is sold, liquidated, or spun off. The authors find that partial divestiture is particularly common in cases of increasing performance as a proactive reconfiguration strategy. On the one hand, divesting partial entities allows a more fine-grained adaptation (Montgomery & Thomas, 1988). On the other hand, divesting full entities is a higher-risk activity, but one that could allow for more immediate and extensive change—especially in
cases of low performance (Vidal & Mitchell, 2015). The authors also mention other alternatives in partial exit decisions, such as the choice to divest smaller entities to fine-tune a growing business, whereas divesting larger ones could support declining business.

4.4.1.5 Decision making – Objective considerations

The exit decision is a process in itself. Divesting a business is not an impulsive decision, but it unfolds as a series of actions in response to forces that might induce the divestiture or discourage it (Buchholtz et al., 1999). For instance, Burgelman (1996) shows how middle-level managers at IBM contributed to resolving the dilemma that top managers had about whether to exit its core dynamic random access memory business. The responsiveness of the organization to the need to divest is one of the first steps in considering an exit decision.

Top managers have to decide how the underperforming entity fits with the corporate portfolio of the organization in terms of performance (Hayward and Shimizu, 2006), resources (Feldman, 2013; Lieberman et al., 2017), and activities (Belderbos & Zou, 2009) before making a decision. They also look for cues to justify a decision to continue with an underperforming business (Hsieh, Tsai, & Chen, 2015). In the case of undertaking new actions in a location where they have performed poorly, MNEs look at their competitors’ performance as cues to justify their decision to continue (Hsieh et al., 2015). This study complements previous work that has examined the decision to persist irrespective of external cues (e.g., Shimizu, 2007; Hayward & Shimizu, 2006). Borrowing from the escalation behaviour and competitive dynamics literatures, Hsieh et al. (2015) find that firms are more likely to commit (i.e., stay and continue) if small competitors have positive performance and larger competitors have high action volume, whereas they become more willing to de-commit to these businesses if larger rivals are incurring losses. The study shows that there are rational and objective deliberations of a firm’s escalation behaviour to a losing entity, and not always cognitive and personal bias explanations for this behaviour.

On the other hand, Hayward and Shimizu (2006) examine de-commitment and de-escalation of commitment, arguing that the two are different constructs. In fact, firms might de-escalate their commitment to a losing course of action, but not necessarily de-commit or exit the entity.
(Hayward & Shimizu, 2006). Furthermore, we interpret the sequences and degrees of these decisions in the literature, as CEOs could start with de-escalation and perhaps then move to de-commitment (or not). This de-commitment to a certain entity could be considered a partial decomposition of the exit; then, after de-committing, CEOs can decide to exit or not. In fact, when the environment becomes less uncertain, some CEOs might recommit to underperforming entities and try to turn them around (Hayward & Shimizu, 2006).

Adding to the nuances of commitment and de-commitment in exit decisions, Santangelo and Meyer (2011) argue that most studies look at exit as a radical form of de-commitment. However, there are instances of commitment decreases within an entity’s ongoing operations, such as the instances we reviewed earlier and presented as partial exit decisions: low-profile strategy (Meyer & Thein, 2014) or partial divestitures (Vidal & Mitchell, 2015).

Our usual understanding of escalation of commitment is based on the temporal aspect of it, when the decision to exit is delayed and firms continue persisting by recommitting to a certain course of action. The conceptual framework in our review provides the additional lens of partiality to understand that there are both material and rational (i.e., objective) elements and emotional and cognitive (i.e., subjective) elements of the escalation of commitment. Escalation of commitment, while so often used, has insufficiently been problematized in the literature. An organization can escalate its commitment differently in objective terms versus subjective terms. The decision to escalate commitment creates the illusion that the firm is not exiting but, in fact, it is incurring excessive costs both objectively and subjectively. We discuss the subjective elements in Quadrant II, but from objective considerations, reinvestment in the failing entity is a temporary buffer against the probability of exit (Wennberg et al., 2010), and firms may objectively decide to recommit to a certain course of action (Hsieh et al., 2015).

At the individual level, some entrepreneurs set their intention to exit the firm before an exit decision is required (DeTienne, 2010). In cases of an intended exit path rather than forced failure, entrepreneurs would also decide in advance the form of the firm’s exit (DeTienne & Cardon, 2012; DeTienne et al., 2015). Exit strategy is the mode through which the entrepreneur intends to exit, and is a precursor to the actual exit decision (DeTienne et al., 2015). There are multiple exit strategies that allow an entrepreneur to remain involved in the entity, such as one’s
high involvement in family business succession) (DeTienne & Cardon, 2012). Factors such as entrepreneurial experience, industry experience, level of education, and age of the entrepreneur influence the specific exit path chosen (DeTienne & Cardon, 2012). For example, entrepreneurs with greater industry experience are more likely to stay involved with the business and keep a partial ownership when they intend to sell the entity to employees. DeTienne and Cardon (2012) show that exit is more than a dichotomous choice, noting that entrepreneurs have many potential exit paths available to them. In this review, we show that exit strategies and intentions are actually decided before the exit decision; however, the exit routes (i.e., the actual form of exit) belong to our themes in Quadrants III and IV, after the decision to exit has been made.

In the case of low economic performance, entrepreneurs and owner-managers have variant thresholds of performance—reflecting different aspiration levels—and when performance falls below a certain threshold, the entity will be dissolved or sold. Particularly in small and new ventures, the difference in thresholds could be partially explained by objective factors such as the human capital of the owners, their alternative employment opportunities, switching costs to other occupations (Gimeno et al., 1997), and personal investment (e.g., time, money and energy) in the entity (DeTienne et al., 2008). We discuss the decision to persist and the more subjective considerations in greater detail in Quadrant II.

4.4.1.6 Future research directions

Although the literature in this quadrant examines the decision to exit, most of the studies (in particular, the real option studies) adopt the exit event likelihood as the measure of the decision. We argue in this review that “exit decision” and “exit execution” are conceptually different. We acknowledge the limitations of the data and the challenges to operationalize the decision to exit, but it is important for future research to distinguish between the decision to exit, and its execution.

Real options are fundamentally about whether the organization would decide to exit, but studies do not acknowledge that there is a time to decide to exit and a (separate) time to exit. We believe future studies should be careful to distinguish conceptually between the likelihood of exit and the speed of exit, and elaborate on their choices in operationalizing exit decision (Quadrant
I), exit execution (Quadrant III), speed to make an exit decision (Quadrant I), and speed to exit execution (Quadrant III).

Moreover, we need to differentiate between those who “own the option” (i.e., those who make the decision to terminate—in this case, the corporate team at headquarters) and those who “are the option” (i.e., those who work in the entity being terminated) (McGrath et al., 2004, p. 96). Our Quadrant IV calls attention to the very few studies at the unit level (after the decision), but it is important to understand how actors at the unit level engage with the exit before the decision, and how they interact with the parent firm during this decision-making process. For example, a foreign subsidiary has triple embeddedness—corporate, local, and sectoral (Simões, 2005)—and it would be interesting to unpack exit decisions at each of these different levels.

In addition, there are different causes or triggers of exit decisions, and distinguishing between the triggers and the time needed to make exit decisions could be a compelling avenue for future research. For instance, organizational decline takes longer than a crisis, and thus, managers have more time to react to decline, whereas they need to take immediate action in the case of a crisis (McKinley et al., 2014). There is also an opportunity to understand how firms set exit strategies in cases of contingency, and how they can design some checkpoints/“stage gates” or assess thresholds to exit (Dai et al., 2017; Mata & Freitas, 2012).

Whenever firms decide not to exit, the literature frames this decision as persistence. We argue that a decision not to exit does not necessarily mean effortful persistence, but could be just a waiting/“inaction” decision. To persist is an active response, whereas to wait is more passive and relates to a delayed action. Further, persistence has different layers. Hsieh et al. (2015) note that persistence with a location may or may not imply persistence with the existing strategies in that location. Future research that clarifies these issues would contribute significantly to exit/persistence decision making.

Conceptualizing relocation as a partial exit has the potential to contribute to both theories of internationalization and firm exit. Some firms decide to relocate assets, subsidiaries, and value chain activities of their entities to other locations and leave some of them at home. We need a better definition of relocation that reflects the nature of partial exit from home.
Moreover, turnaround research should shed more light on successful attempts that saved firms after they had filed for bankruptcy. The reorganization of firms after Chapter 11 bankruptcy represents a turnaround challenge that has not been well understood. What are the differences between the turnaround attempts of firms that have already filed for bankruptcy and those that have not?

4.4.2 Quadrant II: Before Exit Decision and Subjective Considerations

In this section, we review studies that focus on the subjective elements of how decision makers in firms and actors grapple with exit decisions. We begin by examining the decision-making process as individuals and organizations contemplate or avoid exit decisions, and then review the social influences that impact those decisions.

4.4.2.1 Decision making – Subjective considerations

How individuals and organizations make exit decisions has attracted considerable scholarly attention among both management (e.g., Gimeno et al., 1997; Shimizu, 2007) and entrepreneurship scholars (e.g., DeTienne et al., 2008; Sharma & Manikutty, 2005; Wennberg et al., 2010; Shepherd et al., 2015). Here, we review, in particular, the subjective elements of this decision process. We note that the decision to automatically continue with a business does not require much deliberation, but when there are changes in the context—whether at the level of the environment, firm, or individual—actors start considering whether they want to abandon the entity or not (Carver & Scheier, 2013; Holland & Shepherd, 2013). Most scholars examine the decision to persist as a mirror image of the decision to exit. The biggest challenge in this area is to be able to identify whether persistence represents a rational course of action (Quadrant I), a subjective and biased decision, or a character-driven choice (Quadrant II) (Kisfalvi, 2000).

The decision to exit is often linked to models of decision making under uncertainty and risk (e.g., Shimizu, 2007; Wennberg et al., 2016). Studies show that, in times of business distress, how one changes attention to survival and aspiration reference points influences risk preferences and decision to grow, persist, or exit (Miller & Chen, 2004; Wennberg et al., 2016). For example, as
organizations near bankruptcy, they are more willing to take risks (Miller & Chen, 2004), and when older, they are more willing to pursue growth to restore performance rather than cut costs and consider terminating the venture (Wennberg et al., 2016).

Shimizu (2007) notes that a combination of the following three factors influences the decision to either exit or retain an underperforming business: (1) the individual risk preferences predicted in prospect theory, (2) the organizational alternative-seeking behaviour predicted in behavioural theory and (3) the individual, group, and organizational defensive tendencies predicted in the threat-rigidity thesis. The author argues that negative performance triggers the decision to divest the business unit; however, as more losses accumulate, the likelihood of an exit decision tapers off because threat-rigidity effects prevail and paralyze the organization.

Examining the exit decisions of family firms provides insights on many subjective aspects. Similar to other organizations, family firms facing organizational crisis tend to avoid exit and resort to turnaround practices to preserve the business (Cater & Schwab, 2008). In particular, the altruistic motives and long-term orientation of the family members will extend the timeline for the firm to be able to implement turnaround strategies. Cater and Schwab (2008) show that family businesses are more patient and willing to persist due to these subjective motives to preserve the business in the family, and are willing to incur personal sacrifices. However, other family characteristics, such as strong ties to the business and emotional attachment, may restrain turnaround challenges because family members may hinder those changes (Cater & Schwab, 2008), leading to extensive inertia (Sharma & Manikutty, 2005). Family businesses are willing to adopt cost retrenchment but avoid asset retrenchments that involve divesting an entity and/or avoid major strategic changes (Trahms et al., 2013). This approach may cause more challenges if the turnaround attempt requires a major asset retrenchment or strategic action. Family firms controlled by smaller families and based in a more individualistic culture are hypothesized to be more efficient in making those retrenchment decisions; hence, they should respond faster to the need to divest and/or to turnaround attempts (Sharma & Manikutty, 2005).

