Subsidiary Divestment: The Case of CDMI Ireland 1970–2002

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ABSTRACT

This paper examines an interesting and ever more common phenomenon – the decision by a multinational corporation's (MNC) corporate headquarters (HQ) to divest itself of a subsidiary. This is an important phenomenon and one that is worthy of research within the emergent academic field of subsidiary strategy. While a number of studies have examined subsidiary divestment as a HQ decision-making process (cf. Jarillo and Martinez, 1990; Benito and Welch, 1997), this paper is to our knowledge the first academic study to undertake a theoretically grounded, case-study-based analysis of the phenomenon from a subsidiary viewpoint.

It is structured as follows. First, we carefully outline the commonly used arguments (from the traditional HQ-focused MNC literature) to explain why subsidiaries are divested. We then briefly describe the subsidiary strategy literature, stressing its concentration on strategic opportunities for subsidiaries while paying no heed to the strategic threats. The second half of the paper describes the preliminary findings from an extensive empirical investigation of an individual subsidiary's strategic response when threatened with divestment. This study positions itself as an interpretive, social constructionist endeavour aimed at understanding this phenomenon. Using interview data, supplemented by ethnographic data from a multitude of sources, collected over five years, from a subsidiary that has been through five changes in ownership in the last 22 years and finally closed down in early 2002, the study suggests the following hypothesis: subsidiaries that operate within the context of a pluralistic MNC strategy are less likely to be closed than subsidiaries that operate in the context of a unitary MNC strategy. This case-study sets the agenda for further work, to examine the relative predictive power of the research hypotheses, and thus draw tentative conclusions about the reasons why some subsidiaries are closed.

INTRODUCTION AND OBJECTIVES

There is understandable interest, from a range of perspectives, in the topic of

MNC foreign direct investment (FDI). FDI is a major engine of economic growth, particularly so in Ireland (O'Connor, 2001). However, inward investment is only the starting point for understanding the MNC sector. It is useful to understand the contributing factors and processes influencing the ongoing investment decisions within MNCs, more particularly the role of subsidiaries in protecting their own futures. Boddewyn's study (1979) highlights the precarious lives that subsidiaries lead. In studying the investment and divestment events of 180 of the largest MNCs between 1967 and 1975, Boddewyn revealed that while the MNCs added 4,700 subsidiaries to their networks, they also divested more than 2,700 subsidiaries.

More recent work has observed a similar ratio of investment to divestment (Padmanabhan, 1993, on UK MNCs; Barkema, Bell and Pennings, 1996, on Dutch MNCs; Benito, 1997, on Norwegian MNCs). The topic came to prominence in the late 1970s and early 1980s (Boddewyn, 1979, 1983; Van Den Bulcke et al., 1979; Wilson, 1980; Young, Hood and Hamill, 1985), mostly linked to concerns over job losses in host countries at a time of significant restructuring (Young, Hood and Firn, 2001). Given the frequency of the phenomenon, understanding the nature of divestment decisions is of considerable importance for both academics and practitioners. While prior studies have looked at subsidiary divestment as a HQ decision-making process (c.f. Jarillo and Martinez, 1990), this paper is the first academic study to undertake an in-depth theoretically grounded case analysis of the phenomenon from a subsidiary viewpoint.

Literature Review

Subsidiaries are usually conceived as being an open-ended commitment by a MNC but the Boddewyn study (1979) and subsequent studies by Padmanabhan (1993) Barkema, Bell and Pennings (1996), Benito (1997) and León-Darder and Dasi-Coscollar (2001) advise that subsidiaries are far from secure, with all these studies suggesting that for every two subsidiaries added to an MNC network, approximately one will be divested.

Understanding Divestment: HQ Perspective

Turning now to the MNC divestment literature, we might first usefully note that the term international divestment usually refers to any procedure that decreases an MNC's activities outside its home country, ranging from suspension of a minor activity at a foreign subsidiary to the complete abandonment of all activities in a region (Benito and Welch, 1997). Broadly, divestment includes any action that implies a lower level of commitment to the functional scope of the subsidiary. In this study we accept the Benito and Welch (1997) definition of divestment, which they also term de-internationalisation, and concentrate on one of the most extreme forms of divestment, namely the closure or sale of a subsidiary (Boddewyn, 1979). Having defined what constitutes divestment of a subsidiary, we will now examine the considerable body of research that has concentrated on what leads to a HQ decision to make such a divestment.

Research has focused on three triggers of divestment (Benito and Welch, 1997; León-Darder and Dasi-Coscollar, 2001). The most oft-cited trigger of divestment is weak financial performance of either the subsidiary or HQ (Duhaime and Grant, 1984; Chang, 1996; Hitt, Hoskisson and Kim, 1997).

Second, within the HQ-centric stream, many researchers consider it as axiomatic that when the original motives for investment fade away, so too should the subsidiary. Dunning's paradigm (1988) establishes three types of advantages that justify FDI – ownership, location and internationalisation – and consequently considers that divestment should occur if the three advantages were to substantially recede. Many other researchers, while concentrating on the entry strategies, also relate the circumstances of entry to those of leaving the host country (Geroski, 1991; Anagnostaki and Louri, 1995; Yang, 1998). Shapiro and Khemani (1987) went considerably further, suggesting that the potential barriers to leaving a country are a component of the decisions by risk-averse MNCs to invest there. Indeed, when the UK elected not to ratify the social chapter of the 1992 Single European Agreement, attractiveness to FDI was at the forefront of its mind. Host country orientation can be a significant dynamic when HQ considers divestment.

Last but not least, Ghertman (1988) has suggested that individual instances of divestment are rarely an isolated phenomenon, but are more commonly associated with a pattern of other divestments, resulting from a reassessment of international operations. The study of the processes of internationalisation usually focuses on selecting the countries for investment, the phases of international expansion and the modes of managing foreign operations. León-Darder and Dasi-Coscollar (2001) point out that this process view of internationalisation implicitly assumes that divesting a subsidiary is a failure, when, in fact, it is more frequently a response to change in the composition of the corporation's assets in relation to its markets (Porter, 1986). Divestment is frequently part of a process of optimising international activities, which is more often than not accompanied by the preservation or growth of other parts of the MNC network (Clarke and Gall, 1987). In support of this contention, substantial work has been undertaken on the topic of international relocation and production switching (Buckley and Mucchielli, 1997). Within this well-trodden area of study, divestment is entirely regarded as being a HQ decision. In these circumstances, the HQ first decides upon a strategy of reorganising international operations, including divestment, and then makes a determination on which investments to divest (Clarke and Gall, 1987; Drummond, 1995). As a result subsidiaries can suffer the consequences of a phenomenon for which they are, at most, only partly responsible (León-Darder and Dasi-Coscollar, 2001).

Benito and Welch (1997) conclude that the extent of internationalisation of the MNC is an indicator of the level of commitment to international operations. Analogous to this view is the fact that divestment is more likely to occur abroad than in the home country, suggesting that HQ's level of engagement with an individual subsidiary is a key variable within the context of divestment (Boddewyn, 1983; Drummond, 1995). As well as commitment, there is evidence that the multinationals with the greatest international fluency develop capabilities that enable them to reduce the barriers to entry to new markets and accumulate experience that allows them to incorporate foreign subsidiaries more successfully (Barkema, Bell and Pennings, 1996). An overwhelming amount of the studies within this area, that take a strictly HQ vantage point, conclude that the unsatisfactory performance of a subsidiary is the most common cause of divestment from the MNC (Boddewyn, 1979; 1983; Burgelman, 1983; Duhaime and Grant, 1984; Clarke and Gall, 1987; Li and Guisinger, 1991; Siegfried and Evans, 1994; Benito, 1997; Benito and Welch, 1997; León-Darder and Dasi-Coscollar, 2001).

