Diversification Industry Dynamism And Economic Performance The Impact Of Dynamic Related Diversification On The Multi Business Firm

#diversification #industry dynamism #economic performance #dynamic related diversification #multi-business firm

Explore the intricate relationship between industry dynamism and economic performance, specifically focusing on how dynamic related diversification impacts the performance of multi-business firms. This analysis delves into the strategic advantages and potential challenges that arise when businesses diversify within related industries, adapting to changing market conditions and seeking sustainable growth through synergistic opportunities and efficient resource allocation.

Diversification, Industry Dynamism, and Economic Performance

The decision to diversify lies at the core of corporate strategy and is one of the most important decisions for top management. Matthias Knecht introduces a new perspective on corporate diversification that extends the academic discussion and reveals substantial new insights with regards to one of the most pressing questions in strategic management: what makes a diversification strategy successful? The author introduces the dynamism of industries as the dominant force in the firm's environment that influences the organization on all levels. Due to strategic, organizational, and managerial similarities of businesses competing in similar dynamic environments, synergistic benefits and superior economic performance can be realized through the combination of dynamic-related businesses in the corporate portfolio. This study provides a quantitative, multidimensional operationalization of industry dynamism and an in-depth assessment of the dynamism of a wide range of industries. At the core of the study lies the investigation of the performance impact of dynamic-related diversification strategies. The results provide new insights into successful portfolio construction strategies in the face of today's dynamic environments.

11th European Conference on Innovation and Entrepreneurship

Frithjof Pils uses multiple statistical techniques to examine the true nature of the relationships between diversification strategies and accounting-based, market-based, and growth-based performance. The author shows implications for the interpretation of past research, the design of future research including the use of meta-analysis methodologies, as well as management practice.

Diversification, Relatedness, and Performance

This unique book is positioned at the crossroads of strategic management and international business. Based on an in-depth literature review, the author empirically assesses the widely shared, implicit assumption that strategic management processes can be globally applied in a standardized, i.e., culture-free, manner. So far, a variety of tools have also been recommended but without incorporating cultural differences. As many organizations observe that this ethnocentric view is more an illusion than reality, strategic management research has started to focus on the cultural sensitivity of its theories, tools, and processes to provide practitioners in a multicultural setting with adequate know-how and tools. To foster long-term decision-making despite uncertainty, scenario planning is frequently applied by practitioners. Up until today, scenario planning has however gained little attention from the academic community. Through this book, the author presents a newly developed framework for strategic management that combines the cultural value scale to test the cultural sensitivity of the long-term planning tool called “scenario planning.” The different process steps of scenario planning have been individually examined for their sensitivity toward the cultural dimensions of uncertainty avoidance and long-term orientation. The investigation is based on a unique, global set of management consultants working for a leading professional service firm. The results of this research show the cultural sensitivity of scenario planning, with different degrees of the process steps and the tested cultural dimensions.

Cultural Influences on the Process of Strategic Management

Essay from the year 2002 in the subject Business economics - Business Management, Corporate Governance, grade: B, Royal Holloway, University of London (School of Management), course: Strategic Management, language: English, abstract: Synergy is commonly regarded as a justification for a firm’s diversification. But, is it the only one? Or to continue that thought, is it a justification for a firm’s diversification at all? My intention in this essay is to investigate the role of synergies in the decission-making process that leads to the diversification of a company. To find an answer to that problem, we will first have to take a look at what the terms “synergy” and “diversification” actually mean. After that, I will go on to discuss what possible other reasons there might be for a firm to diversify. To find out about their role in that process, it is necessary to first have a look on what synergies are and how they can be created. Obviously it is possible to create synergies by diversification. Sharon M. Oster writes: “The strategic management literature emphasizes the role of diversification in creating synergies. Two business units have synergies if their union allows for opportunities not available to either seperately.”0 So, this definition of synergy says that new opportunities emerge from making use of shared resources. [...]

Synergy is the only justification for a firm's diversification. Discuss.

This work examines the causes and consequences of the "refocusing" phenomenon, where companies have stopped diversifying and begun focusing once more on their core product lines. Coverage includes a discussion of the effects of refocusing on market value, profitability and organizational structure.