Even when better economic opportunities arise, family firms prefer to preserve legacy and maintain their dutiful tasks (e.g., preserving employment to workers and family members), rather than exploit these opportunities (Feldman et al., 2016). If a family firm ultimately decides to
divest an entity to exploit an economic opportunity, the financial value should be high enough to offset the costs of sacrificing the non-economic family considerations (Feldman et al., 2016).

At the individual level, underperforming entrepreneurial ventures with similar objective economic performance react differently due to individual differences among entrepreneurs (DeTienne et al., 2008; Gimeno et al., 1997). Personal values and experience with adversity (Holland and Shepherd, 2013), motivation (intrinsic and extrinsic) (DeTienne et al., 2008), and personal satisfaction (Gimeno et al., 1997) influence the subjective threshold of performance that entrepreneurs will accept to continue the business. For example, there are instances when an entrepreneur persists with an economically failing firm because it preserves the entrepreneur’s social status or acceptance (Khelil, 2016). Empirically, Gimeno et al. (1997) compared firms that exited with ones that did not (i.e., exit event) to unravel the predictors of persistence of underperforming entrepreneurial firms. To examine individual-level persistence decisions, more recent studies resorted to experiments and conjoint studies (e.g., DeTienne et al., 2008; Holland & Shepherd, 2013).

Escalation of commitment has been used as one of the most common theoretical explanations as to why entrepreneurs or managers persist (DeTienne et al., 2008; Pajunen, 2008; Shepherd et al., 2009). Scholars simply argue that the determinants of commitment to a course of action (e.g., self-justification, norms for consistency, preference for future uncertain loss over sure loss) offer sound explanations as to why actors decide to persist with an underperforming firm rather than exit.

A recent study shows that long before entrepreneurs decide to escalate commitment, they are already trapped in a mindset that dissuades them from making an exit decision, even when it is needed (McMullen & Kier, 2016). Entrepreneurs are usually focused on seeking opportunities, which entices them not to think of exit or plan an exit or contingency strategy (McMullen & Kier, 2016). In the event of changing conditions, the mindset of the actor is already focused on, and attentive to, how to complete the goal, as opposed to questioning whether the goal should be completed/exited. This promotion focus to achieve something delays the realization that one needs to exit or stop and, by this time, one is still investing in the venture, in a failing course of action. Entrepreneurs may not realize that a decision must be made about whether to persist or
not (McMullen & Kier, 2016). McMullen and Kier (2016) note that in lab studies, individuals are asked to make a decision, but in the field, individuals may not know that there is a need to make a decision.

We can also borrow more from the literature in cognition to understand how entrepreneurs and managers make an exit decision. For example, on the one hand, fear of failure might encourage an entrepreneur to adopt failure-avoidance strategies and make more sacrifices (Cater & Schwab, 2008) to avoid exit. On the other hand, fear of failure can be de-motivating, discouraging investment (Morgan & Sisak, 2016) and de-escalating commitment.

The decision to exit an underperforming business is not necessarily the opposite of an escalation of commitment, as often described in the literature. In fact, Hayward and Shimizu (2006) investigate how CEOs de-escalate from a certain commitment and then de-commit to a certain business. This decision-making process shows how the exit decision is partial. One can first de-escalate a previous commitment to a certain business endeavour and then de-commit to the entity, and possibly—but not necessarily—decide to exit the business.

The de-commitment to a course of action can take place when one attributes the cause of the problem to other managers, and hence de-identifies with this business unit and becomes less psychologically attached to it. It is important to note that managers could de-escalate commitment to a certain business as a means to correct poor decisions and low performance of the firm, and need not withdraw from the business unit entirely (Hayward & Shimuzu, 2006). CEOs might choose instead to wait before making an exit decision, because in general, mental accounting of individuals is more biased towards escalating commitment rather than de-committing (Hayward & Shimizu, 2006).

Moreover, there are emotional explanations for delaying entrepreneurs’ exit decisions, in particular, procrastination and anticipatory grieving (Shepherd et al., 2009). In such cases, the entrepreneur is delaying the decision to act, trying not to think about the decision that must be taken. A nuanced distinction is important here, because, in this case, it is a matter of “not deciding” rather than “deciding to persist”—a distinction that has not been clarified in the extant literature. Procrastination is related to the act of avoiding response to an emotional threat, while
anticipatory grieving leads to delay as a way to help oneself to emotionally prepare for the impending loss (Shepherd et al., 2009) or avoid being stigmatized (Singh et al., 2015).

It would be helpful for managers and entrepreneurs to have “stage gates” where they can assess the performance of the firm progressively and decide whether to continue or not, especially in light of changing conditions and new feedback (McMullen & Kier, 2016; Shepherd et al., 2015). However, the entrepreneurship literature focuses more on existing exit intentions and strategies of entrepreneurs, when the exit is desirable and planned in advance (e.g., DeTienne et al., 2015). These exit decisions take place when the business is performing well but the entrepreneur decides to exit for non-economic reasons, including personal circumstances (Shepherd et al., 2015).

Entrepreneurs have various motivations for exiting the firm. One can decide to exit the firm due to lack of fit between one’s decision-making style and the organization’s demands (Brigham et al., 2007), or conflict between the entrepreneur and investors (Collewaert, 2012). In these instances, entrepreneurs might decide to exit the business (e.g., sell or liquidate) prematurely based on a volitional decision that was made ahead of time.

Further, when exit strategies are set in advance by entrepreneurs, they delineate different planned routes to exit. We were particularly interested in partial exit strategies in which entrepreneurs (DeTienne et al., 2015) or family business owners (DeTienne & Chirico, 2013) plan to pass on the business to family members or employees (i.e., stewardship exit). These planned exit strategies reflect the intention of the entrepreneur and/or owner-manager(s) to stay involved to a certain degree with the entity, and take care of the firm and/or family continuity (DeTienne & Chirico, 2013; DeTienne et al., 2015).

### 4.4.2.2 Social and peer influences on exit decision

Some studies in strategy and international business examine exit decisions in light of subjective social influences. When organizations operate in an industry that is stigmatized due to the wrongdoing of other firms (Durand & Vergne, 2015), or in a country that faces global social movement pressures and global sanctions (Meyer & Thein, 2014; Soule et al., 2014), they need
to consider exiting from these markets to signal their disassociation from the industry (Durand & Vergne, 2015) or the country (Meyer & Thein, 2014; Soule et al., 2014) and save their reputation. Organizations may not have experienced direct adversity or low performance yet in these markets, but they decide to exit prematurely to avoid risks. In the context of uncertain environments, exit decisions “diffuse” between similar organizations within a particular network (Soule et al., 2014). In other instances, an MNE might decide to divest from countries that are in the same region or have similar political, economic, and cultural conditions as the host country (where the MNE experienced a dispute with the host government that resulted in an exit decision) (Blake & Moschieri, 2017). In this case, there is a “contagion” effect among sister subsidiaries of the same MNE, but in different markets, where the MNE prefers to exit prematurely to circumvent any future challenges (Blake & Moschieri, 2017). It is interesting that these exit decisions are made due to “spillover” effects from stigmatized peers (Durand & Vergne, 2015), “diffusion” within the network of intergovernmental organizations to which the firm belongs (Soule et al., 2014), and “contagion” from other sister subsidiaries in neighbouring countries (Blake & Moschieri, 2017). These exit decisions are not considered necessary or urgent; however, due to social influences and to prevent future challenges or damage, the organizations make these decisions prematurely.

Moreover, firms do not need to divest all their operations in these markets. In fact, all the exits observed from the stigmatized industry were partial exits that were enough to signal (1) the disassociation of the firm from the market and (2) that it follows more socially accepted goals (Durand & Vergne, 2015). Other firms may resort to partial exit through “low-profile strategy” by reducing visibility and commitment but still continuing operations (Meyer & Thein, 2014). In other cases, organizations might avoid the exit decision from international markets, as they do not want to lose their image or question their identity as an MNE that operates across numerous countries (Wan et al., 2015). If needed, organizations might partially decrease their involvement in international markets by first divesting smaller entities, units, or subsidiaries that generate less positive publicity (Wan et al., 2015).
4.4.2.3 Future research directions

Developing an empirical understanding of the decision to persist remains a challenge for researchers. Scholars adopt lab studies and experiments by asking participants to make a decision. However, in the field, managers and entrepreneurs are not explicitly asked to make a decision (McMullen & Kier, 2016). It is important to understand when actors feel the need to make a decision and how they make a decision to persist. Furthermore, the decision making changes over time as the decision to exit is not a one-time event: managers and entrepreneurs keep on reevaluating environmental changes and organizational contingencies that affect their decisions over time. More research is needed to understand how they make those decisions longitudinally (e.g., Miller & Sardais, 2015) and why and how they move from a decision to persist to a decision to exit, and maybe revert back to a non-exit decision. In addition, it is important to examine whether some entrepreneurs rely on effectual decision making (Sarasvathy, 2001) when they contemplate exit decisions; this is an interesting issue because we would assume that if entrepreneurs rely on effectual decision making, they would be faster in making the decision to exit.

It is sometimes hard to distinguish between rational effects and more individual, cognitive, and psychological effects in making an exit decision. Future studies that explore these differences could be highly valuable, especially when researchers have access to managerial frames of firms making divestment decisions (Damaraju et al., 2015).

As mentioned earlier, we believe that persistence has to be more nuanced than being the opposite of a decision to exit. Scholars define persistence as an “effortful action” (Cardon & Kirk, 2015) and “repeated efforts in the face of adversity” (Markman et al., 2005; Wu et al., 2007). The opposite of a decision to exit is simply “not to exit”, and this could be either a case of a “wait-and-see” attempt (i.e., preserving the status quo) with no effortful action, or a decision to act and persist (i.e., resisting). Future research should discern between persistence and other alternatives to the exit decision.
There are many mechanisms that revolve around the decision to exit, and there is a need for further clarity and differentiation among the reasons to persist, exit, or not make (i.e., delay) a decision.

Moreover, exit can be used as a signal to preserve a certain image or impression of the organization (Durand & Vergne, 2015; Wan et al., 2015). Many times, these exits are executed partially or temporarily just to pretend or signal something. Future research should better articulate these decisions of partial exit that are used to give the appearance of an exit, when in fact the firm has not completely exited. At the same time, there might be some decisions that give an appearance that the firm has not exited, when in fact it did.

4.4.3 Quadrant III: After Exit Decision and Objective Considerations

We believe that the literature, in general, does not distinguish between exit decision and exit execution; hence, most studies compress Quadrant III and IV of our review. Yet, we were still able to review some articles that focus on what happens once the decision to exit has been made, and before the complete exit of the entity. In this section, we discuss studies on exit modes, timing, implementation, and structuring, and interdependencies of exit moves.