Understanding Divestment: Subsidiary Perspective

Research in the field of international business during the past two decades has started to provide an increasingly rich picture of the nature, strategy and organisation of the MNC. A still-emerging stream of research within the general school of MNC research, identified by Birkinshaw and Morrison (1995), takes the subsidiary as the unit of analysis. The point of departure for this stream is Hedlund's (1986) contribution of the heterarchical model of the MNC, which lead to the development of a network approach to understanding MNCs. As opposed to the traditional hierarchical or HQ-centric view, whereby subsidiaries are implicitly perceived as subservient children to an all powerful parent corporation, the heterarchical model suggests that HQ and subsidiaries can more usefully be conceived of as a network where both are dependant on each other. The principal difference between this conception and that of the hierarchical perspective is the degree of power it confers upon subsidiary management. This heterarchical approach takes it as self-evident that subsidiary management is capable of deliberate and conscious strategies to affect power outcomes.

As a result of this new conception of subsidiaries, a body of research has developed around the issues of subsidiary initiatives and mandate expansion (White and Poynter, 1984; Birkinshaw 1996; Delaney, 1998; Taggart, 1998), procedural justice (Kim and Mauborgne, 1997), appropriate parenting styles (Goold and Campbell, 1987) and corporate entrepreneurship (Molloy, 1992; Birkinshaw, 1997). These studies develop the idea that subsidiary roles, once established, can evolve over time, opening the way to conceive subsidiary development as a dynamic process through which foreign subsidiaries can modify their strategic position inside the whole corporation (Birkinshaw and Hood, 1998). There is no shortage of research dealing with subsidiary strategies and subsidiary roles (for an overview of the extensive literature see Birkinshaw and Morrison, 1995, or Taggart, 1998). Consistent with these themes has been the emphasis on the role of the subsidiary manager as a key instigator in the development of the subsidiary (for example, Roth and Morrisson, 1990; Molloy, 1992; Birkinshaw, 1996; 1997; Birkinshaw and Hood, 1997, 1998; Delany, 1998; Taggart, 1998; Griffin and Fairhead, 1999). For example, Delany (1998) suggests an eight-stage model of development for MNC subsidiaries with specific guidance for the subsidiary management team at each stage. The key recommendation from Delany's research is that subsidiary managers need to change their mindset from one of obedience to HQ (what he terms boy-scouts) to one of being proactive initiative takers (subversives).

Yet, even though subsidiaries are currently the object of intense interest, remarkably few of these publications address the issue of divestment. Most discuss typologies of subsidiary strategies or subsidiary characteristics associated with the different subsidiary strategies/roles. In short, the *strategic opportunities* of subsidiaries seem to generate more attention than their *strategic threats*.

While León-Darder and Dasi-Coscollar's study (2001) did specifically look at the issue of divestment from a subsidiary viewpoint, in examining the factors that precipitated subsidiary divestment in 284 Spanish subsidiaries, they adopted their hypothesis from the HQ centric stream of research, and consequently tested factors such as a decrease in competence, profitability and involvement, as well as relative size and age of joining. While their results were not resounding, they concluded that lower profitability is related to divestment, although involvement with other units reduces the incidents of divestment, and that acquired subsidiaries had a greater likelihood of being divested than greenfield units.

The literature has not, in any substantial way, examined subsidiaries' strategic response to divestment. One possible reason for this apparent lack of interest is circumstantial, since it is notoriously difficult to get data from failed subsidiaries. Notwithstanding individuals' reluctance and inability to discuss failure in an unbiased manner, the key actors typically leave the scene quickly (Benito, 1997), often months before the receiver arrives. However, given the high rate of subsidiary divestment it was only a matter of time before a researcher was in the middle of a longitudinal study when a receiver arrived at the research site.

METHODOLOGICAL DISCUSSION AND CASE-STUDY INTRODUCTION

Against this theoretical backdrop and bearing in mind the research issues, which emerge from it, after some brief methodological discussion, an extensive case study will be introduced. This tells the story of the managers of an Irish subsidiary's 22-year long strategic response during which it was episodically threatened with divestment. Collected over four years from a subsidiary that has been through five changes in ownership in the last 22 years and was finally closed down in early 2002, the managers (and Receiver/Liquidator) clearly attribute the failure of the subsidiary to HQ intervention which prevented the subsidiary from pursuing a strategy of survival. The analysis of this case concludes by proposing a hypothesis, setting the agenda for further work that would examine the relative predictive power of the research hypotheses and thus draw tentative conclusions about the reasons why some subsidiary divestments result in closure.

