



UNIVERSITI PUTRA MALAYSIA

***DETERMINANTS OF RELATED AND UNRELATED CORPORATE
DIVERSIFICATION AND IMPACT ON PERFORMANCE OF MALAYSIAN
LISTED COMPANIES***

CHAN LING FOON

GSM 2018 35



**DETERMINANTS OF RELATED AND UNRELATED CORPORATE
DIVERSIFICATION AND IMPACT ON PERFORMANCE OF MALAYSIAN
LISTED COMPANIES**

By

CHAN LING FOON

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

March 2018

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DEDICATION

This thesis is dedicated to my brilliant, outrageously loving and supportive wife, Jesslyn Lim, who has been a constant source of support and encouragement during the challenges of graduate school and life.

Our exuberant, sweet, and kind-hearted girl, Yan Qi, and smart, cool and talented boy, Kai Yang.

To my family, I love you all.



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

DETERMINANTS OF RELATED AND UNRELATED CORPORATE DIVERSIFICATION AND IMPACT ON PERFORMANCE OF MALAYSIAN LISTED COMPANIES

By

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March 2018

Chairman : Associate Professor Bany Ariffin Amin Noordin, PhD
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Corporate diversification is a strategy enabling corporations to expand their core business into other businesses. In Malaysia, corporate diversification continued to be a fundamental organisational structure, where 2/3 of Malaysian firms are diversified. However, when compared to developed countries, such as the US and UK, firms are moving towards non-diversification. The research objectives are to analyse the impact of corporate diversification, related and unrelated diversification on firm's financial performance and to measure ownership concentration, free cash flow and growth opportunities on firm's financial performance. The study is based on the population framework consisting of all the public listed companies (PLC) listed on the Bursa Malaysia from 2007 to 2012. A dynamic panel model System Generalized Method of Moments (GMM) was used to analyse the diversification and firm performance theory. The research provides answers to close the literature gaps, by using Entropy and relatedness, which reflected more on the actual degree of diversification better than those conventionally used dummy variable methods that were unable to explain the degree of the diversification. The empirical finding which showed diversified is better than non-diversified firms which take into consideration the quadratic relationship between diversification and firm performance (ROA) using entropy Index and relatedness. The researcher further reported that not enough evidence has showed that related or unrelated diversification brings negative effect to firm financial performance or quadratic effect in corporate diversification.

The researcher did not have enough evidence to support that ownership structure (family ownership (FO) or government ownership (GO) and free cash flow (FCF) have any effect on firm performance, and there is also not enough evidence to support the moderation effect of ownership structure and free cash flow (FCF) toward corporate

diversification and firm financial performance. However, in growth opportunity, the researcher did find out that growth opportunity does bring negative effect to firm performance. The reason may be due to some agency issues related to empire building and tunnelling effect. Besides that, growth opportunity also has positive moderate effect on corporate diversification and firm performance significant at 1% level. The more the firm has the growth opportunity, the more the firm will do diversification. In the end, this causes the negative effect in corporate performance. As per control variables, size and crisis are positively correlated with the firm financial performance as significant at 10 % and 5% level. The future research should begin to explore on market concentration of the firm in the industries by using Herfindahl-Hirschman index (HHI) to measure corporate diversification and firm performance in the market concentration basic.



Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

DIVERSIFIKASI KORPORAT YANG BERKAITAN AND TIDAK BERKAITAN, PENENTUAN DAN PRESTASI FIRMA-FIRMA AWAM DI BURSA MALAYSIA

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Diversifikasi korporat adalah strategi yang membolehkan syarikat mengembangkan bidang perniagaan utama mereka ke dalam bidang perniagaan lain. Di Malaysia, diversifikasi korporat terus menjadi struktur membentuk organisasi yang asas memandangkan 2/3 firma awam di Malaysia menjalankan diversifikasi korporat. Bagaimanapun, jika dibandingkan dengan negara maju, seperti AS dan UK, di mana firma-firma telah bertukar struktur membentuk organisasi ke arah bukan diversifikasi. Objektif penyelidikan adalah untuk menganalisis kesan diversifikasi korporat, diversifikasi yang berkaitan dan tidak berkaitan ke atas prestasi kewangan firma dan untuk mengukur kepekatan pemilikan, aliran tunai percuma dan peluang pertumbuhan pada prestasi kewangan firma. Kajian ini berdasarkan pada kerangkaan populasi yang terdiri daripada semua firma awam (Public Listed Company) yang tersenarai di Bursa Malaysia dari tahun 2007 hingga 2012. System Generalized Method of Moments (GMM) digunakan untuk menganalisis diversifikasi dan teori prestasi syarikat-syarikat. Penyelidikan ini memberikan jawapan untuk menutupkan jurang penyelidikan dengan menggunakan Entropy dan keterkaitan. Entropy inilah yang boleh mencerminkan lebih banyak tahap diversifikasi sebenar yang lebih baik daripada kaedah pembolehubah dummy yang digunakan oleh konvensional kajian yang tidak dapat menjelaskan tahap diversifikasi.