4.4.3.1 Choices of exit modes

The decision to exit encompasses more than a choice between termination and persistence, as decision makers have a number of choices on modes of exiting and how to implement the process (Shepherd et al., 2015). Even distressed firms that must exit follow a two-stage decision: first, either decide to exit voluntarily or be forced into a court-driven exit (e.g., bankruptcy); and second, choose to exit—in the case of voluntary exit—either through voluntary liquidation or sell-off (Balcaen et al., 2012; Mata and Portugal, 2000). Depending on multiple factors, firms would prefer and value a certain route to exit over other forms. However, the common wisdom stands that selling the business/entity is a better option than liquidation, and both are better options than forced bankruptcy (Balcaen et al., 2012; van Witteloostuijn, 1998; Zheng et al., 2015).
There are also forms/modes of partial exit that ease the exit process. For example, Lieberman et al. (2017) show that it is more optimal for organizations to redeploy internally rather than liquidate the underperforming entity in the external market, arguing that internal redeployment quickens the exit process. By adopting a partial form of exit by redeploying some of the entity’s resources internally, an organization incurs lower sunk cost and shorter redeployment delays (Lieberman et al., 2017).

On the other hand, partial exit of a business by selling a portion of it was found to be less valuable than full exit when the organization is facing an immediate challenge (Vidal & Mitchell, 2015). Vidal and Mitchell (2015) show that partial exit is valuable when the organization is trying to leverage new opportunities and the exit is being implemented for strategic purposes, freeing resources for future use. The authors argue that a partial divestiture needs more attention and time from managers to be able to disintegrate an entity’s operations that are up for divestment; hence, partial exits are less valuable in times of immediate challenges (Vidal & Mitchell, 2015). Moreover, once an exit decision has been made, a firm could have the choice whether to divest larger or smaller entities (Duhaime & Baird, 1987; Vidal & Mitchell, 2015).

Damaraju et al. (2015) make the distinction between two forms of partial exit: spin-offs and equity carve-outs. Spin-offs take place when the equity in the newly formed entity/firm is distributed to the existing firm’s shareholders, whereas equity carve-out happens when the equity in the newly formed entity is issued to new shareholders (Brauer, 2006; Damaraju et al., 2015). Adopting a real options lens to choose the mode of divestment, the study finds that, in times of uncertainty, partial forms of divestment have less real options value than not divesting or completely divesting. This work echoes similar findings of Vidal and Mitchell (2015) that partial exits are complicated and less valuable in conditions of high uncertainty. The values of spin-offs and equity carve-outs lie in being staged divestments, and they could be the first stage of a further exit, such as additional spin-off/carve-out, complete exit (e.g., liquidation or sell-off), or non-exit (e.g., bringing back the entity/business into the parent company) (Damaraju et al., 2015).
In the case of a distressed business, voluntary liquidation and bankruptcy are two fundamentally different exit modes (Balcaen et al., 2012). Bankruptcy is considered a forced form of exit (Balcaen et al., 2012); however, in Quadrant I, we showed that bankruptcy could also be considered a decision to prolong the longevity of the business while managers try to reorganize. In case a company exits voluntarily, it can decide to liquidate piecewise (i.e., when assets are sold as individual assets) or sell the entire entity (Balcaen et al., 2012; Zheng et al., 2015).

Many factors affect a firm’s choice of exit mode. For example, how old the firm is and how much it holds in cash and debt will impact whether it would exit through liquidation or sale (Balcaen et al., 2012). An entity’s managerial and organizational capabilities influence the choice between an acquisition (where managerial capabilities can be saved and transferred) and a dissolution (where functional and managerial capabilities are selected out) (Fortune and Mitchell, 2012). Further, institutional factors affect exit modes. For instance, in countries with weak institutions, a sell-off of a distressed entity is a challenging task for the owners because the market is underdeveloped for such a transaction (Zheng et al., 2015).

4.4.3.2 Time to exit

Recent research examines the time to exit after the decision has been made (Elfenbein & Knott, 2015; Lieberman et al., 2017; Yamakawa & Cardon, 2017). This emerging body of research attempts to understand why some firms are slower to make an exit relative to others, especially when the speed of exit might have financial, economic, social, and psychological implications on the firm and its managers (Shepherd et al., 2009).

In examining distressed ventures (Yamakawa & Cardon, 2017) and organizations in industry shakeout (Elfenbein & Knott, 2015), studies focus on “time to exit” as a construct to understand the time between the exit decision and the exit event of a firm. There are different time delays to exit, during which exit is still incomplete, partial, and in the making. Even in a situation of distress when exit is impending, how fast the firm exits is still, ultimately, a matter of choice (Balcaen et al., 2011; Cefis & Marsili, 2011).
Investments made in the entity prior to economic distress influence how fast an entrepreneur will exit his/her venture (Yamakawa & Cardon, 2017). Exit delays occur when there are greater investments of the entrepreneur’s time and money prior to the point of distress (Yamakawa & Cardon, 2017). However, the greater the number of employees, the faster the exit; in this case, Yamakawa and Cardon (2017) suggest that entrepreneurs might have to exit this entity early due to the larger costs of the salaries they incur.

Reviewing banks’ exit behaviours, Elfenbein and Knott (2015) distinguish between three types of exit delays: rational, organizational, and behavioural. Adopting the Marshallian exit (i.e., the point at which expected economic profits from operating the business fall below zero) as a reference point, the authors argue that rational delays arise absent of behavioural biases. They find evidence of rational delay when firms are uncertain about their true costs relative to others. Firms do resort to rational delays to get additional signals about their underlying or future profitability. The study also finds evidence of behavioural delays—on top of rational delays—when biases influence how firms interpret new information and performance signals (e.g., self-serving attribution and confirmatory biases). A third factor affecting exit speed is organizational delay, which concerns agency problems (Jensen, 1993) and how non-owner managers engage in self-serving behaviour and delay exit for their own benefit.

Moreover, the form of exit chosen has implications for how fast the exit process is. Redeploying inside the business portfolio (Lieberman et al., 2017), and full (rather than partial) divestiture (Damaraju et al., 2015; Vidal & Mitchell, 2015) speed up the exit process.

Another area of the literature examines the behaviours of firms as they approach exit. The main question here is whether there is a “sudden death,” or whether firms exit slowly (Moulton et al., 1996) as a “shadow of death” (Griliches & Regev, 1995) develops. For example, scholars show that downsizing can serve as an adjustment to cut costs and try to save the company in a turnaround attempt (Gandolfi & Hansson, 2011; Norman et al., 2013), or to prepare the entity for an already-decided exit (Almus, 2004). In fact, laying off employees could be only a postponement of the exit event (Coucke & Sleuwaegen, 2008). Carreira and Teixeira (2011) support this argument by finding that exit does not happen by a “stroke of misfortune” (Carreira & Teixeira 2011, p. 338), and that productivity lowers and employee numbers decrease in the
years leading to an exit. There is evidence of the phenomenon of the “shadow of death sneaking around the corner,” and it starts approximately three years before exit (Almus, 2004, p. 189).

We find very few articles that mention “sudden bankruptcy” (e.g., Balcaen et al., 2012), and there has been no elaboration on this phenomenon. To sell or liquidate, parent firms have at least some partial control of these exits (Balcaen et al., 2012; Leroy et al., 2015). Even in cases of distressed ventures/entities, parent organizations are still able to control the time to exit (Yamakawa & Cardon, 2017).

A very promising area of research is the exit of international new ventures (Nummela et al., 2016) as these firms enter quickly into new markets, but we know less about their exit processes. Adopting Benito and Welch’s (1997) definition of exit from international markets, Nummela et al. (2016) show the diversity in the exit pathways of international new ventures as some firms partially exit from markets and stay involved in international operations, but in different forms of entities, while others completely withdraw. The exit process is multi-staged (Pauwels & MatthysSENS, 1999) and can evolve slowly or rapidly (Nummela et al., 2016). Firms might slowly exit international markets by gradually decreasing their involvement and reducing market spread or switching their operation modes (Benito & Welch, 1997).

4.4.3.3 Exit implementation and structuring

One aspect of the exit process is how exit is implemented and structured after the decision has been made (Moschieri & Mair, 2008). In particular, the divestiture process in strategy could be complicated and lengthy because there are multiple parties involved (Bergh & Sharp, 2015) and the implementation process can impact the performance of the divested entity (Moschieri, 2011).

Burgelman (1996) is one of the early/few studies that looks at exit as a process, starting from the dilemma of the decision to the implementation of the exit; it is a study that exit researchers always cite as a template for future research to understand the richness of the exit process. Burgelman (1996) shows that exit is a process that evolves continuously within the organization and is less centrally driven. Middle-level managers play a role not only in shaping the decision of the top management team about the exit decision, but also in implementing the exit and making
other choices, such as resource allocation and reallocation (Burgelman, 1996). Resources and managerial actions both play a role in shaping an exit process (Burgelman, 1996). Bergh and Sharp (2015) add to those factors the role of outside blockholders in pressuring the organization to exit underperforming businesses and influencing the process by shaping the exit mode. Drawing from agency theory, the authors find that outside blockholders with larger shares in the business unit can exercise their self-interest over managers.

Investigating the divestitures of underperforming and well-performing business units within a corporate portfolio, Moschieri (2011) finds that how the divestiture is implemented and structured—and especially, how top managers frame this exit—will impact the performance of the divested unit. When unit managers understand the reason for exit as a sense of opportunity, and have a perception that they can manage the divested unit once it is independent, they tend to perform better. In cases of exiting through a sell-off, the relationship between the seller and buyer is critical for the success of the process (Grabener & Eisenhardt, 2004). Grabener and Eisenhardt (2004) note that a sell-off from a seller perspective, or acquisition from a buyer perspective, is a courtship and a process of mutual agreement between both parties. There are timing, strategic, and emotional factors in this process, and organizations selling their entities look for an ideal fit in terms of organizational rapport and combination potential of the buyer (Graebner & Eisenhardt, 2004). In the case of an involuntary exit, Moschieri (2011) notes that the process would be different, but does not investigate this case.

As we previously covered, there are different forms of exit and many of these are partial rather than complete exit. Looking at Moschieri’s (2011) case studies of divestitures, we notice that they are all partial in a way. In most cases, the parent firm kept shares and relationships with the divested unit. This study demonstrates that our efforts to better elucidate the partiality of exit are crucial, as the phenomenon is more common than may be expected.

The duration of the divesting operation in Moschieri’s (2011) study took between six and 18 months. The pace of exit and retrenchment, whether it unfolds slowly (i.e., over an extended period of time) or quickly (i.e., in a more compressed manner) could have an effect on the performance of the organization (Tangpong et al., 2015).
4.4.3.4 Interdependencies of exit moves

A stream of research examines exit actions of firms as part of their evolution and/or strategic trajectory (Nachum & Song, 2011)—in particular, relative to their entry actions (Chang, 1996; Mata & Portugal, 2000; Miller & Yang, 2016). Organizations with multiple firms in their portfolios enter markets as expansion, and exit as contraction, to maintain a healthy portfolio as part of the diversification and refocusing process (Chang, 1996; Miller & Yang, 2016). Exit and entry are considered alternative moves that shape the portfolio of a firm in opposing directions (Benito, 1997). In these cases, exit becomes a partial behaviour within the overall portfolio of the organization as it adjusts the fit among the different firms and markets where it operates (Nachum & Song, 2011).

There is a sequence between entry and exit when organizations enter businesses of similar resource profiles and are more likely to divest lines of business of different profiles (Chang, 1996; Miller & Yang, 2016), with both sometimes occurring within one year (Miller & Yang, 2016). There is also evidence that how the firm entered the market or business (i.e., entry mode) affects how it exits (i.e., exit mode) (Mata & Portugal, 2000).

