“The distinction between two types of divestors, recurrent and reactive, is the study’s most important finding”.

With a Doctorate from IESE Business School, a Bachelor in Business Administration, Piano and Music Theory, Luis Vives is an Assistant Professor of the ESADE Department of Business Policy. Here, Vives comments on the main findings of his paper “Are all divestors really the same? Insights from Company Divestiture Patterns”.

**Luis Vives**  
Assistant Professor of the ESADE Department of Business Policy
What led you to carry out this study?
I noticed that there was an interesting phenomenon that had not been examined very thoroughly, namely reductions in corporate portfolios or divestitures of business units. Generally speaking, the companies and scholars studying these phenomena usually prefer to focus on growth and announcements of acquisitions and joint ventures, yet in parallel many companies also divest. For example, Telefónica has made some divestitures, such as the divestment of its shares in the TV channel Antena 3 at the same time that it was engineering major transactions such as the takeover of the mobile operator O2 in the UK, Český Telecom in the Czech Republic and others. I collated the empirical data on this phenomenon from the SDC Platinum database, which records the investment and divestment transactions of most of the major US companies. I specifically focused on 48 of the companies listed in the Fortune 100.

Based on this motivation and the empirical data, what was your next step?
In the first phase of the study, I surveyed all the articles that had been published up until then. Generally speaking, there are very few studies that analyse this issue, and many of them display fairly negative connotations of divestitures. However, there are also some cases in which these transactions have been positive for both sides, such as the divestiture of Roca’s radiators division, which later led to the merger between it and Baxi, making the merged company one of the European leaders in its sector. Previous studies also revealed that lower profitability led to divestiture, although other cases showed that these two parameters were not related, so that we were actually starting from mixed evidence. Finally, another effect analysed was the impact of a change in CEO on divestiture.

What is the result of the survey of what has been analysed to date?
We can see patterns in the divestitures performed by the 48 companies analysed, including Bank of America, General Electric, HP and IBM. Based on these patterns, I realised that there is a group of companies which are constantly divesting, while others only divest in reaction to certain situations, for example, if at a given point in time results are poor.

Is this difference the paper’s most innovative finding?
Yes. In addition to providing more literature on this subject, the distinction between two types of divestors, recurrent and reactive, is the most significant result of the study. This distinction is one possible reason to explain some of the mixed results from the empirical analyses performed in the past, yet at the same time it also opens up an interesting series of paths to analyse questions that can be answered in the future: How does this distinction affect companies’ results in both the short- and long-term? Should reactive companies have the same diversification discount as recurrent companies? What makes a company become recurrent or reactive? And finally, how are a company’s diversification levels managed and how do they evolve?

Are you planning to expand on this study in the future?
Based on these questions, the initial idea would be to finish this study, as I need to carry out new tests with the data in order to be totally certain of what I am claiming in the paper. However, it would also be interesting if in the future this
study generated ideas for other scholars to analyse the differences and implications of the two types of companies mentioned based on their divestiture patterns.