Hasil kajian empirikal yang menggunakan Entropy menunjukkan bahawa firma diversifikasi adalah lebih baik daripada firma yang tidak diversifikasi dengan mempertimbangkan hubungan kuadratik antara diversifikasi and prestasi firma (ROA). Penyelidik seterusnya melaporkan bahawa bukti yang tidak mencukupi untuk menunjukkan bahawa diversifikasi yang berkaitan atau tidak berkaitan membawa kesan negatif kepada prestasi kewangan firma atau kesan kuadratik dalam diversifikasi

korporat. Penyelidik tidak mempunyai bukti yang cukup untuk menyokong struktur pemilikan firma sama ada pemilikan keluarga (FO) atau pemilikan kerajaan (GO) serta aliran tunai percuma (FCF) yang mempunyai kesan ke atas prestasi firma, dan tidak ada bukti yang cukup untuk menyokong kesan “moderate” struktur pemilikan dan aliran tunai percuma (FCF) terhadap diversifikasi korporat dan prestasi kewangan diversifikasi. Tetapi dalam peluang pertumbuhan, penyelidik mendapati bahawa peluang pertumbuhan firma membawa kesan negatif kepada prestasi firma. Walaubagaimanapun, peluang pertumbuhan firma juga mempunyai kesan positif terhadap “moderator” di antara diversifikasi korporat dan prestasi firma yang signifikan pada tahap 1%. Semakin banyak firma mempunyai peluang pertumbuhan, semakin banyak firma akan menjalankan diversifikasi. Pada akhirnya, inilah yang menyebabkan kesan negatif dalam prestasi korporat. Di samping itu, pembolehubah kawalan, saiz dan krisis berkorelasi positif dengan firma kewangan ketara pada signifikan pada tahap 10% dan 5% masing-masing. Penyelidikan ini membuka peluang untuk penyelidik-penyelidik yang masa depan untuk menerokai kepekatan pasaran firma dalam industri dengan menggunakan indeks Herfindahl-Hirschman (HHI) untuk mengukur diversifikasi korporat dan prestasi firma dalam asas kepekatan pasaran.

ACKNOWLEDGEMENTS

Many people contributed to the success of this thesis. I would like to express my inmost appreciation and gratitude to my supervisors, Associate Professor Dr. Bany Ariffin Bin Amin Noordin, Associate Professor Dr. Taufiq Hassan Shah Chowdhury, and Professor Dr. Annuar Bin Md Nassir for their resourceful input, great encouragement, guidance and supervision, and the opportunities they have created and provided throughout my Ph. D. journey. The completion of this thesis would not have been possible without their valuable suggestions, untiring efforts, prompt review, feedback and guidance from my Supervisors, thanks you again.

My great appreciation also dedicated to the staff of Graduate School of Management especially to the Dean, Deputy Dean and Ph.D. Program Coordinator for the facilities provided in the faculty, supports and helps throughout my doctoral study.

I also wish to extend my sincere appreciation and gratitude to my loving wife for her persistent encouragement, sacrifices and emotional support throughout my Ph.D. journey and the completion of the thesis.

I certify that a Thesis Examination Committee has met on 1st March 2018 to conduct the final examination of Chan Ling Foon on his thesis entitled “Determinants of Related and Unrelated Corporate Diversification and Impact on Performance of Malaysian Listed Companies” in accordance with the Universities and University College Act 1971 and the Constitution of the Universiti Putra Malaysia [P. U. (A) 106] 15 March 1998. The Committee recommends that the student be awarded the Doctor of Philosophy.