Furthermore firms might imitate the exit moves of their competitors when they have limited information on which markets to exit, as well as when and how (Brauer & Wiersema, 2012; Gaba & Terlaak, 2013). Gaba and Terlaak (2013) investigate the effects of different environmental uncertainties on mimic exit behaviours. Using herding models, the authors find more nuances to the common belief that uncertainty increases imitation: they find results that uncertainty fosters imitation only when it is idiosyncratic to the firm. In contrast, uncertainties that are common to all firms actually reduce reliance on observational learning.

If we compare this study to Hsieh et al. (2015) in Quadrant I, we can distinguish between two forms of imitation in exit based on objective consideration. Gaba and Terlaak’s (2013) study shows that an organization’s exit moves are an imitation of competitors’ moves to reduce uncertainty. However, Hsieh et al. (2015) show that organizations use cues from others (e.g., turnover and sales indicators) to justify their own decisions of escalating commitments and avoid an exit decision (i.e., before the decision to exit).
Further, in Gaba and Terlaak’s (2013) study, exit moves are based on objective considerations where exit may not be necessary but organizations imitate peers and prematurely exit similar markets. In contrast, studies in Quadrant II (Blake & Moschieri, 2017; Durand & Vergne, 2015; Soule et al., 2014) show that social and peer pressures motivate organizations to contemplate exit quickly so they can prevent an impending failure.

The framework of our review helps us to discriminate between seemingly similar exit behaviours, such as “mimic exits,” that have different explanations. Quadrant I sheds light on imitation as a mechanism to justify objectively a decision to persist (Hsieh et al., 2015), with Quadrant II showing mimic pressures as a mechanism for a subjective decision to exit quickly and avoid an impending catastrophe (Durand & Vergne, 2015; Soule et al., 2014). While, Quadrant III presents imitation as an automatic objective mechanism that shapes firms’ premature exit moves, when they may not have been necessary (Gaba & Terlaak, 2013).

4.4.3.5 Future research directions

Quantitatively, scholars can only test the binary nature of the exit event, rather than the decision. This problematizes how little differentiation there is in this literature between the decision to exit and the actual execution of exit. We believe that there are processes of entity exit, after the decision has been made, that are still not theorized.

When the organization decides on a form of partial entity exit, such as redeploying internally (Lieberman et al., 2017), we do not know how much of the initial firm/entity is kept unchanged in terms of resources, capabilities, and business model. Does the organization need to redeploy all of its entity back internally to be able to achieve a faster exit process? Are there cases when a part of the entity is redeployed internally, while the other part is sold or liquidated? What part of the entity is kept, and what part is sold? Moreover, there are opportunities to examine a combination of partial and complete exits, such as a large partial exit and smaller full exits (Vidal & Mitchell, 2015), or an exit scenario when a portion of the entity is sold, another liquidated, and another reinvested (DeTienne & Chirico, 2013). What determines the act to divest larger firms versus smaller firms? How does one decide on a hybrid form of exit and
execute it? We believe addressing those questions could develop our understanding of different nuances of partial exits.

Furthermore, we need to understand what happens at the level of the divested entity (i.e., business unit, Moschieri, 2011), and how much managers at the divested firm can play a role in the exit process after a decision has been made. How do the divested entity and the parent organization interact and collaborate during this stage of the exit process?

In the case of a distressed venture, the issue of whether the exit is voluntary or not is still unclear. We need more conceptual clarity around the notion of choice (Gaba & Terlaak, 2013) and volition in the exit process. It would be interesting to understand how much the degree or illusion of volition over the exit would influence the exit process and its speed.

As mentioned previously, another promising area of research is the exit process of international new ventures (Nummela et al., 2016) as these firms enter into new markets quickly, but we know less about their exit processes. Questions that address exit processes of ventures in the technology sector, which is very dynamic and turbulent, would be timely.

4.4.4 Quadrant IV: After Exit Decision and Subjective Considerations

At the levels of family (e.g., Akther, Sieger, & Chirico, 2016; Dehlen Zellweger, Kammerlander, & Halter, 2014), entrepreneur (e.g., Rouse, 2016), and organizational members (e.g., Walsh & Bartunek, 2011), research shows that there are multiple subjective considerations that intervene within the exit process once a decision has been made. The themes we describe next are subjective considerations of partial exit in which actors try to cheat death, and stay engaged with the entity to a certain degree.

4.4.4.1 Exit disengagement modes - Subjective considerations

The exit mode or route chosen is a reflection of many subjective considerations, such as identity and emotional factors; like the theme in Quadrant III, this research theme looked at choices of
exit modes, but the focus of the research here is on the subjective factors and, more specifically, the incomplete and non-final nature of the exit disengagement modes.

Research in family business shows that families decide on exit forms that safeguard the relationship between the family and the divested entity to preserve the identity with the business (Dehlen et al., 2014; DeTienne & Chirico, 2013). DeTienne and Chirico (2013) examine both the exit of the core business and that of a satellite business in the family firm. They suggest that a stewardship-based exit (e.g., family succession) is preferred over financial reward (e.g., sale) or cessation-based modes (e.g., liquidation), due to the family’s socio-emotional wealth and motivation to preserve the core business/its longevity in the family. Entrepreneurs of older firms are more emotionally attached and would resist exit by passing the business to an outsider, favouring an internal succession (Dehlen et al., 2014). However, family owners are more willing to act like investors when the entity to be divested is non-core (e.g., satellite firm in the portfolio), and would consider selling or liquidating the entity (DeTienne & Chirico, 2013).

On the other hand, Akther et al. (2016) draw on the social identity theory (Ashforth & Mael, 1989) to show that once a family decides to exit an underperforming firm—in this case a satellite business as part of its portfolio—it is more willing to “shut down” the entity rather than sell it. The shutdown is considered a partial exit, as the family closes down the operations and keeps the assets. In a way, the family is avoiding an exit event and feigning an exit when actually, a total exit has not taken place. In this case, the family can reopen or resuscitate the entity in the future if it wishes. Shutting down a satellite firm instead of selling it is a temporary pause for the firm and a promising turnaround attempt, as it saves the organization some economic and psychological costs (Akther et al., 2016). The family prefers to sacrifice financial rewards associated with the sale option, just to preserve the family identity and support the continuity of the business (Akther et al., 2016).

Entrepreneurs have some control over whether the firm will continue after they remove themselves from the firm and how much they want to be involved after the exit (DeTienne, 2010; DeTienne & Cardon, 2012; Leroy et al., 2015). Leroy et al. (2015) show that entrepreneurs driven by their personal intentions (i.e., entrepreneurs’ perceived sense of volition towards selling) have a substantial impact on deciding whether their firms will be sold or liquidated.
Although selling is a complicated task, entrepreneurs should be motivated and committed to make this transition successful for the firm (Leroy et al., 2015; Grabener & Eisenhardt, 2004; Kammerlander, 2016). In fact, entrepreneurs do not abruptly exit and disengage from the firm. There are both physical and psychological disengagements, and the psychological exit takes more time, and influences the commitment of the entrepreneur to the venture after the exit (DeTienne, 2010; Rouse, 2016). Entrepreneurs who identify strongly with their organizations struggle to emotionally and cognitively withdraw from the business after they exit the firm (Rouse, 2016). Those entrepreneurs put the needs of their organizations over their own and they stay engaged with the new entity (whether it was sold or went public) in varying degrees (Rouse, 2016). This partial exit might ease the sense of loss (Rouse, 2016), which is quite complicated as it is a result of one’s own voluntary action to exit (Rouse, 2016). However, one’s involvement with the “new” entity may dilute over time (DeTienne & Wennberg, 2014).

Entrepreneurs may even be willing to accept a discount on the value of the firm and sell rather than liquidate it so they can assure the continuity of the business (Kammerlander, 2016). There is also evidence that long-tenured manager-owners care more about the business continuation and adopt less economic and rational decisions while exiting the business (Kammerlander, 2016). This finding supports the earlier work of Graebner and Eisenhardt (2004) that the party exiting the business cares about how the entity is transferred to the new owners, how many subjective considerations (e.g., perceptions of fit and emotional factors) influence the choice of the buyer, and how the exit process evolves.

4.4.4.2 Resisting the exit

Members of the entity experiencing the exit or demise do not usually accept the exit easily, and many resist the decision or try to reverse it before the final exit execution takes place (Erkama & Vaara, 2010; Walsh & Bartunek, 2011).

Employees would first resist the decision of corporate management to close the business, resorting to different arguments—from rational claims to emotional and moral implications (Erkama and Vaara, 2010). Members of the organization would try to justify the viability of the business and delay the exit event as much as possible (Erkama & Vaara, 2010). Local managers
are dually embedded in the unit to be shut down, and in the corporate organization that made the decision to exit. They may argue for a faster exit process in favour of corporate management, while resisting and delaying the exit in favour of the business unit’s employees (Erkama & Vaara, 2010).

Examining the process of an organizational death and rebirth, by reinventing an afterlife for the organization, Walsh and Bartunek (2011) describe the process of disintegration, demise of the old entity, and then recreation of a new entity. The authors examine the exit process starting from the announcement by the organization's leaders that the entity will be closing. Anger and other emotions of organizational members played a major role in the disintegration period when they first tried to rescue the entity, and then saved what they valued when death became impending, before recovering and starting a new entity (Walsh & Bartunek, 2011).

4.4.4.3 Future Research directions

This Quadrant IV is not well developed in the literature and we would encourage more qualitative and longitudinal research that examines how entrepreneurs and managers act after an exit decision has been made. It would be interesting to study cases where an exit decision that has already been made is reversed, or cases where actors delay the process even after they have decided to exit.

Future research should also investigate the case of portfolio entrepreneurs and portfolios in family firms when they have to exit more than once during their tenures, and many times, consider exit and entry at the same time. This portfolio theme of exit has been well examined in the field of strategic management and international business, but extending it to the entrepreneurship and family business field would be very valuable to our understanding of exit in different types of portfolio businesses.

Furthermore, more studies are needed to understand the interaction between the implementation and execution processes of exit from an objective consideration (at the corporate level), and the subjective resistance of managers and employees at the entity that is being divested.
4.5 Implications

In contrast to the prevalent explanations in the literature of the determinants and consequences of firm exit (failure and death), we were interested to understand what happens before the exit. Because different disciplines have examined exit at different levels of analysis (i.e., market, portfolio, business unit, individual entrepreneur), we decided to adopt a broad definition of entity exit that captures any discontinuity in the activities and involvement as previously understood and undertaken between the parent or decision makers and the entity that is in contention for exit. We reviewed research on processes and mechanisms that begin from the triggers for, and dilemma of, whether an exit decision should be taken to the finality of the exit execution. We complement studies that investigate what happens after firm exit (Ioannou, 2013) or failure (Ucbasaran et al., 2013), but turn these on their heads to look at what happens “before exit.” The studies we reviewed collectively challenge the conceptual purity or simplicity of the exit phenomenon.

We induced two dimensions from the literatures across strategy, international business, and entrepreneurship. First, the temporal dimension shows that exit is a process that unfolds over time (Aldrich, 2015; Cefis & Marsili, 2011), and we anchor it by the decision to exit to distinguish between mechanisms that take place before the decision to exit and those after the decision. All of these subprocesses and mechanisms happen before the final exit has been executed. We argue that time should be more explicitly addressed both conceptually and empirically in exit research, particularly to distinguish between the period before the exit decision and that after the exit decision. Because of time’s potential to affect the who, what, where, how, why, and when (Zachary et al., 2015) of entity exit, we think it is crucial that future research address the temporality of entity exit.

