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# Revisiting Causes of Firm Exit for Divestiture Spin-Off in the Last Five Years: A Systematic Literature Review

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**ABSTRACT**

This study revisits and analyzes the causes leading to firm exit in divestiture spin-offs over the past five years, aiming to consolidate findings from recent literature and uncover evolving trends. Using a systematic literature review of Scopus publications from 2019 to 2024 and employing the PRISMA methodology, **this study analyzed a final sample of 97 journal articles to examine the key factors** influencing divestiture spin-offs. The results identify four primary causes for divestiture spin-offs: market periphery and overlap, asset redeployment, unprofitable resource utilization, and the critical timing decision between redeployment and divestiture. These insights reveal a significant shift in **research focus, offering valuable knowledge for executives and management** to move beyond traditional views and understand the underlying causes in a more nuanced way. **This study provides essential guidance for executives, firm management, and policymakers, supporting informed** decision-making in business unit divestitures and contributing to a more sustainable economic cycle. The originality and value of this research lie in its comprehensive identification of the causes behind firm exit in divestiture spin-offs, laying a robust foundation for future research and practical applications.



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## 1. INTRODUCTION

Firm exit has become a focal point of interest for academic managers overseeing multi-business enterprises [1], as well as for the broader economy [2], especially during periods of economic turbulence [3]. This process is influenced by extensive macroeconomic dynamics [4], making it essential for both individual businesses operating within competitive markets and the economic framework as a whole to understand the intricacies of business exit.

A substantial volume of research has highlighted numerous factors underlying firm exit [5]. Scholars have explored various potential causes, including inertial factors [6], the internal environment for selection [7], levels of financial performance [8], multiple uncertainties [9], innovation impacts [10], financial restrictions [11], ownership structures [12], and particular seller-driven motivations [13]. Other research avenues have examined firm exit by evaluating both internal [14] and external influences [15], or by framing exit in contrast to survival [16]. Additionally, some studies focus on the factors that affect the timeline and pathway of exit for distressed businesses [17].

This is where the study's significance and broader impact on business and the economy are typically introduced. By placing it here, you can smoothly connect the paper focus on firm exit and divestiture spin-offs with its potential contribution to sustainable economic growth under SDG 8. This positioning will highlight the research alignment with global development goals early on, setting a relevant context for readers [18].

Previous literature reviews have examined the extensive field of firm exit, addressing broad themes and specific types of exit, such as divestitures, entrepreneurial departures, small firm exits, and survival mechanisms [19]. In recent years, research efforts have intensified around the concept of firm exit [20]. However, this focus has led to fragmented understandings, as studies diverge from foundational definitions, employing various methodologies and drawing diverse conclusions [21].

Thus, a cohesive review is needed, particularly as firm exit emerges as a critical subject in the current economic environment. This study offers a structured analysis of the existing body of literature through a systematic literature review (SLR) of business exits, concentrating on publications from the past three decades. We aim to contribute in three primary ways: first, by offering an updated, comprehensive overview of current research on firm exit drivers; second, by identifying prevailing thematic areas within the literature; and third, by illustrating the field development over time. We also highlight key recommendations and suggest pathways for future research.

## 2. RESEARCH METHOD

This study utilized a systematic literature review (SLR) approach to investigate the topic comprehensively. The SLR method involves a structured and exhaustive examination of scholarly publications on specific themes central to the research inquiry. Here, the focus was on instructional strategies within certain disciplines as they pertain to the broader context of firm exit.

Due to Scopus global recognition and reliability, the researchers selected it as the primary database. The search process was structured around three main keywords: "firm exit", "firm exit of companies", and "firm exit for divestiture spin-off" [22]. To facilitate a thorough analysis, the selected full-text articles from Scopus were processed using the PRISMA framework, which includes stages of identification, screening, eligibility, and final selection.

For additional support, Publish or Perish 8 was used for systematic planning, VOSviewer for feasibility visualization, and Mendeley Reference Manager for organizing the meta-analysis feasibility. Inclusion and exclusion criteria were also carefully defined and applied during this process.

### 2.1. Eligibility Screening and Assessment

Using systematic planning in Publish or Perish 8, articles were categorized under the themes of "firm exit", "firm exit of companies", and "firm exit for divestiture spin-off". Table 1 outlines the systematic planning results, summarizing data from the Scopus database from 2019 to 2024.

Table 1. Systematic planning results using Publish or Perish 8 on Scopus database, 2019-2024.

| Category | Count | Citation Count by 2024 |
|---|---|---|
| Firm exit | 197 | 4884 |
| Firm exit of companies | 28 | 315 |
| Firm exit for divestiture spin-off | 1 | 2 |
| Total | 226 | 5201 |

Table 1 As shown, the "firm exit" category had the largest representation, with 197 articles garnering 4,884 citations by 2024. This suggests that the general topic of firm exit has received considerable academic attention. In comparison, the "firm exit of companies" category included 28 articles with a total of 315 citations, indicating moderate scholarly focus. The "firm exit for divestiture spin-off" category, with only one article and two citations, highlights an area with limited research, suggesting an opportunity for further study in this specific aspect of firm exits [23].

These findings illustrate current research priorities in the study of firm exits and identify areas for potential exploration. Across the three categories, a total of 236 relevant articles were selected, with a combined 5,201 citations from 2019 to 2024. To facilitate data organization and analysis, all articles were managed in

Mendeley Reference Manager, exported in "RIS" format, and visualized using VOSviewer. This structured approach provides a comprehensive overview of the scholarly landscape on firm exit topics, with 1 offering a visual representation of the results.

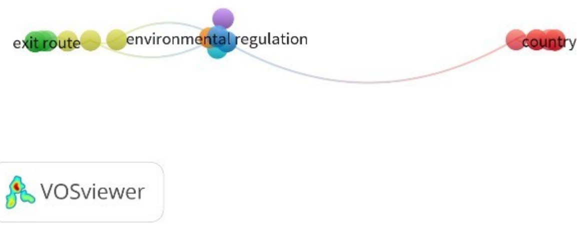


Figure 1. Visualization Results Using VOSviewer

Figure 1 illustrates a visual distribution of research categories and related keywords within the SLR, emphasizing three central themes firm exit, firm exit of companies, and firm exit for divestiture spin-off. The diagram, generated by VOSviewer, shows the connections between studies, revealing concentration areas and potential research gaps. Node size reflects category prominence, while line thickness indicates the frequency of keyword co-occurrence, thereby mapping the intellectual structure of the field.

### 2.2. Inclusion and Exclusion Criteria for SLR Article Selection

The systematic literature review (SLR) employed five main stages to refine literature selection. Outlines the criteria used for SLR article selection. This includes only full-text, peer-reviewed articles published between 2019 and 2024, with a focus on firm exit or divestiture topics, drawn exclusively from the Scopus database to maintain quality and relevance.

Table 2. Inclusion and Exclusion Criteria for Article Selection

| Inclusion | Exclusion |
|---|---|
| Full-text articles | Book reviews, theses, dissertations, book chapters, proceedings |
| Published between 2019-2024 | Published before 2019 |
| Includes firm exit, firm exit of companies, or divestiture spin-off | Lacks the above themes |
| Scopus database | Non-Scopus sources |
| • Publish or Perish 8<br>• Mendeley Reference Manager<br>• VOSviewer | Other applications |

Table 2 outlines the criteria for selecting articles, divided into inclusion and exclusion categories to ensure relevance and quality. Additionally, Publish or Perish 8, Mendeley Reference Manager, and VOSviewer were the only tools used. The Exclusion criteria ruled out book reviews, theses, dissertations, book chapters, conference proceedings, articles published before 2019, non-Scopus sources, and applications other than the specified tools. This structured approach ensured that only recent, high-quality, and thematically relevant articles were included in the study.

### 2.3. PRISMA Analysis

The article search focused on topics related to firm exit, specifically examining firm exit of companies and divestiture spin-offs. Using the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework for inclusion and exclusion criteria, the search process was designed for consistency and replicability in selecting relevant studies, as outlined in Figure 2.

A systematic literature review (SLR) was conducted, utilizing Scopus as the primary database and limiting studies from 2019 to 2024. Keywords included "firm exit", "firm exit of companies", and "firm exit for divestiture spin-off [24]". The PRISMA framework guided the selection, screening, and refining of studies, while citation management was supported by Publish or Perish 8, which helped identify highly cited and relevant research within the specified categories.

The initial search on Scopus yielded 226 articles, which were narrowed down by removing 46 articles that did not match the focus and an additional 13 non-research articles, resulting in 167 for review. After further exclusions based on relevance and availability of complete text, 97 articles were finalized and exported in RIS format for detailed analysis in Mendeley, ensuring a structured and comprehensive examination of firm exit research, especially in divestiture spin-offs.

