

Foreword

A diversified firm's withdrawal from a business unit (i.e. business exit) is a very important phenomenon in management practice. In fact, studies from the U.S. show that approximately 2,500 business units are sold each year. According to a survey of the consulting firm Accenture among 150 executives from the *Fortune 1000* companies, 59 % of the persons polled are momentarily divesting at least one business unit. Although divestitures are highly relevant in practice, researchers in strategic management tend to prefer investigating the counterpart of exit, namely the acquisition of business units. Trying to fill this gap, Ms. Decker's dissertation aims to shed light on the impact of business exit on the corporate strategy of the divesting parent firm.

First, Ms. Decker summarizes the literature on business exit from the last three decades in a systematic and comprehensible way. This is a deserving task since the literature on this topic is widely dispersed, e.g. in the field of finance, amongst others. Referring to the existing findings, the literature review shows that prior research has mainly focused on two questions: "What factors promote business exit?" and "What are the financial outcomes of business exit for the divesting parent firm?". Drawing on this background, the author convincingly argues that, up to now, the strategic implications of business exit for the divesting parent firm have largely been ignored.

Ms. Decker brings forward the argument that business exits can be associated with a strategic reorientation of "multibusiness firms". Following Byerly et al. (2003), she outlines refocusing and repositioning as potential options for strategic reorientation. Refocusing means that a firm withdraws from mainly peripheral activities in order to strengthen its core business; repositioning implies the abandonment of a firm's former core business and the simultaneous entry into a new business of emphasis, i.e. core change. Since both refocusing and repositioning aim at enhancing a divesting firm's internal and external strategic fit, Ms. Decker denotes such divestitures as "fit-enhancing business exits". If the strategic direction of a divesting firm does not change, she labels it a "status quo-preserving business exit". Drawing on this categorization, she argues that especially institutional pressures and a firm's pursuit of legitimacy, respectively, result in business exit associated with the simultaneous strategic reorientation of diversified firms. Thus, she convincingly uses institutional theory as the theoretical foundation of her study. She identifies four legitimacy needs, namely the needs for economic, strategic, managerial and investment legitimacy.

The initial database for the empirical study consists of all firms that are listed in the German CDAX. All in all, 213 business exits undertaken by 91 firms in the time period 1999-2004 are identified. The data collection results in a comprehensive and thorough set of data which is comparable to those used by American Ph.D. students.

Overall, Ms. Decker obtains some interesting results which are particularly appealing to future research. For example, the hypothesis that the need for economic legitimacy is likely to promote fit-enhancing business exit gains only partial support. Conversely, the need for investment legitimacy is likely to be an important driver of fit-enhancing business exit. This positive relationship is even reinforced in the presence of high uncertainty.

In her dissertation, Ms. Decker focuses on a research question which is highly relevant in both theory and practice. Overall, the study is done in a competent way. The impressive state-of-the-art of the literature on business exit, the application of institutional theory on divestiture and the unique set of data are especially worthy of mention. Furthermore, parts of Ms. Decker's dissertation have successfully passed some initial market tests: Her state-of-the-art of literature on business exit has recently been published in the *Academy of Management Perspectives*. In addition, parts of her dissertation were presented at the *Academy of Management Conference* in 2005 and at the *Strategic Management Society Conference* in 2007.

Ms. Decker's dissertation fully meets the internationally valid standards concerning "rigor" and "relevance". I hope that this study will attract many readers in academia and management practice. From my point of view, it would deserve it.

Univ.-Prof. Dr. Thomas Mellewigt