Although we acknowledge the few efforts made with regard to time-sensitive concepts, such as “delays” (Shepherd et al., 2009) and empirics such as “time to exit” (Eflenbein & Knott, 2015; Yamakawa & Cardon, 2017), the role of time has not been well integrated theoretically and empirically to understand exit. We think it is unwise not to distinguish between the temporal mechanisms and modalities of the exit decision-making dynamics and those of the exit implementation after the decision. Equating the exit decision with the exit final execution
compresses much of our understanding of the exit process. In addition, future work is needed to understand how responses to a threat of exit evolve and combine over time (e.g., wait and see, persist and adapt (turnaround), decide to exit, then disengage or reengage). Scholars could examine how long decision makers are willing to persist or attempt the turnaround of distressed ventures. Once they decide to exit, what factors influence the time to execute the exit?

Second, the partial nature of exit shows that an entity exit is not a uniform phenomenon, but there is great underlying variety in how exit is manifested. Exit does not always mean that the entity will disappear: often, organizations and individuals adopt a partial exit that falls in between the two polar categories (Meyer & Thein, 2014) of “business as usual” and “complete exit.” These partial manifestations of exit deserve their own theoretical attention (Buchholtz et al., 1999). We show that, irrespective of what the entity is, when it is in contention for exit, some lower-nested parts within the entity are preserved, exited, and/or changed. There are both objective and subjective considerations that influence how decision makers attempt to control the entity’s exit. For example, some firms resort to a spin-off form of exit, where shareholders keep ownership with the newly formed entity after exit; other firms might partially divest their assets from a market to signal dissociation. The exit can range from scaling back production or closing the smallest plant first to progressively exiting other firms and maybe exiting larger firms (MacLachlan, 1992). Similarly, manager-owners sell their ventures but stay involved to various degrees with these ventures. Future research should examine the lower levels of aggregation of an entity that is in contention for exit, and understand what is kept, changed, and/or lost, shedding light on the unevenness of the exit process. Further, we should seek to understand how the exit process differs when decision makers exit product markets versus factor markets (Hsieh et al., 2015), or developed foreign markets versus emerging markets.

The main insight of this review is that there are many mechanisms and subprocesses that happen before exit is finally executed (i.e., what is more commonly known in the literature as the “exit event”). Our conceptual framework starts grouping those themes to orient researchers towards “what is happening when” in our current understanding of entity exit. When we classify studies, we are not assuming that we have pure objective or pure subjective considerations that can be
separated, but rather, we want to take stock of the studies that conceptually address or provide insights on similar issues of exit.

The framework is a conceptual organization tool, which aims to show that, in order to fully understand what happens before exit, we need to consider all four quadrants. For example, organizations might resort to real options objective reasoning in making an exit decision, but the exit process might be poorly executed and subjectively resisted. We approach exit in a piecemeal fashion to show what we know and orient researchers to which quadrant of the exit phenomenon they are addressing in their studies, and which parts they are not. However, our main argument is that future scholars should always consider the two dimensions of exit: temporal and partial nature of exit.

The media has covered stories of many firms exiting ventures, markets, industries, countries, or regions. During the financial crisis in 2008, the exit rate increased quickly for a few years as the recession dragged on (Aldrich, 2015), and given the growing incidence of natural and manmade disasters, systemic upheavals of nations and industries, and the forced exit of firms finding themselves in the middle of conflicts and crises, firms are often compelled to grapple with the odds of unwanted (yet sometimes unavoidable) exit. Recently, some British firms are considering exiting and relocating due to the government’s planned withdrawal from the European Union (Castle, 2017), and some MNEs operating in the United Kingdom are already contemplating exit, “retrenching their operations, laying people off, discontinuing operations, and keeping expansion plans on hold” (Cumming & Zahra, 2016, p. 688). Many more firms have exited Syria due to war and conflict. In times of political and economic turbulence, most of the large MNEs relocate to other nations, a partial exit phenomenon as the entity exits one location and enters a new one, preserving some parts of the entity while changing others. This phenomenon of exit and relocation is becoming more common, and deserves more attention in the management field. However, smaller and local ventures struggle and try to resist as long as they can in their domestic context due to limited options, emotional attachment, and fewer resources. How do these firms manage to resist and delay exit, and when is it time to “stop the bleeding” and let go? All of these concerns are timely questions that would help us not only to
better understand current phenomena, but also to develop our theoretical knowledge of the exit process.
4.6 References


*Articles included in the review analysis


### Appendix 4.1 Summary of Articles Included in Review

<table>
<thead>
<tr>
<th>Author(s) &amp; Year</th>
<th>Theme</th>
<th>Literature/Theory Base</th>
<th>Method</th>
<th>Key Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brauer &amp; Wiersema (2012)</td>
<td>Industry divestiture waves and how investors perceive and evaluate divestiture decisions</td>
<td>Information-based theories of imitative behaviour</td>
<td>All divestitures of U.S. companies announced and completed between 1993 and 2007</td>
<td>Firm’s position in an industry divestiture wave conveys information about whether or not managers are imitating their industry peers, which in turn will influence how investors perceive and assess the quality of the decision and its likely performance consequences.</td>
</tr>
<tr>
<td>Hsieh, Tsai &amp; Chen (2015)</td>
<td>Competitors as reference points for justifying escalation of commitment</td>
<td>Escalation behaviour literature and competitive dynamics research</td>
<td>Mixed but deductive-Leading companies in the IT industry and investment activities in China during the period of 1998 to 2011.</td>
<td>A firm’s escalating tendency is increased by larger competitors’ high action volume and smaller competitors’ positive performance.</td>
</tr>
<tr>
<td>MacKay &amp; Chia (2013)</td>
<td>Strategic change and the rise and fall of an organization</td>
<td>Process studies of strategic change in organization</td>
<td>A five-year longitudinal study of the top management team (TMT) at an automotive company, amidst significant and unexpected global changes.</td>
<td>An &quot;unowned&quot; view of process that elevates chance, environmental uncertainty, and the unintended consequences of choice to understand the eventual demise of NorthCo Automotive</td>
</tr>
<tr>
<td>Miller &amp; Chen (2004)</td>
<td>Organizational risk</td>
<td>March and Shapira's</td>
<td>Quantitative</td>
<td>Organizations performing poorly increased</td>
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<tr>
<td>Author(s) &amp; Year</td>
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<td>Rouse (2016) AMJ</td>
<td>Founders psychological disengagement</td>
<td>Psychological disengagement- Identity</td>
<td>Qualitative</td>
<td>A theoretical model of founder psychological disengagement that delineates how founder work orientations relate to the disengagement paths that founders follow when leaving one organization and starting another.</td>
</tr>
<tr>
<td>Shimizu (2007) AMJ</td>
<td>Organizational decisions to divest</td>
<td>Prospect theory, organization-level behavioural theory and the threat-rigidity thesis</td>
<td>Quantitative</td>
<td>Divestiture decisions are influenced by both individual- and organization-level factors that cannot be explained solely by one theory and provide a richer understanding of organizational risk-seeking behaviours.</td>
</tr>
<tr>
<td>Walsh and Bartunek (2011) AMJ</td>
<td>Postdeath organizing</td>
<td>Organizational founding</td>
<td>A qualitative, induction-driven study of six cases</td>
<td>A process model of how former members of defunct organizations found new organizations to sustain valued elements of organizational life. Model suggests that this process unfolds through four periods of organizing: disintegration, demise, gestation, and rebirth.</td>
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</table>
| Lee, Peng & Barney (2007) | Entrepreneur-friendly | Real options perspective | Conceptual | At a societal level, an entrepreneur-
<p>| AMR | bankruptcy law | friendly bankruptcy law, informed by a real options logic, can encourage more risk taking and, thus, more entrepreneurship development by limiting downside risks and increasing upside gains. |
| Author(s) &amp; Year | Theme | Literature/Theory Base | Method | Key Findings |
| McKinley, Latham, &amp; Braun (2014) | Decline-induced responses of innovation or rigidity that lead to turnaround or further decline. | Organizational decline and turnaround | Conceptual | Four scenarios that can unfold when organizations either innovate or respond rigidly to organizational decline. Two of the scenarios are downward spirals that threaten an organization with possible death, and two of the scenarios are turnarounds. |
| Gimeno, Folta, Cooper &amp; Woo (1997) | Persistence of underperforming firms | Threshold model of entrepreneurial exit Human capital | Quantitative 1,547 entrepreneurs of new businesses in the U.S. Questionnaires | Organizational survival is determined by two main dimensions: (1) the organization's economic performance and (2) the organization's threshold of performance. Considering organizational exit as a choice. |
| Graebner and Eisenhardt (2004) | Seller side of the acquisition | Acquisition Corporate governance | Case studies Inductive study | Acquisition is a process of mutual agreement between buyer and seller and encompasses timing and strategic and emotional factors, not just price |
| Brigham, De Castro &amp; Shepherd (2007) | Entrepreneur’s satisfaction and intention to exit. | Organizational behaviour Person-Organization fit, Cognition | Survey responses from 159 owner-managers in small high-technology firms | Higher satisfaction and lower intentions to exit for owner-managers whose dominant decision-making style complemented the levels of formalization and structure in their firms. |
| Collewaert 2012 | Angel investor-entrepreneur relationship | Conflict perspective | Survey data from 65 angel investors and 72 | Entrepreneurial intentions to exit are higher for entrepreneurs who face more |</p>
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<tr>
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<tbody>
<tr>
<td>DeTienne &amp; Chirico (2013) ETP</td>
<td>Exit strategies of family firms</td>
<td>Exit strategies, threshold theory and the socioemotional wealth perspective</td>
<td>Conceptual</td>
<td>Extrapolating different exit strategies</td>
</tr>
<tr>
<td>Holland &amp; Shepherd (2013) ETP</td>
<td>Entrepreneurial Persistence</td>
<td>Decision making – individual values</td>
<td>Conjoint experiment</td>
<td>The persistence decision policies are heterogeneous depending on the level of adversity experienced and the individual values held by the entrepreneurs.</td>
</tr>
<tr>
<td>Miller &amp; Sardais (2015) ETP</td>
<td>How entrepreneurs reconcile the Paradoxical demands of the job</td>
<td>Optimism, realism, persistence and adaptation.</td>
<td>Tracked an entrepreneur's real-time confidential communications with his closest consultant (one of the authors) during the last 6 months of an ultimately unsuccessful venture</td>
<td>An intrinsic quality of an entrepreneur is the ability to manage paradox, largely by bifurcating time—by making temporal distinctions. An entrepreneur simultaneously can be optimistic and realistic, and persistent and adaptive.</td>
</tr>
<tr>
<td>Sharma &amp; Manikutty (2005)</td>
<td>Divestment decisions in family firms</td>
<td>Literature on divestment, culture and its dimensions, and</td>
<td>Conceptual</td>
<td>Develops a framework to understand the influence of community culture and family structure on divestment decisions in family</td>
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<tr>
<td>Author(s) &amp; Year</td>
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<tr>
<td>Cater &amp; Schwab (2008) FBR</td>
<td>Turnaround Strategies in Established Small Family Firms</td>
<td>Organizational crisis, Turnaround strategies</td>
<td>A case-study approach</td>
<td>Identifies unique characteristics of established small family firms that affect their ability to initiate turnaround strategies when encountering an organizational crisis.</td>
</tr>
<tr>
<td>Wan, Chen &amp; Yiu (2014) GSJ</td>
<td>International divestment;</td>
<td>Behavioural perspective; organizational identity; organizational image</td>
<td>Conceptual framework</td>
<td>A firm’s international divestment decisions are influenced by its organizational image and identity.</td>
</tr>
<tr>
<td>Kammerlander (2016) ISBJ</td>
<td>Entrepreneurial exit and emotional pricing</td>
<td>Behavioural finance</td>
<td>A sample of 1,354 SMEs’ views on exit intentions. Compare to 455 actual ownership transfers.</td>
<td>A long-term relationship between an owner-manager and a firm, a familiar relationship between an owner-manager and a successor, and situational contingencies increase the emotional-pricing; i.e. owner-manager’s willingness to sell the firm at a discount.</td>
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<tr>
<td>Nummela, Saarenketo, &amp; Loane (2016) ISBJ</td>
<td>The failure of International New Ventures (INV)</td>
<td>INV, failure, internationalization</td>
<td>Four illustrative cases from Finland and Ireland (INV in software industry)</td>
<td>Managerial capabilities, particularly managerial experience and business competence, filter the external drivers of failure.</td>
</tr>
<tr>
<td>Wennberg &amp; DeTienne (2014) ISBJ</td>
<td>A critical review of research on entrepreneurial exit</td>
<td>Review</td>
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<td>Author(s) &amp; Year</td>
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<tr>
<td>Dehlen, Zellweger, Kammerlander, &amp; Halter (2014)</td>
<td>Determinants of exit routes in family firms</td>
<td>Information asymmetry</td>
<td>Quantitative Small- and medium-sized privately held firms from Germany, Switzerland, and Austria that had been transferred to one or several individuals.</td>
<td>An owner's inferior knowledge about the abilities of potential external entrants (in contrast to family internal successors) renders a family internal transfer more likely. A positive effect of signalling and an inverted U-shaped effect of screening on the probability of external exit routes. Firm age, as a driver of emotional attachment, weakens these effects.</td>
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<tr>
<td>DeTienne (2010)</td>
<td>Entrepreneurial Exit – theoretical development</td>
<td>Conceptual</td>
<td></td>
<td>Explores the development of an exit strategy, reasons for exit and options for exit in each phase of the entrepreneurial process</td>
</tr>
<tr>
<td>DeTienne, McKelvie &amp; Chandler (2015)</td>
<td>Entrepreneurial exit strategies</td>
<td>Entrepreneurial exit, exit strategies, motivation, stewardship</td>
<td>Typology then testing using a cross-sectional survey methodology</td>
<td>A typology of entrepreneurial exit strategies consisting of three higher-level exit categories (i.e., financial harvest, stewardship, and voluntary cessation). Different predictors for each of the three exit strategy types.</td>
</tr>
<tr>
<td>DeTienne, Shepherd, &amp; De Castro (2008)</td>
<td>Persistence of underperforming firms</td>
<td>Persistence; Threshold theory</td>
<td>Conjoint analysis</td>
<td>Environmental munificence, personal investment, personal options, previous organizational success, and perceived collective efficacy impact the decision to persist with an underperforming firm. In addition, extrinsic motivation moderates those relationships</td>
</tr>
<tr>
<td>Khelil (2016)</td>
<td>Entrepreneurial failure as a multiform phenomenon that involves various configurations.</td>
<td>Explorative qualitative Study was conducted as a preliminary step to the quantitative</td>
<td></td>
<td>Examines the different configurations that can occur and the associated profiles of failing entrepreneurs.</td>
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<td>Author(s) &amp; Year</td>
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<tr>
<td>McMullen &amp; Kier (2016)</td>
<td>Escalation of commitment, entrapment, entrepreneurial mindset</td>
<td>Regulatory focus theory; the theory of action phases</td>
<td>Meta-theoretical process model- With illustration from the events of the 1996 Mount Everest disaster</td>
<td>The decision to persist is set into motion long before individuals engage in the cost-benefit analysis examined in most escalation studies.</td>
</tr>
<tr>
<td>Morgan &amp; Sisak (2016)</td>
<td>Fear of failure</td>
<td>Loss aversion</td>
<td>Conceptual model</td>
<td>When an individual's threshold for success is sufficiently high, fear of failure motivates additional investment. When the threshold for success is equal to the foregone outside option fear of failure is de-motivating.</td>
</tr>
<tr>
<td>Shepherd, Wiklund, &amp; Haynie (2009)</td>
<td>Costs of business failure</td>
<td>Escalation of commitment; procrastination</td>
<td>Conceptual</td>
<td>Introduces the notion of anticipatory grief as a mechanism for reducing the level of grief triggered by the failure event, which reduces the emotional costs of business failure. Delaying business failure may be beneficial to recovery and promote subsequent entrepreneurial action.</td>
</tr>
<tr>
<td>Singh, Corner, &amp; Pavlovich (2015)</td>
<td>Venture failure stigmatization</td>
<td>Entrepreneurial failure stigma</td>
<td>A qualitative, narrative approach of the lived experience of 12 entrepreneurs</td>
<td>Three episodes of entrepreneurs anticipating, meeting, and then transforming venture failure. Stigmatization is best viewed as a process that unfolds over time rather than a label. This process begins before, not after, failure and contributes to venture demise.</td>
</tr>
<tr>
<td>Wennberg, Wiklund, DeTienne, &amp; Cardon (2010)</td>
<td>Entrepreneurial exit routes and their drivers</td>
<td>Entrepreneurial exit; Human capital; Prospect theory</td>
<td>Conceptual model, then empirically test the model using two Swedish databases</td>
<td>Exit through liquidation and firm sale for both firms in financial distress and firms performing well. Human capital factors (entrepreneurial...</td>
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</table>
which follow new ventures and their founders. experience, age, education) and failure- avoidance strategies (outside job, reinvestment) differ substantially across the four exit routes.