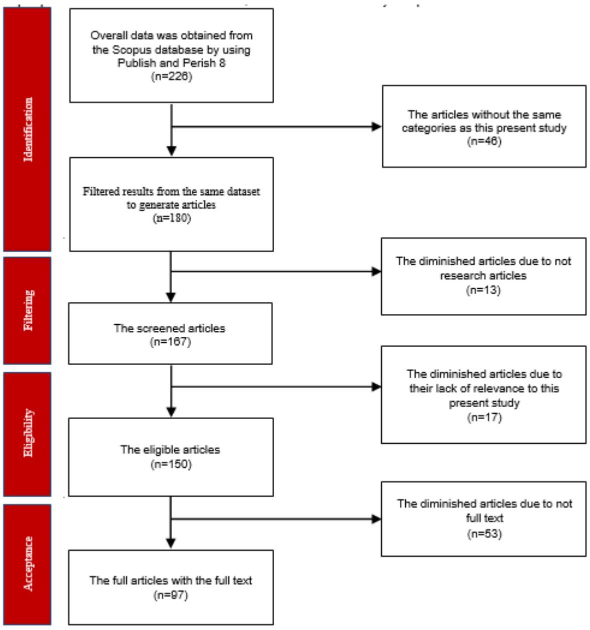

Figure 2. PRISMA Analysis in Literature Selection

The Scopus database search, limited to the keywords ”firm exit”, ”firm exit of companies”, and ”firm exit for divestiture spin-off”, yielded 226 articles from 2 019 to 2024. From these, 46 were screened out for differing categories, leaving 180 articles. An additional 13 non-research articles were excluded, resulting in 167 articles for detailed review. After further exclusions based on relevance, 150 articles were deemed eligible. Among these, 53 were omitted for incomplete full text [25]. Ultimately, 97 complete articles were included, with significant findings exported in RIS format for further analysis in Mendeley.

### 2.4. Data Configuration

A total of 226 articles were initially identified in Scopus, filtered according to specific themes and keywords. Of these, 97 full-text articles were relevant. Table 3 displays results by category and relevance.

Table 3. Filtered Articles by Theme and Full-Text Availability

| No | Category | Count |
|---|---|---|
| 1. | Firm exit | 71 |
| 2. | Firm exit of companies | 26 |
| 3. | Firm exit for divestiture spin-off | 1 |
| | **Total** | **97** |

Table 3 summarizes the article distribution across three main themes. Out of 97 articles, 71 focused on ”Firm exit”, 26 addressed ”Firm exit of companies”, and only one covered ”Firm exit for divestiture spin-off”, highlighting a research gap in this last category.

## 3. RESULT

Through the PRISMA analysis conducted with Mendeley Reference Manager, 97 complete and relevant journal articles published on Scopus from 2019 to 2024 were identified. The findings reveal that firm exit through divestiture spin-off may be driven by factors such as market boundaries and overlap, asset reallocation, ineffective resource utilization, and the strategic decision to either redeploy or divest, influenced by the timing of the exit.

### 3.1. Firm Exit for Divestiture Spin-Off Driven by Market Boundaries and Overlap

Market boundaries can influence a firm decision to exit through divestiture spin-off. The concept of market periphery underscores the importance of a firm's position within the broader market landscape, whether at the core or on the periphery [26]. To effectively tackle the complexities arising from diverse market environments, firms are encouraged to form specialized divisions focused on niche markets. While some corporations diversify due to external market opportunities, many focus on strengthening their core competencies. Firms are generally organized around core activities, with some strategically positioned at the center of their core markets, crucial for their sustainability, while others remain at the periphery.

Firms situated at the core often exert considerable influence over their subsidiaries, possessing control over market or critical assets that are essential for maintaining operations, especially in the absence of the output market. Studies on divestiture indicate that enhancing a firm's market position frequently necessitates a reassessment of assets, leading to spin-offs. However, exit decisions are shaped by the range of strategic options available and each firm's potential outcomes. Headquarters may assess the strategic importance of each division to improve the firm's overall market competitiveness before deciding on exit actions [27].

Central firms often receive higher priority from headquarters compared to those on the periphery due to their strategic importance for overall sustainability. Organizational decisions reflect constraints from influential entities that control essential resources. As a result, the exit decisions depend on the firm's competitiveness or performance outcomes. Core firms, if excluded, may face more severe disruptions in their operational continuity compared to peripheral firms.