Diversification, Refocusing, and Economic Performance

Principles of Marketology, Volume 2 focuses on the practical aspect and demonstrates the applications of marketology referring to market orientation, internal marketing, business, market and competitive analysis concepts and techniques. Then the modern marketology and its developments in the future are discussed. At the of this volume as the appendix, a handbook of marketology is presented in which a practical manual including simple and summarized descriptions of different needed parts and worksheets for executing marketology in an organization is depicted.

Principles of Marketology, Volume 2

There has been a long tradition of research on the relation between diversification and performance of public corporations in the strategy and finance fields. As for private equity portfolios, research on this matter is rather scarce. From a theoretical as well as from a practical perspective, however, it is interesting to know more about the relation between private equity portfolio diversification and performance, how private equity firms manage their portfolios, and what public companies can learn from private equity firms. These are the research questions which are addressed in Daniel Klier’s research. In order to answer these questions, the author uses a two-tier research design. As a first step, he compares the diversification-performance link of public corporations and private equity firms. With respect to the private equity sample and the ope- tionalization of the relevant variables, the study is highly innovative in terms of generating the PE sample from databases like Preqin and Dealogic, constructing a diversification measure from transaction data, and developing comparable perfo- ance measures for private equity firms as well as traditional multi-business firms. As the second step, which is exploratory in nature, the author explores m- agement models of PE firms. The sample of 20 US and Europe-based private equity firms is unique and of high quality, because the author succeeded in getting in-depth interviews with top decision makers of PE firms. The exploratory study extracts three clusters of management models that PE firms are using, and their relation to performance.

Managing Diversified Portfolios

And conclusionsFurther bibliography; Index.

Journal of Economic Literature

David Ellgering belegt empirisch, dass die Unternehmensabspaltung Einfluss auf den Shareholder-Value hat. Der Autor analysiert die Wirkung finanzwirtschaftlicher Determinanten auf die Überrendite der Investoren. In der amerikanischen Fachliteratur wird der Trend vom wachsenden Interesse an Demergern mit dem Begriff der „Split up-Mania“ bezeichnet. Deutsche Unternehmen wie E.ON, RWE und zuletzt Metro haben sich für dieses Managementinstrument entschieden. Trotzdem gibt es in der Fachliteratur einen Dissens über die Vorteile des diversifizierten Konglomerats und der spezialisierten Kernunternehmen, der in diesem Buch theoretisch nachvollzogen sowie mit Hilfe von empirischen Ergebnissen beurteilt wird.

The Economics and Management of Technological Diversification

This work looks at the strategic issues facing multi-business companies such as the allocation of resources, the creation of synergy through linkages amongst the businesses and the choices faced when creating a corporate portfolio.

Einfluss der Unternehmensabspaltung auf den Shareholder-Value

Florian Gröne provides a systematic assessment of mounting import and FDI pressure’s influence on large US and German enterprises and explains how and why firms change their product scope, geographic footprint, and value chain configuration as a result.

Managing the Multibusiness Company

Mark Alexander Müller überprüft und bewertet die kontroversen Befunde und Vorgehen der Diversifikationsforschung – insbesondere im Hinblick auf die Messung von Unternehmensdiversifikation. Die anschließende empirische Untersuchung liefert Erkenntnisse über die Auswirkung konglomerater Diversifikation auf den Unternehmenserfolg deutscher Aktiengesellschaften. Neben den empirischen Ergebnissen werden auch die theoretischen Argumente über das Für und Wider konglomerater Diversifikation in die Bewertung einbezogen.

Foreign Competition and Firm Boundary Dynamics

Exploring hypotheses about purposive diversification and ensuing economic performance, this study offers insights into the debate about cooperation versus competition among firms.

Konglomerate Unternehmensdiversifikation

Strategic Management provides a critical overview of the prior development, current state, and future opportunities in the strategic management field. Editors Irene M. Duhaime, Michael A. Hitt, and Marjorie A. Lyles bring together an exceptional group of scholars to explore topics such as corporate strategy, strategic entrepreneurship, cooperative strategies, global strategy, strategic leadership, governance, innovation, strategy process and strategypractice, and strategic human capital.