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<tr>
<th>Author(s) &amp; Year</th>
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</thead>
<tbody>
<tr>
<td>Wennberg, Delmar, &amp; McKelvie (2016)</td>
<td>Exit and growth decisions</td>
<td>Decision-making theory</td>
<td>Quantitative - Examining a panel of 14,760 new ventures in the professional services sector</td>
<td>How risk preferences change as a venture ages and increases in size. New ventures' probability of exit and growth diminishing with age and size.</td>
</tr>
<tr>
<td>Yamakawa &amp; Cardon (2017)</td>
<td>Time to exit and escalation of commitment</td>
<td>Escalation of commitment framework</td>
<td>Survey data – 93 firms that were objectively and subjectively in financial distress</td>
<td>Entrepreneurs vary how much they delay exit based on the amount of investments they have made in their firm prior to the point of distress.</td>
</tr>
<tr>
<td>Belderbos &amp; Zou (2009)</td>
<td>A real options portfolio perspective on foreign affiliate divestment</td>
<td>Real options portfolio perspective</td>
<td>Quantitative. Sample of 1078 Asian affiliates of Japanese multinationals</td>
<td>Affiliates are less likely to be divested in response to adverse environmental change if they represent growth or switch option value to the multinational firm under conditions of macroeconomic uncertainty.</td>
</tr>
<tr>
<td>Coucke &amp; Sleuwaegen (2008)</td>
<td>The impact of globalization on the exit behaviour of firms</td>
<td>Globalization, trade liberalization and exit</td>
<td>Quantitative, manufacturing firms in Belgium</td>
<td>Belgian firms that offshore activities to non-European Union countries are able to substantially improve their chances of survival. Unlike domestic firms, the likelihood of exit of subsidiaries of multinational enterprises is found to be less sensitive to domestic market conditions in the host country.</td>
</tr>
<tr>
<td>Dai, Eden &amp; Beamish (2013)</td>
<td>Foreign subsidiary survival in conflict zones</td>
<td>The role of geography</td>
<td>Geographic information systems data for 670 Japanese multinational enterprises subsidiaries in 25</td>
<td>Greater exposure to geographically defined threats reduces the likelihood of MNE survival. Both concentration and dispersion with other firms affect survival; however, the effects depend on where the firm is spatially located (whether the firm</td>
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<td>Author(s) &amp; Year</td>
<td>Theme</td>
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<td>Mata &amp; Freitas (2012)</td>
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<td>Quantitative- Dataset on firms operating in Portugal</td>
<td>Difference between exit rates of foreign firms and domestic firms increases with age, as exit of foreign firms increases with age while that of purely domestic firms decreases. Footlooseness of foreign firms is due to foreignness more than to multinationality.</td>
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<td>Interdependencies in MNE growth trajectory</td>
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<td>The portfolio affects entry more than exit, suggesting that evolutionary processes affect MNEs’ expansion more than their contraction. Exit moves are driven primarily by internal MNE considerations.</td>
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<td>Santangelo &amp; Meyer (2011)</td>
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<td>(2013) JMS</td>
<td>Organizational decline; organizational paradox; recovery; retrenchment</td>
<td>107 Central European turnaround initiatives</td>
<td>they are both contradictory and complementary. Integrating the two activities allows turnaround firms to create benefits that exceed the costs of their integration, which affects turnaround performance positively.</td>
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<td>Bergh &amp; Sharp (2015) JOM</td>
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<td>Quantitative. Data on 205 divestitures</td>
<td>The adoption of spin-offs or sell-offs is associated with the amount of outstanding common stockholders held by outside blockholders and the size of the unit divested.</td>
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<td>Dawley, Hoffman &amp; Lamont (2002) JOM</td>
<td>Post-bankruptcy</td>
<td>The bankruptcy and turnaround literatures</td>
<td>Quantitative. Firms that filed for Chapter 11 reorganization.</td>
<td>Viewing bankruptcy reorganizations as different choice situations. Firms with relatively high strategic choice</td>
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or low environmental constraint were found to benefit from refocusing actions.

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<td>Moulton, Thomas &amp; Pruett (1996)</td>
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| Leroy, Manigart, Meuleman, & Collewaert (2015) | The continuity of a firm when entrepreneurs exit | Theory of planned behaviour | SEM-Survey data from 175 entrepreneurs | Entrepreneurs’ sale attitudes are related to sale intentions, which are associated with firm sale. Sale attitudes are positively
related to whether entrepreneurs perceive firm continuation to be out of free will, their experience, the number of employees, and whether the firm is a multigeneration family business.

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<td>Inferential abductive approach that merges the risk management model with empirical data collected from a 32-year longitudinal case study on nine Swedish MNCs.</td>
<td>When environmental changes are perceived as detrimental, firms tend to decrease their tangible assets and commit in a more intangible way. When changes to the environment are perceived as beneficial, firms follow an incremental path of commitment, preferably in tangible kind.</td>
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<td>Meyer &amp; Thein (2014)</td>
<td>Dynamics of institutional constraints and the reaction of business to such constraints</td>
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<td>Develop the concept of ‘low profile strategy’ and propose a conceptual framework of home country pressures influencing MNE’s international operation.</td>
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<td>van Witteloostuijn (1998)</td>
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<td>Conceptual and quantitative presenting tentative evidence from the chemical industry</td>
<td>A theoretical argument is developed that explains voluntary exit and chronic failure by introducing a proxy of organizational inertia in a model of strategic Cournot duopoly. Inefficient firms may outlast their efficient rivals</td>
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<td>Why firms divest</td>
<td>Divestiture; corporate</td>
<td>Quantitative. 190 U.S.</td>
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opportunities in foreign markets can provide a better use of existing firm resources and these opportunities are likely to influence firm divestment of home-country operations.