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CHAPTER 1

INTRODUCTION

1.1 Background of the Research

The term of corporate diversification has been used as a strategy employed by firms to expand their main business into other businesses or increase the variety of business, services, products, or markets. A diversified firm can be considered as having operations in more than one business unit in the same industry or different industries. Corporate diversification can also be defined as the process by which firms extend the range of their businesses outside those in which they are currently engaged. Corporate diversification can occur either at similar industries or at different industries. At the same industry, it means expanding into a new segment of an industry than the business is already in. In different industries, it means entering into promising industries outside of the scope of the existing industries. Corporate diversification can diversify the firm risk and balance the seasonal or other cyclical variations, help to manage the scarcity of resources and fully utilise it to fill the product line gaps, or help to venture into the new business opportunity.

Corporate diversification is a challenging strategy for the firm to venture into. It is distinctly different from the firm's existing business. In order to sustain or continually invest in the organisation's unique strengths and protecting its source of sustainable competitive advantage position, the firm needs to grow their business units or market share; by doing so, the firm is able to maintain the competitive advantage position in the global market for a long period. Corporate diversification is able to sustain the business growth by retaining the consistency and internal fit of the resources.

Nevertheless, in the current context, corporate diversification seems to draw a lot of attention, and the impact of corporate diversification has been widely debated, implying that corporate diversification does create some dilemma.

Overall, the research on corporate diversification, especially from the developing countries, are fairly scarce and no consensus. Currently scholars have different opinions on corporate diversification. Some have said that corporate diversification is bringing positive value to firm performance. Others have said corporate diversification will bring negative value to the firm performance. Additionally, business environment in emerging markets is always very niche and market failure is very high and more difficult to determine.

For the past few decades, Malaysia's leading local companies have gone through a series of changes in the corporate strategies. Business environment changes led to an extreme business competitive environment. In order to survive, firms may try all sorts

of strategies, for example, corporate diversification. (Mainrai, G. 2017; Wolfgang, B., & Johann, V. 2017; Simanavičienė and Dagilienė, 2003; Cottrel and Nault, 2004; Colpan and Hikino, 2005). In order to survive, firms in Malaysia have engaged in the corporate diversification strategy in the past decade. The firms have moved away from their main business and diversified into the new business even though the Malaysian firms are smaller in size and very hard to corporate diversify than those in most leading developed countries.

Corporate diversification trend is reversed when compared to United States (US) and United Kingdom (UK) where firms are moving towards non-diversification, refocusing on dominant-related diversification strategies rather than diversification strategies. The proportion of single-segment firms increases from 59.6% in 1981 to 83.3% in 1997. This percentage is reduced to 33.9% by 1997. During the year 2000 to 2007, the firm proportion of diversification is not changing. However, the proportion of conglomerates diversified firms dropped from 40% to 17% between 1980 to 1997. (Basu, N. 2010).

According to Lawrence (2004), the causes for change from diversification firm to non-diversification firms are due to the diversification firm bringing negative effects to the firm performance. The diversification firm may do poorly due to the misallocation of firm resources among segment activities and the increased demand of the institutional shareholders on the firm performance and clarity. Empirical research results in evidence from US firms suggesting that if a firm diversified to related business that can exploit resources across the industries, it would be able to outperform those firms which are diversified to unrelated business. (Markides & Williamson, 1996; Devos et al., 2009).

Corporate diversification continued as a major strategy to use to support the firm growth in Malaysia. Claessens, Djankov, Fan, & Lang (2001) found that 70% of Malaysian firms were involved in corporate diversification between the years 1990 and 2000. Lins and Servaes (2002) reported that Malaysia ranked in the top seven places among East Asian countries in terms of corporate diversification.

Similarly, Ayoib, Zuaini, and Nor Aziah (2003), found 53% of Malaysian corporations were diversified. Ishak and Napier (2006) used 355 publicly listed firms in Malaysia to test corporate diversification and found 1/2 of the Malaysian firms were diversified. Lee, Hooy and Hooy (2012) examined 267 publicly listed companies in Malaysia over the period of 2001-2009 and recorded more than 74% of the firms were diversified.

According to Doaei, M., Ahmad Anuar, M., Ismai, Z. (2014) using 102 manufacturing firms in Malaysia from 2006 - 2010 to test on diversification and firm financial performance, the research results showed not enough evidence to support product diversification and unrelated diversification toward firm financial performance.

However, related diversification and international diversification did show it negatively affected the firm financial performance.

According to some scholars, Khanna & Palepu, 2000, Khanna & Rivkin, 2001; Lins & Servaes, 2002, market failures are more often in emerging markets in order to cope with the sustainability of the firms, firms are justified to have diversified to survive. According to Patrick 2012, corporate diversification did not come to a consensus in emerging countries. some scholars said negative, some said positive and some no evidence to support any conclusion.