Inevitably, whatever research strategy is selected it entails compromises and limitations. The quintessential characteristic of single case study research is that it strives towards an holistic understanding of a complex and unique cultural system of action (Feagin, Orum and Sjoberg, 1991). Single-case studies are ideal for bringing to light revelatory cases that confirm or challenge a theory, or represent a unique or extreme case (Yin, 1994). They are, however, not sample surveys and consequently do not offer normative or generalisable explanations of phenomena.

The fieldwork on which this paper is based took place between December 1997 and July 2002. In the case presented here, a series of personal interviews with the general manager (GM) and senior managers (an average of four in-depth interviews per informant) were supplemented not just by internal documents (which were mainly used to corroborate the interviews (cf. Denzin, 1978; Jick, 1979) but specifically by an 'action learning' dissertation written by one of the subsidiary's managers.

The research was conducted in two phases. The first phase consisted of interviewing several managers within the organisation. The research was conducted in accordance with a broadly interpretative approach (Burrell and Morgan, 1979) and consonant with many of the precepts of 'grounded theory' (Glaser and Strauss, 1967). Indeed the topic of this paper arose as a result of the activity at the research site and were the subsidiary to have averted closure, or the study to cease earlier, the complexion of the case would, undoubtedly, have been totally different. These first-phase interviews were carried out not just with past and present GMs but also with senior managers, such as the financial controller (FC), within the subsidiary. Thus a 'convergent interviewing' method (Dick, 1990) was used, whereby inconsistencies between respondents were highlighted and investigated in later interviews. It further served to broaden and deepen understanding of the case and its context. The aim, however, was not just to take account of the subjective experiences and interpretations of the interviewees (Burrell and Morgan, 1979; Brenner, 1985) but to develop higher order explanations of their interactions (Geertz, 1973).

Thus, the second phase of the research involved the presentation of the case study and researcher interpretations of these to the interview participants. The purpose of this phase was partly to correct factual errors and to gather additional detail to enrich the case. It also, very importantly, enabled both the interviewees and researchers to further develop and refine earlier interpretations. Part of the stimulus for this was the introduction of theoretical ideas from the MNC literature. It was in this way that the researchers were able to introduce and substantiate the significant role of various discourses as high-level 'programming' devices for HQ/subsidiary interactions (Geertz, 1973). The corrections and re-interpretations of the data, made at this stage, were then fed into the case and contributed to the theory-building process.

Prior to the commencement of each interview, certain assurances were made about confidentiality. To this end, all names, places and identifying traits have been obscured from the case, which is presented below in the form of a case study, in which the participants recollect how their behaviours and interpretations, in respect of HQ, have evolved over a 22-year period.

HQ/Subsidiary Relationships within CDMI Corporation

Background

CDMI Kerry went through five HQs before it went into receivership in

February 2002. The plant was originally established in 1980 by an Irish ex-pat Bill Daly, who had worked for Component Design & Manufacture (CDM) in Santa Fe since it was established in 1971 and was eager to relocate back to Ireland. While the plant was originally conceived as being a manufacturing site for joysticks, it swiftly moved into peripheral manufacture before evolving into a contract manufacturer for Original Equipment Manufacturers (OEMs). With significant financial support from the IDA (Irish Development Authority) and strong consumer demand for its products the plant became successful. By the end of 1982, the plant was highly profitable, employing 300 people in design, manufacture and sales. As a result of this early success, CDM had a hands-off approach in its Irish plant.

The First Divestment

CDM was bought out by a US Fortune 500 company in 1986 and as part of the sale CDMI was to be divested. After two years of uncertainty CDMI was eventually sold in 1988 to Switch Tech Inc. Soon after joining the group, Switch Tech made an acquisition of a much larger business in Asia, which placed huge demands on the senior management and the financial position of the group. Consequently CDMI were left to their own devices, with the exception of having to repatriate profits to their parent company. During this time the plant developed a survival capability, learning how to aggressively sell their contract manufacturing services and quickly reconfiguring their total operations so as to secure new orders.

The Second Divestment

Switch Tech failed to turnaround their Asian investment and eventually filed for bankruptcy. Under difficult circumstances, CDMI started to make contingency plans a year in advance of the actual insolvency. These contingencies ranged from the immediate issues, such as short-term cash flow and a communication strategy targeted at key customers, to examining the long-term strategic options for the plant. Senior management of CDMI initially considered a management buyout, but unable to raise the equity they turned their attention to a trade sale. They made contact with government agencies and systematically made overtures to possible buyers. Switch Tech was not the only company in that sector having difficulty in 1992 and CDMI grew aware that they were unlikely to find a suitable buyer. CDMI sales manager, John Rodgers made contact with a Canadian venture capital company, Atlantic Design Consultants, who specialised in making short-term investments in distressed situations.

ADC was attracted to the plant's profitability and independent management and eventually bought CDMI once Switch Tech went bankrupt. Almost immediately after the deal, both ADC and CDMI worked to find a new owner.

ADC put considerable effort and investment into enhancing CDMI for the market, and as a result of that investment and a favourable market the plant thrived. Particular effort was paid to design and sales activities. According to John Rodgers, sales manager 1989–2000 talking in 1999, CDMI "won a load of new business, had great contract diversity [and] started selling our own branded goods. ADC really nursed the business back to strength…"

The Third Divestment

The independence of CDMI management was a key aspect of ADC's sales pitch for the plant. Both ADC and the management of CDMI negotiated the third divestment which eventually came almost three years later when, in 1997, CDMI was sold to Summit, a US supply-chain operator in the PC business.

Summit had never operated outside NAFTA, or indeed the OEM contract market, and consequently part of their attraction to CDMI was the capable and self-reliant management team. However, as the relationship developed, Summit, like Switch Tech before, had difficulty managing the independent business and took steps to limit the autonomy of what one Summit manager called a 'renegade outfit'. Over time Summit encouraged CDMI to concentrate solely on the OEM market where volumes are much more substantial. CDMI vigorously resisted this effort, believing competitive strength came from being active in both the branded and the OEM markets. Traditionally, CDMI's branded market products became OEM products over time and operating in both markets had allowed the firm to skim the market before entering lower-margin, high-volume production. The argument, more a fight over autonomy than anything else, soured the relationship. CDMI felt that they were being dragged down market and during this time many of the firm's designers left to pursue better opportunities.

Unbeknown to Summit, in 1996 CDMI successfully challenged a patent held by a key competitor in the OEM market – Apex – allowing it to manufacture digit tracers for laptops. Throughout the 1990s, OEM had consolidated and often sought one supplier for tracers, rollerballs and mouses, restricting CDMI's ability to compete. This led to CDMI successfully obtaining an exceptionally large contract from Freelance Computing. The contract was generated by CDMI's own sales effort and gave the plant a huge and stable production volume as well as entry to an enormous new reseller market. CDMI were included in Freelance's planning and R&D processes.

The only competition for the contract had been Apex, who had considered and rejected the idea of building a plant in Ireland, specifically to service the Freelance contract. Apex was Freelance's preferred supplier in the US.

The Fourth Divestment

Folding the Irish plant into their operations was a more difficult task than Summit anticipated. However, the HQ was still positively disposed towards their Irish plant and were focused on growing the business. Over time a rift developed between both sets of management and CDMI started, once again, to think of its options.

The obvious candidate was Apex. CDMI had got to know the team while challenging Apex's patent and the relationship had intensified between the two organisations when they were both competing for the Freelance contract.

Indeed, at the time of the competition for the Freelance contract, CDMI had suggested to Summit that a trade sale to Apex might articulate a higher price for the business than would normally be available, as Apex had a strategic need to maintain their relationship with Freelance. As the relationship deteriorated CDMI approached both Apex and their contacts in Freelance to sound them out over whether they would be interested in buying the plant. Apex took the hint and opened negotiations with Summit that led to a buyout of the plant. Under Apex, the plant initially thrived, with the Irish management given significant autonomy.