Moreover, firms may decide to exit through divestiture spin-off when facing market overlap. For instance, a corporation might own multiple specialized firms with overlapping structures or product portfolios within the same geographic market. Some firms are more diversified due to managerial autonomy or resource accessibility, while others are not. Market overlap can escalate internal competition over shared resources, leading to adverse outcomes and eroding the firm's competitive advantage. In cases where new divisions are not established to reduce competition, a firm may consider exiting the market if other related firms operate in the same industry. A firm may choose to replace a competitor if overlapping markets lead to unsustainable rivalry.

### 3.2. Firm Exit for Divestiture Spin-Off Driven by Asset Reallocation

Another cause of firm exit through divestiture spin-off is asset reallocation. This topic holds practical importance and is extensively studied. Research indicates that [28], parent companies often sell unrelated subsidiaries to external buyers. Literature suggests that divestment can serve as a type of firm exit where assets are reallocated to firms aligned with the parent company's asset portfolio. Firms seeking to enhance shareholder value might transfer assets to related entities. Evidence shows that firms with a portfolio of related businesses are more likely to exit through internal asset redeployment.

The distinction between divestment and asset redeployment often defines the patterns of firm exit, where decisions are driven by the relevance of asset reallocation. Firm exits primarily stem from asset redeployment or spin-off as a strategy for focusing on assets with non-scalable potential. Researchers identified instances where firms exited by divesting and redeploying assets, with studies suggesting that firms with more closely related subsidiaries have a higher likelihood of market exit.

Asset redeployment is often facilitated by factors like lower adjustment costs, higher external transaction costs, and incentivizing conditions. The redeployment of assets becomes more probable, especially when rapid expansion in remaining chains follows the closure of sibling stores. Firms with unrelated subsidiaries are more likely to exit by divestiture when external markets offer better asset reallocation opportunities.

### 3.3. Firm Exit for Divestiture Spin-Off Driven by Unprofitable Resource Usage

Unprofitable resource usage can also lead firms to consider exiting through divestiture spin-off. Firms experiencing recurring financial losses may find divestiture beneficial to refocus on areas with competitive advantages. Poor resource utilization often results in operational inefficiencies, where the firm incurs high operating costs without matching revenue gains, reducing its competitive stance against more efficient competitors. Firms struggling to efficiently use resources may choose divestiture spin-offs to concentrate on core operations that promise a competitive edge [29].

By divesting underperforming assets, firms realign investments with strategic goals, enhancing shareholder value by reallocating capital towards profitable ventures. As a response to unfavorable market fluctuations, firms may divest nonviable sectors, ensuring economic sustainability. This approach also minimizes risks associated with continuing unprofitable operations, positioning the firm for long-term success through efficient resource utilization.

### 3.4. Firm Exit for Divestiture Spin-Off Driven by the Timing-Based Choice Between Redeployment and Divestiture

The timing of exit can also affect whether firms opt for redeployment or divestiture. Asset redeployment involves shifting resources within the organization to areas with higher growth potential, while divestiture typically entails the sale of non-essential assets. Firms might choose redeployment when strategic opportunities arise, allowing resource optimization for better returns. Divestiture, on the other hand, may be favored when firms face financial constraints, shifting market dynamics, or a need to streamline operations. Efficiently reallocating resources by divesting underperforming assets enables the firm to focus on profitable opportunities or improve its financial health.

Ultimately, the decision to redeploy or divest depends on various factors such as timing, market conditions, and the firm's strategic objectives. Firms may lean towards redeployment when they see potential in reallocated resources, while divestiture may be preferred when disposing of non-core or underperforming assets. This choice is shaped by exit-related details, current market trends, and the long-term goals of the organization.

## 4. DISCUSSION

The growing availability of data and increased awareness surrounding the reasons for firm exit through divestiture spin-offs have fueled research efforts to distinguish among various causes. This study identifies four primary drivers behind firm exits: market periphery and overlap, asset reallocation, unproductive resource utilization, and the strategic choice between redeployment and divestiture based on exit timing. Prior studies have shown that new firms, especially entrepreneurial ones, face a higher risk of exiting the market shortly after inception, with this risk decreasing as they mature. Start-ups experiencing financial constraints during their first year are more susceptible to external shocks, making industry exit more likely. Moreover, a clear distinction exists between large and small firms, with smaller ones being more prone to exit due to challenges in reaching minimum efficient scale. Entrepreneurial firms and start-ups are often analyzed separately because of their unique characteristics and the challenges of small scale and newness [30].