Doaei, et al. (2014) do suggest that the future researchers can focus on this area to close the research gap on diversification and performance issues to all the sectors in Malaysia and further enhance the result by more evaluating method on financial performance instead of just using ROA. The next paragraphs discuss examples of well-known diversified firms in Malaysia.

A pilot testing on the top 30 major companies in Malaysia, the below table showed the pilot research.

Table 1.1 : Top 30 companies in Malaysia

Company	TYPE	BU1	BU2	BU3	BU4	BU5	BU6
Atlan Holdings	DDRB	Automotive	Investment	Property	Trading		
Cam Resources	DDRB	Manufacturing	Trading	Palm oil mil	Investment		
Ijm Corporation	DDRB	Construction	Property	Quarrying	Plantation	Infrastructure	Investment
Pantech	DDRB	Trading	Manufacturing	Investment	Others		
Suiwah Corporation	DDRB	Retail Mall	Manufacturing	Property	Trading		
Surway	DDRB	Property	Construction	Leisure	Healthcare		
Texchem Resources	DDRB	Industrial	Food	Restaurant	Others	Engineering	
Tsh Resources	DDRB	Bio-integration	Wood	Others			
Unw Holdings	DDRB	Automotive	Equipment	Engineering	Oil and gas	others	
Ancom	DDURB	Trading	Logistic	IT	Media	Polymer	Investment
Arn Joo Resources	DDURB	Manufacturing	Trading	Property			
APM Automotive	DDURB	Suspension	Interior	Heat	Marketing	Others	
Berjaya Corporation	DDURB	Consumer	Financial	Property	Hotel	Gaming	Others
Caely Holdings	DDURB	Manufacturing	Property	Direct Selling	Manufacture		
Daibochi	DDURB	Property	Packaging				
Eastern & Oriental	DDURB	Hospitality	Investments	Property			
Kl. Kepong Berhad	DDURB	Plantation	Manufacturing	Retailing	Property	Investment	Others
Misc Bhd	DDURB	Shipping	Energy	Logistic	Others		
Sime Darby	DDURB	Plantation	Property	Industrial	Motor	Energy	Healthcare
YTL Corporation	DDURB	Construction	IT	Hotel	Cement	Services	Property
Astro	SB	TV					
Axiata	SB	Mobile					
British American Tobacco	SB	tobacco					
DiGi Com Berhad	SB	Mobile					
Maxis Berhad	SB	Mobile					
Petronas Chemicals	SB	Oil					
Petronas Dagangan	SB	Oil					
Petronas Gas Bhd	SB	Gas					
Telekom Malaysia	SB	Mobile					
Teraga Nasional	SB	Electricity					

Note : DDRB = Diversified Dominant to Related Business
 DDURB = Diversified Dominant to Unrelated Business
 SG = Single Business or Non-Diversified Business
 BU = Business Unit (1 ,2 ,3, ...& 6)

For example Sime Darby is a huge firm and well known as a diversified firm and international conglomerate firm. It diversified into a few sectors such as plantations, property, industrial equipment, motors, energy and healthcare. The core business is still plantation supplying about 2.47 million metric tonnes or 5% of world supply. Property development is Sime group's second largest business unit. Darby Property is currently expanded to eight countries in Asia besides Malaysia such as Singapore, Indonesia, Philippines, Vietnam, Australia, China and United Kingdom.

Besides that, industrial equipment segment is also very vital in Sime Darby. It maintains huge license on motor dealerships in Malaysia such as BMW, MINI, Ford, Land Rover, Porsche, Alfa Romeo and Hyundai vehicles in Malaysia. Sime Darby is also involved in the healthcare division such as hospital Subang Jaya Medical Centre

(SJMC). Even though Sime Darby is diversified, it still maintains dominant diversification.

Berjaya Group Berhad is involved in a wide range of business such as consumer products, finance, property, hotels, recreation, gaming & lottery management, environmental services and other small portions such as clean technology, motor trading and distribution, food and beverage.

Sunway Group diversified from construction, property investment, leisure and entertainment, hospitality and healthcare. Sunway Resort Hotel and Spa is one of the most famous tourist places in Kuala Lumpur. Township Sunway is the new township developed by the group. Today Sunway group maintains property development and construction as their two core businesses and key profitability sector in the group.