The Fifth Divestment

Over time, it became apparent that Apex was willing to do the work that Summit had shied away from, namely controlling CDMI. Apex demanded the plant comply with group strategy and this impacted on CDMI on many fronts. Significantly, Apex did not allow branded sales, as they felt they harmed their relationship with their OEM customers. Without a façade of consensus building, they unilaterally informed CDMI management that they no longer would permit this activity. To ensure that this policy was implemented they directed that the sales department, lead by John Rodgers, should report directly to Apex's European HQ in London. John, who had been instrumental in the survival of the company, not least in attracting the Freelance contract, reacted badly to the new arrangement and resigned soon afterwards. A number of respondents identified John's departure as being a defining moment for CDMI's changing capabilities. CDMI management made tremendous efforts to attract John to stay, but they were hamstrung by Apex. As a result of John's departure and Apex London's focus on large OEM contracts, CDMI did not win new business and slowly lost existing contracts. Soon after John's departure, Apex integrated CDMI's accounting function with its own. From then on, although CDMI remained a net contributor to the group, new transfer pricing arrangements were used as a method of allowing CDMI's debt to rise significantly.

Towards the end of 1999, Freelance came under significant pressure, which resulted in a corporate restructuring, and this led to the closure of their Irish plant. At that time the Freelance contract accounted for over 80 per cent of CDMI's production and consequently the plant was once again under significant pressure. Over the following four months the plant rapidly downsized but in the absence of new sales contracts and mounting debts, it was attractive for Apex to let CDMI collapse. On the 12 March 2002, after withdrawal of support by Apex two months earlier, CDMI's creditors succeeded in having the plants assets liquidated. On taking over the business, the Receiver noted his surprise "that they survived as long as they did, this business has been on its last legs since 1988 … I mean this business has been through so much and they just kept on going."

Analysis

The purpose of this paper, as we have suggested earlier, is to examine the issue of divestment from the subsidiary viewpoint. This case richly demonstrates the strategic threats that subsidiaries can be subject to and also draws attention to the survival instinct of subsidiaries. Thus in the following sub-section, it was considered important to briefly reiterate the triggers for subsidiary divestment from a HQ standpoint and consider them in terms of this case. In doing this, it becomes apparent that each explanation is only a part of the picture delineated by this case — emphasising some aspects and being largely blind to others. This is therefore, in effect, a multi-lensed analysis, somewhat in the manner of Allison's (1971) discussion of the Cuban missile crisis, leading us to make conclusions based on a more complete explanation of the case data. Finally, in the closing section, the implications of analysis are drawn out, suggesting an original hypothesis, to be tested in further work, developed from the case data that suggest how subsidiary divestment can be better understood.

Subsidiary divestment: HQ perspective

As noted earlier in the literature review, a considerable body of research has focused on explaining a HQ decision to divest a subsidiary. The case data support all three of the cited triggers for subsidiary divestment (Benito and Welch, 1997). Clearly, CDMI was struck on a number of occasions by poor financial performance and the financial weakness of its parent company (Duhaime and Grant, 1984; Chang, 1996). This was most strikingly evident in Switch Tech's divestment of CDMI, but was also a component of Apex's decision. CDMI was also subject to divestment as a result of the HQ's original motives for the investment disappearing, although this is not necessarily in line with the Dunning (1988) paradigm. Apex lost interest as a result of the loss of a big contract, CDM lost interest partially as a result of Bill Daly's link with the owners of CDM being broken and ADC sought divestment when its investment objectives were met. This is not compellingly explained by Dunning's (1988) three types of advantage – ownership, location or internationalisation. It was also the case in a number of instances that CDMI's divestment was associated with a new HQ strategy (Porter, 1986; Ghertman, 1988), frequently as part of a process of optimising activities but also as a form of international retrenchment. CDMI was subject to a number of the divestments, most notably Summit's divestment, as a result of its parent's inadequate international experience (Barkema, Bell and Pennings, 1996), but while a factor, again it was not the compelling motivation for the divestment.