The findings of this study underscore that the concept of market periphery accentuates a firm positioning within the broader market, whether central or peripheral. Firms are often encouraged to establish specialized divisions within their structures to manage niche markets effectively and navigate environmental complexities. Core firms hold substantial influence over subunits within multiunit organizations, as they control critical assets and market segments necessary for operational continuity. To enhance their market position, firms frequently undergo restructuring, including asset divestitures. However, the exit decision depends on the strategic options and potential outcomes specific to each firm. Headquarters may evaluate the strategic significance of individual divisions to improve overall competitiveness before finalizing exit decisions, prioritizing central over peripheral firms due to their impact on corporate survival.

Additionally, as revealed in this study, market overlap may prompt firms to exit through divestiture spin-offs. For example, an insurance conglomerate may manage several highly specialized subsidiaries with similar structures and portfolios within the same geographic area. Such overlap can increase competition for shared resources, both internally and externally, diminishing the firm competitive advantage. Previous studies have also indicated that firm exits may result from asset reallocation or divestiture spin-offs. Firms with a network of related businesses are more inclined to exit through internal asset redeployment. The firm efficiency and the divestiture spin-off process can drive decisions to exit by reallocating assets.

The findings of this study on asset redeployment reveal that firms with closely related subsidiaries have an increased likelihood of market exit. This trend is particularly evident when three critical factors favor asset redeployment: reduced resource adjustment costs, higher transaction costs associated with external transactions, and strong positive incentives. Asset redeployment is often pursued when favorable market conditions exist, such as rapid expansion in remaining locations after sibling units are closed. The process of divestiture spin-off can also motivate a firm to exit due to inefficient resource use, as indicated by this study [31]. Ineffective resource utilization often leads to net losses, negatively impacting overall cash flow. Prior studies have shown that unproductive resource use can cause operational inefficiencies, elevating costs without proportionate revenue increases. Firms that cannot optimize resources are disadvantaged against more efficient competitors, resulting in market share losses.

According to this study, divestiture spin-offs provide firms with a mechanism to realign their investment portfolios based on strategic objectives and market demands. Ending unprofitable projects is often viewed as a shareholder value strategy. Investors interpret divestiture as a move to increase portfolio efficiency, allowing firms to channel resources toward more lucrative ventures with higher profit potential. Ultimately, firm exits may be prompted by factors such as the timing-based decision between asset redeployment and divestiture. The timing of an exit influences whether resources are redeployed or sold. Redeployment typically involves reallocating resources to alternative divisions or projects, while divestiture entails the sale or disposal of a firm assets, subsidiaries, or divisions. Timely divestiture of non-core or underperforming assets enables the firm to allocate resources toward more profitable opportunities, enhancing financial stability.

### 4.1. Theoretical Implications and External Factors Influencing Firm Exit

Beyond the specific causes identified in this study, it is essential to consider theoretical frameworks that elucidate firm exit in relation to external economic factors. The institutional theory and resource-based view (RBV) offer valuable perspectives on the findings of this research. Institutional theory posits that firm behaviors, including exit strategies, are influenced by external forces such as economic regulations, political factors, and global market conditions. In economically volatile times, such as during financial crises or pandemics, firms may reevaluate their operations, resulting in increased spin-offs or divestitures as a reaction to economic shocks.

The resource-based view (RBV) complements this by emphasizing that firm exits may be motivated by the need to restructure internal resources to sustain competitiveness in evolving economic climates. Firms struggling to adapt their resources in response to external pressures might adopt exit strategies like divestiture spin-offs to protect core activities.

Additionally, transaction cost economics (TCE) provides a perspective wherein firm exits are driven by the costs associated with managing underperforming assets or divisions, particularly during uncertain market conditions. When external factors raise the cost of maintaining such assets, firms may find it more efficient to exit certain markets through spin-offs [32].

These theoretical insights align with this study's findings, indicating that internal factors like market periphery and resource inefficiency are critical drivers of firm exits, often exacerbated by external economic challenges. For example, during global recessions, firms on the periphery may struggle to compete with central players, making spin-offs a strategic response to conserve resources.

### 4.2. Entrepreneurial Implications of Firm Exit

The impact of firm exits extends to entrepreneurial ventures. Divestiture spin-offs can provide fertile ground for entrepreneurial activity, as new businesses frequently emerge from the separation of business units. Spin-offs enable entrepreneurial leaders to focus on niche markets, develop innovative products, and establish new value propositions outside the confines of the original corporate structure. The entrepreneurial ecosystem thus plays a significant role in analyzing firm exits, especially in sectors undergoing rapid technological or market changes.