YTL Corporation Berhad started from a small construction firm growth and diversified into many unrelated businesses such as utilities service, cement manufacturing, property, technology, hotel and leisure. Currently 70% of the company's revenue is from outside Malaysia. YTL power generation plants in Malaysia, Singapore and Indonesia. Besides power, YTL Cement also is a manufacturer of cement and ready-mix concrete products in Malaysia expanding into China.

In 2010, the government launched *The Economic Transformation Plan* (ETP) to encourage corporate diversification. ETP is a transform of Malaysia's economy to help achieve the 2020 Vision which is to become a high-income nation. With the introduction of ETP, firms are encouraged to diversify even more from their core businesses. Under the ETP, 12 *National Key Economic Areas* (NKEAs) have been identified as targets for diversification. The areas are oil and gas, palm oil and finance are the main areas followed by tourism industries to boost the consumers market and retail as well as wholesale market. Transformation of ICT (information and communications technology) will upgrade the broadband in the country in order to par with the developed countries. The initiative also looks to develop the education hub in Asian to encourage more foreign student study in Malaysia; further enhance the electrical and electronic products, services to create more job opportunities; Build up healthcare centres in this region and new technology of transformation in agriculture, and last but not least, is the Greater Kuala Lumpur metropolitan city development in Malaysia. Although corporate diversification is not guaranteed to improve the firm profits, it is one strategy or option to try. Furthermore diversification also is able to reduce the firm exploit to high risk if concentration in one business only.

Accordingly, Malaysian firms need to keep on diversifying into new businesses and depend less on traditional markets as a way to sustain and indirectly propel the country's growth momentum in years to come (BNM, 2011). However, in order to find out and justify corporate diversification, whether it brings positive or negative

outcomes to firm financial performance, it is necessary to verify the corporate diversification strategy in Malaysia.

Previous studies suggest that diversification can either enhance or reduce a firm's performance. However, there is no consensus whether companies that diversify into related business perform better than in unrelated business (Palich, Cardinal, & Miller, 2000). Not many studies have focused on corporate diversification into related or unrelated business in Malaysia. Additionally, Malaysia market is very challenging due to small size, and it has many players with a significant number of diversified companies hence the vital importance of doing research in these areas.

The diversification situation in Malaysia may be due to ownership concentration in families and government. In family ownership concentration, corporate diversification was pursued due to family members' incentives and motives. Family members may seek to increase compensation and protection of their control power by diversifying a business segment that requires their knowledge and skills set. This practice will diversify their personal investment risk and increase overall risk of the firm.

In 2009, government ownership concentration dominated nearly 49% of the Bursa Malaysia (Kuala Lumpur Stock Exchange) market capitalization. Malaysia is a developing country that needs government support. Government ownership plays a vital role to ensure Malaysian firms have enough resources to develop and the nation is able to achieve the status of developed country by 2020. (Norlaila & Suzana 2010). A firm may tend to maximize the allocation of resources across the firm. Moving the excess funds from one segment to another segment of the firm to explore new business opportunities. Sometimes misallocations of capital to unprofitable segments for the sake of exploration are glaring practices.

Government Owned firms or Government-link companies (GLCs) are not playing the key monitoring role in a commercially viable and financially non-independent company (Yvonne, 2013). Government owned firms bring greater information asymmetry especially in emerging markets and cause diversification to have a negative impact to firm financial performance due to agency issues. (Lins and Servaes, 2002).

Jensen (1986) reported that free cash flow may create agency conflict between shareholders and managers. This is because retaining excess cash flow reduces the ongoing need for raising finances from the capital markets, thereby, giving managers more freedom from the monitoring by lenders. Investors would prefer this type of excess cash be brought by the firm to distribute back to investors as a dividend or bonus share programmes. Investors may have better investment opportunities elsewhere. If the firm has limited growth potential and growth opportunities, it is better not to widely diversify to others business because it will cost more risk to investors and affect the return on investment. Investors own diversified will be more cost-

effective compared to firms diversified. Investors can even choose what are the firms and industries that in their portfolio of investment based on their fund allocation to diversified the risk and maximise their investment.

1.2 Problem Statements

The majority of the researchers found that corporate diversification brings negative effects to the firm financial performance. However 2/3 of the firms in Malaysia venture into corporate diversified. The corporate diversification in Malaysia is a trend or is an agency issues. Malaysia market is too small and does not encourage firms to diversify; however, many firms venture into corporate diversification. Malaysia market is relatively small compared to other developed markets; following the rational theory of specialisation, each of the firms should focus on what they are good at and continue developing in order to be world status companies. Even in developed countries where the market is huge, like the US, they also focus on what they good at and continue to build the success story and develop to become the world status companies in single business. Example companies include Intel, Microsoft, Facebook, Apple, Toyota, Wal-Mart, Amazon, ExxonMobil, Alibaba, AT&T, Oracle, UnitedHealth Group Pfizer Nippon Telegraph & Telephone, Coca-cola, Philip Morris International, Home Depot, Kraft Heinz and McDonald's.