While each of the cited reasons for closing a plant are interesting and prevalent in the case they fail to provide a complete explanation for any of the divestments that CDMI underwent. Divestment decisions tend to be messy and consequently do not easily relate exclusively to any particular trigger. In many instances the divestment decision related to the tacitly held views of the actors within the network. However, many MNCs are forced to rationalise their actions and this leads to a simplification and an unhelpful reification of the source of the divestment.

Understanding Divestment from the Subsidiary Perspective

While research in the field of international business has increasingly examined the MNC from a subsidiary viewpoint, it has to date not examined subsidiaries' strategic response to divestment. This body of research has, however, firmly established the concept of subsidiary's management instrumentality in subsidiary strategy making – developing and implementing strategies to expand and sustain their subsidiary. Obviously of key interest to a strategically minded subsidiary is preventing divestment and if that is not possible surviving divestment. On four occasions CDMI survived divestment and on the fifth occasion CDMI closed. Managers clearly attribute the closure to the parenting style of Apex, which thwarted CDMI's natural survival instinct. Before each previous divestment, CDMI prepared for survival in advance of the divestment, moving aggressively to assure its own continued existence post-divestment. By the time CDMI was bought by Apex, the company's longstanding management had an acutely developed survival capability and this was dismantled by Apex as it attempted to integrate the furiously independent unit into its network. When difficult conditions arose, as they had frequently done in the past, the management of CDMI had no means of achieving a positive divestment.

This analysis suggests the following hypothesis, suitable for testing over a wider population of divestment instances: subsidiaries that operate within the context of a pluralistic MNC strategy are less likely to be closed than subsidiaries that operate in the context of a unitary MNC strategy. Pluralistic MNC strategy is one where both HQ and subsidiary recognises that differing units within the whole MNC naturally have differing agendas and these agendas include preservation instincts. This is best typified in the case by ADC's pluralistic strategy that included CDMI in the divestment process. Conversely, a unitary MNC strategy ignores the plurality of views and seeks to impose a singular strategy, organisation and agenda within the MNC, that of the HQ. Within this case, Apex enforces a unitary strategy that led to the departure of key actors within the subsidiary and a mounting burden of debt on the subsidiary that removed the plant's ability to act in its own rational self-interest. Indeed when Apex chose to divest itself of CDMI it did not consider that the unit could play a role in affecting a more seemly exit for the HQ, possibly saving the plant in the process.

Concluding Remarks and Managerial Implications

This paper has sought to provide insight into the topic of divestment from a subsidiary viewpoint by developing an extensive case study. The case study data lead us to conclude that the current comprehension of the triggers for divestment are overwhelmingly based on HQ-centric research, which are overly simplistic, and fail to capture the messy nature of divestment decisions. There are three triggers identified in the HQ-centric literature:

1. Poor financial performance and the financial weakness of the entire MNC;
2. HQ's motives for the original investment disappearing;
3. A new HQ strategy of optimising international activities.

These triggers do not appear from the case to operate as distinctively as the literature implies. Most particularly, the literature fails to consider how both HQ and subsidiary management interpret these triggers and how the resulting political and sense-making processes of both types of manager determine the outcome of divestment decisions. Perhaps HQs are not particularly interested in properly explaining why they divest subsidiaries and many subsidiaries that are divested do not wish to or are not capable of participating in research.

The results of this study have important managerial implications. Clearly, within the context of subsidiary strategy, a focus on strategic threats, as well as opportunities, is exceptionally important. The case illustrates that subsidiaries are in a position to participate actively in their own divestment. In this instance, being prepared for divestment and, more importantly, being in a context that allowed the subsidiary to be prepared for divestment, were critical in determining whether the subsidiary survived divestment. These findings suggest an interesting hypothesis, not looked at before, that may provide the key to better understanding the arbitrariness of outcomes for subsidiaries when they are subject to divestment.

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