For entrepreneurs, understanding the timing and strategy behind firm exits can aid in recognizing opportunities and acquiring resources. Spin-offs offer entrepreneurs a chance to gain undervalued assets or skilled personnel from exiting firms, strengthening their market position. Moreover, divestiture spin-offs often involve knowledge and intellectual property transfers, giving new ventures a foundation for growth in emerging fields.

In the global market context, new ventures arising from spin-offs may benefit from lower transaction costs and enhanced flexibility, allowing them to respond effectively to economic shifts. This highlights the relationship between firm exits and entrepreneurial activities, where divestitures act as both an exit strategy for larger firms and a catalyst for new business creation and innovation.

## 5. MANAGERIAL IMPLICATION

This study offers practical insights for business leaders navigating firm exits through divestiture spin-offs. Firstly, recognizing the role of market positioning and the strategic placement of business units can guide decisions to divest or refocus on core competencies, particularly during economic downturns. Firms on the periphery may be ideal candidates for spin-offs, allowing management to concentrate on central operations critical to competitiveness.

Secondly, asset redeployment should be strategically considered to maximize resource efficiency. Leaders may assess whether underperforming assets can be repurposed within the organization or sold externally to free capital for more profitable ventures. Strategic redeployment enhances operational agility, focusing resources on high-potential areas that support growth.

Thirdly, identifying unproductive resource use as a driver of firm exit signals a need to discontinue resource-draining activities. Firms should routinely evaluate business unit performance and be prepared to exit units that detract from financial stability.

Lastly, the choice between redeployment and divestiture should be aligned with both market opportunities and internal capabilities. Leaders must weigh the costs and benefits of each approach, balancing immediate financial objectives with long-term strategic goals. Such decisions are essential for maintaining competitive advantage and supporting sustainable firm growth.

## 6. CONCLUSION

Firm exit is a critical aspect of business management, particularly under conditions of economic uncertainty. Various studies have examined factors contributing to firm exits, including inertial forces, the internal selection environment, financial performance, market uncertainty, innovation, financial limitations, types of ownership, and motivations of sellers. Nonetheless, there remains a need for a more integrated understanding of firm exit, especially in today's economic climate. For instance, firms positioned on the market periphery, often handling niche markets, may face higher exit risks. Centralized firms are generally prioritized by headquarters due to their essential role in the organization's survival. Additionally, market overlap can prompt firms to exit, particularly when firms are hesitant to establish new divisions and opt to replace competitors instead.

Firm exits via divestiture spin-offs may also stem from asset reallocation strategies. This approach allows companies to enhance shareholder value by reallocating assets to other related entities within their portfolio. The likelihood of exit increases in scenarios where closely related subsidiaries exist, combined with factors such as lowered costs, rising external transaction costs, and favorable incentives. Additionally, ineffective resource usage can lead firms toward divestiture spin-offs, enabling them to realign investment assets with strategic and market objectives. Whether assets are reallocated or sold depends on the timing and context of the exit. Redeployment involves reallocating resources across various organizational divisions or projects, while divestiture entails selling or disposing of assets, subsidiaries, or entire divisions. The choice between redeployment and divestiture is influenced by factors such as exit details, market conditions, and long-term strategic goals.

This study enhances the theoretical framework on firm exits by identifying key causes driving divestiture spin-offs. The practical implication of this research is to offer managers an early indication of conditions that might lead to spin-offs, supporting informed decision-making. A noted limitation of this study is its focus solely on spin-offs within the past five years. Further research should consider an extended timeframe to examine the long-term impacts and outcomes of spin-offs.

## 7. DECLARATIONS

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### 7.2. Author Contributions

Conceptualization: DA; Methodology: HH; Software: RS; Validation: HH and EA; Formal Analysis: HH and EA; Investigation: RS; Resources: DA; Data Curation: DDA; Writing Original Draft Preparation: DA and HH; Writing Review and Editing: RS and EA; Visualization: DA; All authors, DA, HH, RS, and EA, have read and agreed to the published version of the manuscript

### 7.3. Data Availability Statement

The data presented in this study are available on request from the corresponding author.

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The authors received no financial support for the research, authorship, and/or publication of this article.

### 7.5. Declaration of Conflicting Interest

The authors declare that they have no conflicts of interest, known competing financial interests, or personal relationships that could have influenced the work reported in this paper.

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