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<td>Gaba &amp; Terlaak (2013)</td>
<td>Uncertainty and imitation in firm exit decision</td>
<td>Herding models; learning</td>
<td>Quantitative. A 29-year panel data set on the exit of private venture capital firms</td>
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<td>Performance feedback theory and the resource-based view</td>
<td>Quantitative. Longitudinal segment-level data for firms operating in the global pharmaceutical industry between 1999 and 2009.</td>
<td>Firms with increasing performance, especially when they also have high levels of performance, appear to use divestitures in a “complementary Penrose effect” that frees resources firms can use for future growth, with the greatest impact on the number of partial rather than full divestitures.</td>
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<td>Erkama &amp; Vaara, (2010)</td>
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<td>Two related streams of explanations for persistence: those that see inappropriate strategic persistence as a possible response to potential failure (escalating commitment to a chosen course of action) and those that see it as a possible outcome of success (the perils of success or excellence).</td>
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<td>Organizational decline, organizational processes</td>
<td>Case study of the organizational decline and failure process of a Finnish conglomerate</td>
<td>Examining the mechanisms driving the organizational processes Proposed mechanisms: commitment escalation, maladjustment, confidence erosion, and fragmentation.</td>
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<td>Exiting firms have a falling productivity level over a number of years prior to exit.</td>
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<td>Akther, Sieger, &amp; Chirico (2016)</td>
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<td>Chang (1996)</td>
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<td>Evolutionary theory; organizational learning</td>
<td>Longitudinal (1981–89) data base on entry and exit activities of all publicly traded manufacturing firms in the US</td>
<td>Entry and exit activities are understood as search and selection undertaken by the firm to improve their performance. Firms sequentially enter businesses of similar human resource profiles and firms are more likely to divest lines of business of different profiles.</td>
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<td>Dai, Eden, &amp; Beamish (2017)</td>
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<td>Quantitative - 1,162 MNE subsidiaries in 20 war-afflicted countries between 1987 and 2006.</td>
<td>Highly valuable resources can become liabilities when exposed to harm. Best way to cope with external threats may be to exit. Bounded value of resources and options in the face of environmental contingencies.</td>
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<td>Damaraju, Barney, &amp; Makhija (2015)</td>
<td>Real options and divestments</td>
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<td>Elfenbein &amp; Knott (2015)</td>
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<td>Agency problems; behavioural bias; real options</td>
<td>Population of US banks between 1984 and 1997.</td>
<td>Patterns of exit support models of rational delay under ability uncertainty. There is evidence of delay due to behavioural bias—firms discount negative signals of profitability relative to positive signals—and organizational considerations—delay increases with the separation of ownership and control.</td>
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<td>Elfenbein, Knott &amp; Croson (2017)</td>
<td>Exit delays</td>
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<td>A laboratory experiment - subjects make decisions about when to exit a failing venture</td>
<td>“Equity stakes”—receiving the firm's cash flows and having decision rights over exit—cause participants to discount negative performance information, retain overly optimistic beliefs, and delay exit. By contrast, participants without these high-powered incentives exit nearly optimally.</td>
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<td>Family firms are less likely than non-family firms to undertake divestitures. The divestitures undertaken by family firms are associated with higher post-divestiture performance.</td>
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<td>Fortune &amp; Mitchell (2012)</td>
<td>Firm exits at the industry level</td>
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<td>Hayward &amp; Shimizu (2006)</td>
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<td>Event-history analysis. Contrasting the experiences of firms that divested acquisitions with a control sample of firms that did not divest.</td>
<td>Poorly performing acquired units tend to be divested when executives can place them within ‘attributional accounts’ (i.e., accounts for the cause of the performance that do not incriminate them) and ‘comprehensive accounts’ (i.e., within the context of overall firm performance)</td>
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<td>Lieberman, Lee, &amp; Folt a (2017)</td>
<td>Market entry, market Exit and resource deployment</td>
<td>Diversification; resource relatedness and sunk cost</td>
<td>A mathematical model, descriptive data, and company examples</td>
<td>If the performance of a new business falls below expectations, a diversified firm may be able to redeploy its resources back into related businesses. In effect, relatedness reduces the sunk costs associated with a new business, which facilitates exit.</td>
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<td>Mata &amp; Portugal (2000)</td>
<td>Closure and divestiture by foreign entrants</td>
<td>Theory of the MNE, transaction costs</td>
<td>Quantitative. Survey conducted by the Portuguese Ministry of Employment.</td>
<td>Ownership arrangements and organizational structure affect the likelihood of divestment, but exert no significant effect upon closure. Greenfield entrants being more likely to shutdown, but less likely to be divested. Firms with large endowments of human capital are less likely to exit, irrespective of the exit mode considered.</td>
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<td>Miller &amp; Yang (2016)</td>
<td>Diversification, dynamics of market entry and market exit</td>
<td>Resource-based view</td>
<td>Replication - panel dataset of manufacturing firms</td>
<td>Firms tend to enter new markets that have human resource profiles that are similar to the firms’ existing businesses, and exit markets that have dissimilar human</td>
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<td>Moschieri (2011) SMJ</td>
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<td>Using data on firms operating in Burma during 1996–2002,</td>
<td>Beyond firm-level concerns, firms divest in response to the political characteristics of their home country, and the divestment patterns of others</td>
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Chapter 5

5 Conclusion

The tradition in management literature centers on examining and understanding exit as an event (e.g., Berry, 2010; Chung, Lee, Beamish, Southam, & Nam, 2013; Gaba & Terlaak, 2013; Wennberg et al., 2010), and most scholars equate the decision to exit with a single, binary (on/off) variable, compressing the nuances and richness of the exit phenomenon. Yet by treating exit as a binary choice/event, these studies not only compress a certain window of time during which exit unfolds, but also overlook the variance in the many activities that often precede the completion of the exit act.

Research on exit as a process is still rare (cf. Burgelman, 1996), and despite multiple calls across disciplines to examine the processuality of exit (e.g., Aldrich, 2015; Moschieri, 2011; Wennberg & DeTienne, 2014), we still know little about how different mechanisms and activities unfold before exit is finalized. The current state of knowledge is further complicated by the many levels of analysis, from individuals to teams to organizations, and from project to division/subsidiary to corporation. While there has been growth in some processual insights at some of these different levels, findings remain piece-meal and are difficult to compare let alone aggregate among such distinct entities. Coarser views of exit as a binary event have avoided this granularity, and masked the inherent difficulties of translating processual insights from one entity or discipline to another.

This dissertation contributes a three-fold discovery of exit as a process that unfolds over time and across entities. Essay #1 offers inductive insights about the interplay between an individual founder and one’s venture as the firm navigates multiple, cumulative emergencies. Essay #2 uses a case-comparative approach to bring to the forefront the interplay between the multiple institutional contexts a firm engages in internationalization to mitigate political and economic turmoil at home. Essay #3 systematically reviews and reorganizes the literature on exit across three different disciplines to shed new light into what we know/do not know about what precedes, but may not necessarily predetermine, exit.
Perhaps the most interesting insight emerging from the three studies as a whole is the partiality of exit. Instead of entities moving from being to non-being, we observe many granular decisions and actions by which entities stop some activities, so they can begin others. The surprising insight from Essay #1 that exit is often an occasion for entry is replicated in Essay #2 at very different levels of analysis (home vs. host country institutional contexts), and resonates with the multitude of proactive decisions and actions that firms have been shown to take to postpone or prevent involuntary exit. While findings remain challenging to transfer across different entities, the key realization is that hardly any entity disappears at once. Rather, the entities studied in this thesis get dismantled in parts and pieces in ways that help preserve some of the key original properties as well and as long as possible (Damaraju et al., 2014; Meyer & Thein, 2014).

The second overarching insight pertains to the temporality of exit. While processes unfold over time, there are many different kinds of processes, from categories (Essay #3), to sequences of stages (Essay #2), to intricate pathways (Essay #1). The mere fact that any process unfolds over time masks the vastly different meanings that time may have, depending on which entity exits and/or why exit may be delayed by some or rushed by others under seemingly identical circumstances. This dissertation focuses on exit under distress, explaining how otherwise well-positioned and performing entities (e.g., ventures, emerging market multinational companies (EMNCs) cope with unexpected emergencies at home (Essay #1), and even turn them into opportunities elsewhere (Essay #2). The two inductive studies underscore the range of efforts unfolding over many challenging months (and sometimes years), drawing attention to what happens before a given entity concedes and completes its exit act.

### 5.1 Theoretical Contribution

The dissertation advances a blended, multi-disciplinary understanding of exit as one of the ways firms respond to political turbulence (Hiatt & Sine, 2014; Dai et al., 2013; Dai et al., 2017). While the entities we studied were clearly distressed, their exits reveal a great deal of deliberate effort, and each essay of the dissertation underscores the adaptive nature of exit as it unfolds over time.
Prior literature has underscored that exit is not necessarily bad, and can have multiple functions for both dying and surviving firms. This dissertation complements previous definitions and treatments of exit by focusing on the termination of otherwise successful entities “against their will,” as so many of our respondents emphasized. While firms can plan for good exits, we examine a subset of circumstances where entities are forced out of their home at the peak of their performance. Taken together, the three studies speak to a specific type of exit precipitated by political and economic turbulence—despite strong performance (Berry, 2010; Gimeno et al., 1997), well-matched markets (Mezias & Kuperman, 2001), sound planning (Hiatt & Sine, 2014), suitable strategic choices (Brauer, 2006; Decker & Mellewigt, 2007), and careful individual entrepreneurial choices (DeTienne, 2010).

Essay #1 examines how entrepreneurs respond to political and economic turbulence that threatens the continuation of their ventures. We reveal two kinds of adaptation (temporal and partial) by which individuals and their respective ventures interactively navigated the exit process once exogenous emergencies precipitated the premature termination of an otherwise strong individual-venture relationship. Partial adaptation drew attention to those elements of the venture that remained pertinent despite the adversity. Temporal adaptation referred to entrepreneurial actions that either lengthened or shortened the exit process. We show that the combination of partial and temporal adaptation de-/re-personalizes the exit process, deliberately fissuring and repairing an increasingly fragile individual-venture relationship.

Essay #2 asks how political and economic adverse conditions at home influence the internationalization of firms. We discover that, as adversity at home accentuates, firms multiply their options regarding whether and when to internationalize and, especially, their reasons for doing so. Restrictions on their resources, values, and opportunities brought about by distress at home trigger concerted, specialized, and sequenced efforts to identify institutional contexts with suitable complements. Similar to the first study, we find that firms do not quit, but rather progressively and deliberately transition from a deteriorating home to “greener pastures” elsewhere.

Essay #3 unpacks the partiality and temporality of exit by reclassifying existing literature in a 2x2 framework. We followed a systematic review process to first induce the way parts versus the
whole of an entity and, respectively, the flow of time have been previously modelled and then coded 90 studies to identify clusters of findings and communities of inquiry across three disciplines (strategy, entrepreneurship, and international business).

Because the three essays were developed independently of one another and through different combinations of theories and methods, the definitions of exit, entities, as well as the relevant subdimensions of temporality and partiality brought out are conceptually and empirically distinct. Nonetheless, the three essays support one another by reiterating the importance of fleshing out the temporal and partial nature of exit as a process. Figure 5.1 summarizes the contributions.