Currently, the trend of the global firms are focused on single business not diversified business. Looking at the developed countries' situation, the majority of the world successful companies just focus on the single business and achieve the greatest result. Malaysia is a small market, and firms should follow the steps focused on single business. Furthermore, if firms did not focus on single business and turn into a diversified business, resources will be the most challenging to the firms. If firms did not target its core business, scarcity of resources will limit the firm's growth. Using focus strategies to develop its market or expand the market share to overseas to become global firms is more vital to growth of the firms. It should avoid competing with each other in a local market by capturing competitors' product ranges by corporate diversification. However, the market situation of the firms is opposite of the normal trend in Malaysia. Malaysian firms tend to go for diversified strategies. This trend may be due to the agency problem of the ownership structure that family ownership or government ownership influenced the corporate diversification decisions or even the free cash flow or existing growth opportunities that cause the firms diversified.

Many scholars have conducted research on corporate diversification and the firm financial performance analysis; however, there appears to be insufficient evidence in prior research to give an answer to the questions on whether or not corporate diversification has a negative effect on the firm financial performance in emerging markets. It may also be due to less researcher focus on the determinants of corporate diversification. The determinants of corporate diversification have a lot of inconsistency, due to not many scholars researching the determinants such as the

relationships among family ownership, government ownership, free cash flow and growth opportunity toward corporate diversification and firm financial performance. As for the emerging market, majority of the firm diversification strategy is influenced by ownership structure such as family and government. Besides that, the niche market of the emerging market especially the free cash flow and growth opportunities will also determine the corporate diversification strategies. These determinants will influence corporate diversification as a whole or become moderation effect to corporate diversification. As a result, the researcher would like to further analyse especially the moderating effect of all the determinants to corporate diversifications. The moderating effect of determinants are the new areas, and not yet being tested on the corporate diversification areas. Looking more in depth on the determinants will enable researchers to explain why 2/3 of Malaysian firms venture into corporate diversification even though the majority of the scholars in developed countries found that diversification brings negative impact to the firm financial performance.

1.3 Objectives of the Research

The research objectives are to examine the impact of corporate diversification strategies on firm's financial performance and to ascertain the strategy framework specifically, it aims:

- i. To examine the impact of corporate diversification on firm's financial performance.
- ii. To analyse the impact of related and unrelated diversification on firm's financial performance.
- iii. To measure ownership concentration, free cash flow and growth opportunities on firm's financial performance.

1.4 Significance of the Research

This research contributes to the literature gap by adopting an approach that differs from majority scholars' studies. Firstly, the researcher's present understanding of degree of corporate diversification strategy in term of product diversification (as related and unrelated business) by entropy had less attention in previous research.

Secondly, the researcher tried to analyse the effect of related business and unrelated business on the firm financial performance more systematically compared to previous studies, clarifying the impact that different types and degree of diversification have on firm performance.

Thirdly, ownership structure determinants such as family ownership and government ownership, free cash flow and growth opportunities that become moderating factors of corporate diversification and firm financial performance. This is useful in developing standard theoretical explanations and arguments for private or public use.

This research result will help and guide board of directors, government and investors to plan or make future strategies to growth in local corporate. Besides that it will also help how firms should plan for their corporate diversification strategy that will enable them to create value. At the same time, it will provide some information to investors on corporate diversification strategies especially in emerging market that are very niche such as Malaysia market.

1.5 Overview of the Thesis

This study examines antecedents of corporate diversification strategies as a total in the industries and also including related corporate diversification and unrelated corporate diversification strategies of publicly listed companies in Bursa Malaysia by using a unique hand-picked data from 2007 to 2012. Totally 6 years data and 2538 observation. This study has been divided into five sections accordingly. The study starts with first section overview of the study's back ground, the study's objectives and significant contributions of the researcher followed by the second section that provides a literature review to explain the situation of developed and developing countries and focusing on studies that examined the antecedents of corporate diversification strategies. The third section discusses the sample and research methodology. The fourth section offers an interpretation of the findings. The last section is the conclusions and implication for the business, investors, government and future researchers.

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