Purposive Diversification and Economic Performance

This volume examines the differences between resource sharing and resource redeployment, and the subsequent effects on firm value creation and industry evolution.

Strategic Management

Diplomarbeit aus dem Jahr 2008 im Fachbereich BWL - Unternehmensführung, Management, Organisation, Note: 1,7, Handelshochschule Leipzig gGmbH, Sprache: Deutsch, Abstract: On corporate level main strategic decisions involve the question which businesses are to be pursued and which to be neglected, i.e. how the portfolio of businesses is designed. The ultimate goal is a value adding business portfolio. This added value arises from synergies among the businesses and the role of the corporate center. In the case of success this would lead to a conglomerate premium in terms of company value. Corporate managers are generally very free in deciding what businesses they want to add to their portfolio and which to divest. This raises two questions: one regarding the type of businesses in a portfolio and the other regarding the optimal size of a portfolio. The term diversification deals with both questions: it describes how broad and how diverse a company s business portfolio is. On the one hand it can be very narrow or focused in a barely diversified company, on the other it can be very broad in a highly diversified company. Three forms of diversification strategies are commonly distinguished: focused, relational and conglomerate diversification. Many researchers in the field of strategic management have dealt with the question of diversification and the pros and cons involved. Yet there is no clear hint on superior performance of certaint diversification strategies. Rather success stories for many forms can be told. Further findings indicate: not the degree of diversification is relevant for success but the relatedness among strategic business units. Portfolios of somehow related SBUs perform better than those completely unrelated. Success is explained by the ability to transfer core competencies ("resources") among the business units of a company. Yet relatedness is a manifold concept. Two main types have to be distinguished: relatedness on the level of products and pr

Resource Redeployment and Corporate Strategy

Limited diversification is an underlying characteristic of many low-income countries (LICs). Concentration in sectors with limited scope for increases in productivity and quality may result in less broad-based and sustainable growth. Moreover, lack of diversification may increase exposure to adverse external shocks and macroeconomic instability. The SDN will have three objectives. First, to review and extend the evidence, from the existing literature and ongoing IMF work, that points to diversification as a crucial aspect of the development process. A major focus will be on cross-country and cross-regional differences in the pace of diversification. Second, to draw lessons from the experiences of those countries that have successfully diversified their economies. Third, to analyze the relationship between diversification, growth, and volatility.

Real Types of Diversification Strategies - An Analysis of different Types of Relatedness in German Companies

The end of the nineteenth century saw the construction of the vertically integrated value chains that came to define modern business. The end of the twentieth century witnessed their deconstruction. In industries across the economy, markets are intruding on the web of proprietary arrangements that have held these chains together. As they do, the boundaries defining business, companies and industries are coming under attack - radically transforming the nature of competition. Powerful forces, such as globalization and deregulation, are undermining the logic and practice of traditional vertical integration, but the most powerful - partly because it acts as catalyst and an accelerator - is a revolution in the economics of information. This shift in information economics is giving birth to a myriad of new strategic options The consequences of deconstruction for the strategic management of the firm - as well as for the firm itself - are dramatic. Deconstruction forces a fundamental rethinking of some of the basic principles of strategy which will impact on the concepts of the portfolio, forms of organizational structure, styles of leadership, mechanisms for acquiring and managing knowledge and approaches to uncertainty and risk. This, the latest volume in the Strategic Management Series, explores the implications of the value chain deconstruction for strategy, the changes in strategic thinking and the action necessary to cope with the challenges and opportunities. Bringing together contributions from key figures in the field of strategy in both practice and academia, this book, as with other books in the series, addresses the ideas and issues at the forefront of strategic management theory and practice.

Economic Diversification in LICs

This study examines the relationship between a firm's diversification and its competitiveness.

Winning Strategies in a Deconstructing World

This book is a theoretical investigation of the influence of human learning on the development through time of a 'pure labour' economy. The theory proposed is a simple one, but aims to grasp the essential features of all industrial economies. Economists have long known that two basic phenomena lie at the root of long-term economic movements in industrial societies: capital accumulation and technical progress. Attention has been concentrated on the former. In this book, by contrast, technical progress is assigned the central role. