



UNIVERSITI PUTRA MALAYSIA

***COMPREHENSIVE DIVERSIFICATION MEASURE OF DIVERSIFICATION
STRATEGIES AND PERFORMANCE OF SELECTED FIRMS***

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STRATEGIES AND PERFORMANCE OF SELECTED FIRMS**

By

EBRAHIM ASRARHAGHIGHI

**Thesis Submitted to the Graduate School of Management, Universiti Putra Malaysia, in Fulfillment
of the Requirements for the Degree of Doctor of Philosophy**

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DEDICATION

This thesis is dedicated to:

Great Future of Human Beings



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the degree of Doctor of Philosophy

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December 2013

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Product and international diversified firms play a significant role in the world economy. Therefore, assessing the relationship between diversification and performance has attracted a lot of attention for decades. However, the results of the studies are inconclusive. Researchers have mentioned this inconclusiveness might be a result of diversification measurement problems and using different measures of diversification. The main problems for product diversification measures are about capturing the relatedness among a firm's activities based on the relatedness among the firm's resources and multidimensionality of relatedness. The main problems for international diversification measures are around capturing the multidimensionality of international diversification, the breadth and depth, and its relatedness.

The Total Global Diversification Index as the most comprehensive measure of diversification that capture both product and international dimensions of diversification , has some of the above mentioned problems. Therefore, by using the Inter industry Relatedness Index, new measures of product diversification were designed. Afterward, a new comprehensive measure of diversification was constructed by integrating the new measures of product diversification which can capture the relatedness among firm's resources and multidimensionality of relatedness and, the Degree of Internationalization measure which is a multidimensional measure of international diversification and can capture the relatedness and breadth and depth of international diversification.

To find the superiority of the new measure, its predictive validity was tested against the total global diversification index through assessing the relationship between diversification and performance for U.S. largest firms. The result showed that the new measure has higher predictive validity. Moreover, it was found that product diversification does not have an effect on firms' performance but it positively moderates the relationship between international diversification and performance. Also, a sigmoid relationship between international diversification and market based measure of performance was found.

The developed measure of diversification may assist researchers to assess the relationship between diversification and performance by a new comprehensive measure which has higher predictive validity. Also, practitioners can use the new measure to trace the results of their firms' diversification strategies over years and compare it to their competitors.

Abstrak tesis ini dibentangkan pada Senat Universiti Putra Malaysia sebagai memenuhi syarat untuk Falsafah Kedoktoran (PhD) di Sekolah Pengajian Siswazah Pengurusan

PENGUKUR KEPELBAGAIAN STRATEGI KEPELBAGAIAN DAN PRESTASI FIRMA DIPILIH

Oleh

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Firma yang mempunyai kepelbagaian dari segi produk dan pengantarabangsaan memainkan peranan yang penting dalam ekonomi dunia. Oleh itu, menilai hubungan antara kepelbagaian dan prestasi firma telah menarik banyak perhatian selama beberapa dekad. Walau bagaimanapun, keputusan kajian mengenai isu ini tidak dapat disimpulkan. Para penyelidik menyatakan perbezaan keputusan kajian mungkin disebabkan oleh masalah dalam pengukuran kepelbagaian dan penggunaan langkah-langkah yang berbeza dalam pengukuran kepelbagaian. Masalah utama bagi pengukuran kepelbagaian produk adalah untuk mendapatkan hubungkait antara aktiviti firma berdasarkan hubungkait di antara sumber-sumber firma dan kepelbagaian dimensi hubungkait tersebut. Masalah utama dalam pengukuran kepelbagaian antarabangsa adalah untuk mendapatkan dimensi pelbagai untuk kepelbagaian antarabangsa, keluasan, kedalaman, dan hubungkaitnya.

Indek kepelbagaian global menyeluruh sebagai salah satu pengukuran kepelbagaian yang paling komprehensif yang boleh mendapatkan kepelbagaian produk dan dimensi antarabangsa juga mempunyai beberapa masalah yang disebutkan di atas. Oleh itu, dengan menggunakan indek hubungkait antara industri, pengukuran baru kepelbagaian menyeluruh telah dibentuk. Selepas itu, pengukuran baru kepelbagaian yang lebih dibina dengan menyepadukan pengukuran baru kepelbagaian produk yang boleh mendapatkan hubungkait antara sumber firma dan kepelbagaian dimensi hubungkait dan, tahap pengukuran pengantarabangsaan yang merupakan pengukuran pelbagai dimensi untuk kepelbagaian antarabangsa dan boleh mendapatkan hubungkait dan keluasan serta kedalaman kepelbagaian antarabangsa.

Untuk mencari kelebihan pengukuran baru ini, kesahan ramalan telah diuji terhadap jumlah indeks kepelbagaian global melalui penilaian hubungan antara kepelbagaian dan prestasi firma-firma terbesar Amerika Syarikat . Keputusan menunjukkan bahawa pengukuran baru mempunyai kesahan ramalan yang lebih tinggi. Selain itu, didapati bahawa kepelbagaian produk tidak mempunyai kesan keatas prestasi firma tetapi ia member kesan pemangkin keatashubungan antara kepelbagaian antarabangsa dan prestasi. Selain itu, sigmoid antara kepelbagaian antarabangsa dan langkah berasaskan pasaran prestasi telah ditemui.

Ukuran kepelbagaian yang lebih kukuh boleh membantu penyelidik untuk menilai hubungan antara kepelbagaian dan prestasi firma melalui pengukuran baru yang komprehensif dan mempunyai kesahan ramalan yang lebih tinggi. Selain itu, pengamal industri boleh menggunakan langkah baru untuk mengesan hasil strategi kepelbagaian syarikat mereka selama beberapa tahun dan membandingkannya dengan pesaing.

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“Laudation to the God of majesty and glory! Obedience to him is a cause of approach and gratitude in increase of benefits. Every inhalation of the breath prolongs life and every expiration of it gladdens our nature; wherefore every breath confers two benefits and for every benefit gratitude is due.

Whose hand and tongue is capable

To fulfill the obligations of thanks to him?” (The Gulistan, Sa'di, 1258)

I would like to express my gratitude to God for his endless grace, to my family, my dear mum, dad and Sister for their always support and encouragements, to my supervisory committee, Associate Professor Azmawani Abd Rahman, Professor Murali Sambasivan, Professor Zainal Abidin Bin Mohamed, Associate Professor Rahmita Wirza and all those who have directed and helped me in completing this degree. Prof. Murali your guidance on the development of this thesis is more than appreciated.

I certify that a Thesis Examination Committee has met on 16 December 2013 to conduct the final examination of **Ebrahim Asrarhaghighi** on his thesis entitled “**COMPREHENSIVE DIVERSIFICATION MEASURE OF DIVERSIFICATION STRATEGIES AND PERFORMANCE OF SELECTED FIRMS**” in accordance with the Universities and University Colleges Act 1971 and the Constitution of the University Putra Malaysia [P.U.(A)106] 15 March 1988. The Committee recommends that the student be awarded the Doctor of Philosophy degree.

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