**Figure 5.1 Contributions of the Three Essays**

1. **Emergency Exit**
   - Partial adaptation
   - Temporal adaptation
   - Exit and re-entry as coupled responses

2. **No Place like Home?**
   - How firms internationalize
   - Exit to greener pastures
   - Sequenced and incremental process
   - Arbitrage resources, values, and opportunities

3. **Time to Say Goodbye**
   - What happens before exit
   - Systematic review across disciplines
   - Temporality
   - Partiality

Politically & Economically Turbulent Environments
5.2 Context versus Contextualization

The first two essays speak to exit respectively within and from contexts of adversity. The choice to focus on these contexts was motivated in part by the gap in the literature, which persists despite the incidence of political and economic turbulence and, in part, by my firsthand experience and interest in this subject as a native of Lebanon. For Essays #1 and #2, distress is an important boundary condition, which of course delimits the generalizability of our inductive insights to other settings. This compromise is a fair price to pay for revealing “indigenous” practices, especially in understudied settings (Williams & Shepherd, 2016). The value-add of the first two essays is the granular view of the unfolding struggles of entities operating in adverse contexts, and especially the counterintuitive insights on their dual management of parts and time to make even unavoidable exit more palatable.

As a context, Lebanon is rather unusual, not only because the adversity there unfolded over decades, but also because entrepreneurs strived despite frequent crises (Essay #1). Furthermore, as the adversity intensified after 2006, Lebanon became a launch pad for EMNCs (Essay #2) as entrepreneurs driven away by declining resources, values, and opportunities at home began internationalizing extensively and some relocating elsewhere.

Our deliberate choice of such an extreme context (Barin Cruz, Aguilar Delgado, Leca, & Gond, 2016) is timely and called for as “this decade is characterized by political instability, economic volatility, and societal upheaval” (George, Howard-Grenville, Joshi, & Tihanyi, 2016, p. 1880). Lebanon gave us a long series and a large range of adverse events by which to compare entity exits. In many other adverse contexts, entrepreneurs and organizations would not have faced as many, as varied, or as recurrent disruptions. Unfortunately, however, the incidence of such extreme contexts is increasing. Vivid stories and discourses in the public media showcase the ongoing struggle of firms of all sizes in Syria, with some refusing to leave (“The view from Aleppo,” 2016), and others rushing to take refuge abroad, where they begin anew (Leigh & Ma’ayeh, 2016).

The limitations of the chosen context notwithstanding, this dissertation underscores that contextualization of mainstream theories can add important findings. While danger makes
extreme contexts rare research settings (Bullough & Renko, 2017), the growing prevalence of adverse events and their disruptive effects make such studies extremely worthwhile. By contextualizing theories of exit within (Essay #1) and across (Essay #2) contexts, the thesis broadens the applicability of current theories, surfacing new boundary conditions for what we may have prematurely taken for granted (Hiatt & Sine, 2014).

Contextualizing theories of exit offers new lenses, and new ways of seeing refugees and their relationship to risk. We found some Lebanese firms relocating in comparatively riskier places, such as Nigeria at the peak of an Ebola outbreak, while Syrian firms uncovered opportunities in contexts like Lebanon, Jordan, and Egypt (“Syrian Businesses in Jordan,” 2013), places already experiencing multiples challenges and instability that affected their own local businesses. On the surface, some of these emerging patterns seem to fly in the face of the risk-opportunity frames underpinning strategic choices regarding exit and entry, with firms escaping adversity in search of safe havens. Instead, our findings reveal contextualized understandings of strategic moves and a finer-grained, comparative (rather than absolute) understanding of risks and opportunities (especially in Essay #2).

There have been recent calls to tackle the grand challenges of our times by getting closer to the key issues and protagonists (George et al., 2016) in a concerted effort to advance indigenous theories of management (Tsui, 2007). While precise findings may not be transferred outside the context in which they were induced (Lincoln & Guba, 1985), process theorizing generalizes back to theories and surfaces critical boundaries. Accordingly, we believe that the key lessons learned about how Lebanese firms have navigated exit within and beyond their home over 12 years of recurrent adversity holds important theoretical insights for understanding the seemingly counterintuitive behaviour of a broader range of economic actors who may see their political and/or economic contexts deteriorate unexpectedly or suddenly (e.g., contexts of the Syrian Civil War and Brexit).

5.3 Implication for Policy and Practice

This thesis contributes a contextualized theory of exit as a process, which suggests exit
dramatically redirects efforts at home and abroad in ways not captured by prior theories. In addition to the relevance of turning the spotlight on previously neglected actors (those running businesses on the frontlines of political and economic turmoil), the studies offer several counterintuitive insights about the complex role of exit in restabilizing economies undergoing major, cumulative distress.

The key insight this dissertation offers is about the many parallel fronts and kinds of entities affected by adversity. We show that founders, ventures, headquarters, and subsidiaries are all grappling with different pressures in different ways and at different times—and that it takes concerted effort to survive these pressures. Our protagonists complained about unsupportive policy that added to their many burdens. They accepted the exogenous emergencies, but they could not – would not – accept the added risks or depleted opportunities that were the result of misguided political choices. Indeed, those firms that ultimately and completely exited (Essay #1) and relocated elsewhere (Essay #2) did so not merely because of the adversity at home, but rather because of the lack of transitional policies that could (at least temporarily) relieve their burden. Our protagonists were quite ingenious at finding new ways to cut costs or generate profits, sometimes converting their resources and assets into new uses, but such adaptive processes were often rendered impossible by old laws.

For example, hotels owners were lobbying the Lebanese government to pass a law that would make it possible to sell a room or venue within a hotel under a “condo hotel” model so that they could reinvest the money into the main business (Murray, 2014). These owners suggested several small policy changes that could assist firms in disintegrating resources and assets of ventures that were no longer viable so they could repurpose them for other endeavours, which could then continue to offer (among other things) much-needed local employment. Other business owners also urged the government to recognize force majeure events so that rents could be waived in those locations where demand temporarily dried up due to major terrorist events. Note that many establishments in Syria sport signs hanging on their firms’ doors that read: “Closed for renovation.” Any policies that can allow such hopeful individuals to bear the economic burden of the conflict a little while longer may dramatically increase their chance to return, even recommit, to their homeland.
The second key insight this thesis offers pertains to the extraordinary degree of risk (both personal and professional) that most of the protagonists we studied willingly bear in the hope that their home context will be stable again soon. While in some cases these risks are overbearing, the longer and more stoically entities confront such risks, the greater their success, against all odds, both at home and abroad. Risk-seeking or risk-avoidance theories do not even come close to describing the refined coping practices we documented in our studies (especially in Essay #1). Observing the recovery of businesses in distressed home contexts may enrich theories of coping, and hoping, beyond the management disciplines.

There were also a few simple lessons drawn from our findings. For example, partial exit served everyone better than either extreme. Contrary to accepted findings in strategic management that partial exit is less valuable than non-exit or complete exit (Damaraju et al., 2014; Vidal & Mitchell, 2015), we found that in contexts of adversity, partial exit is quite adaptive, adding just enough degrees of freedom between “business as usual” and total collapse. We also found that weathering adversity, even when the outcome is dire, strengthens one’s self-confidence (Essay #1) and emboldens expansions to challenging contexts (Essay #2).
5.4 References


Appendix A

Reflexivity Statement

Given the qualitative nature of this dissertation, I have decided to include a statement of reflexivity, since my prior experiences and beliefs have undoubtedly shaped this research (Willig, 2001). This statement is intended to allow readers to “explore the ways in which a researcher’s involvement with a particular study influences, acts upon and informs such research” (Nightingale & Cromby, 1999, p. 228).

I was born and raised in Beirut, Lebanon, and personally experienced multiple periods of political and economic turbulence that the country witnessed. I also worked in a family-owned textile business there between 2004 and 2008 before I moved to Canada. Having seen, firsthand, business ventures struggle and survive in inauspicious settings, I was intrigued by the reasons that firms stay in such an environment while others leave, and how firms can manage not to exit when the threat is impending. This interest formed the basis of my dissertation’s focus on “exit.”

I was also motivated by the lack of understanding of this kind of adverse context in the management field, and eager to learn about unique behaviours that could inform the broader management community on how businesses in a politically and economically turbulent environment adapt, struggle, or leave for greener pastures.

I have no prior involvement or affiliation with the hospitality industry nor the food and beverage industry. I chose to study these sectors because they were the most affected by this turbulence. Moreover, the political and economic situation in Lebanon worsened since 2011, after I had already moved to Canada. I undertook my first research trip to the country in 2013.

When I reviewed the extant literature before and during the two empirical studies, I had a different framework for the systematic review. However, I went back to the exit literature after the two studies, and coded for different dimensions and themes. I then decided to focus on the partiality and temporality dimensions, which were also induced from the literature, because they resonated most with me and were consistent with my empirical studies. I had certainly been more
sensitized to these dimensions because of my first two essays. Nevertheless, I was able to unpack the exit process over these two dimensions and across different fields of study, and share more meaningful insights with a broader audience. I would like readers to be aware of my perspective and approach when assessing my research and findings.

References


Appendix B

Ethics Approval

Research Ethics
Western University Non-Medical Research Ethics Board
NMREB Annual Continuing Ethics Approval Notice

Date: May 19, 2017
Principal Investigator: Prof. Oana Branzei
Department & Institution: Richard Ivey School of Business/Ivey School of Business, Western University

NMREB File Number: 106704
Study Title: Fight or Flight: Understanding business organizations persistence and adaptation to complex political and economic environments

NMREB Renewal Due Date & NMREB Expiry Date:
Renewal Due - 2018/05/31
Expiry Date - 2018/06/15

The Western University Non-Medical Research Ethics Board (NMREB) has reviewed the Continuing Ethics Review (CER) form and is re-issuing approval for the above noted study.

The Western University NMREB operates in compliance with the Tri-Council Policy Statement Ethical Conduct for Research Involving Humans (TCPS2), Part 4 of the Natural Health Product Regulations, the Ontario Freedom of Information and Protection of Privacy Act (FIPPA, 1990), the Ontario Personal Health Information Protection Act (PHIPA, 2004), and the applicable laws and regulations of Ontario.

Members of the NMREB who are named as Investigators in research studies do not participate in discussions related to, nor vote on such studies when they are presented to the REB.

The NMREB is registered with the U.S. Department of Health & Human Services under the IRB registration number: IRB-04/0000141.
Western University Non-Medical Research Ethics Board
NMREB Annual Continuing Ethics Approval Notice

Date: June 06, 2017
Principal Investigator: Jean-Louis Schaan
Department & Institution: Western University

NMREB File Number: 104421
Study Title: When Political Turmoil Stimulates Entrepreneurs: The Internationalization of Small to Medium Enterprises (SMEs) from Lebanon

NMREB Renewal Due Date & NMREB Expiry Date:
Renewal Due - 2018/06/30
Expiry Date - 2018/07/29

The Western University Non-Medical Research Ethics Board (NMREB) has reviewed the Continuing Ethics Review (CER) form and is re-issuing approval for the above noted study.

The Western University NMREB operates in compliance with the Tri-Council Policy Statement Ethical Conduct for Research Involving Humans (TCPS2), Part 4 of the Natural Health Product Regulations, the Ontario Freedom of Information and Protection of Privacy Act (FIPPA, 1990), the Ontario Personal Health Information Protection Act (PHIPA, 2004), and the applicable laws and regulations of Ontario.

Members of the NMREB who are named as Investigators in research studies do not participate in discussions related to, nor vote on such studies when they are presented to the REB.

The NMREB is registered with the U.S. Department of Health & Human Services under the IRB registration number IRB 00000941.
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Working Papers:

Fathallah, R. & Branzei, O., Business as Usual: How Entrepreneurs Adapt to Cumulative Adversity.

Fathallah, R., Branzei, O., & Schaan, J.L., No Place like Home? How EMNCs in Distressed Contexts Arbitrage Resources, Values & Opportunities abroad.