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# Who Loses from Foreign Market Exit? International R&D Collaborations and Inventor Performance

Alessandra Perri, Elisa Sabbadin and Ke Wu

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## Abstract

While international business research has recently examined the drivers of foreign divestment, its implications for knowledge creation inside the multinational enterprise (MNE) remain unexplored. Building on the knowledge-based view of the MNE and literature on international knowledge sourcing, we take a microfoundations approach to study the relationship between foreign divestment and MNE inventors' innovative performance. We suggest that foreign divestment may narrow the scope of the firm's international knowledge network, thus negatively affecting inventors who previously collaborated with peers in the divested unit, as they lose privileged access to localized, non-redundant technology that is key to knowledge recombination. Drawing on the case of General Motors' divestment of its European operations, we examine the inventive performance of 1,366 firm inventors over 19,124 inventor–year observations spanning the period 2010–2023. Our results reveal that inventors with prior knowledge-based collaborations with the divested subsidiary are associated to a decline in innovation performance following the foreign divestment, consistent with their loss of preferential access to European technological knowledge. However, inventors with direct channels to alternative international knowledge sources, such as those established via prior intrafirm cross-border mobility or collaborations with peers in other foreign subsidiaries, are protected from this negative effect.

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Academy of Management
100 Summit Lake Drive, Suite 110
Valhalla, NY 10595, USA
Phone: +1 (914) 326-1800
Fax: +1 (914) 326-1900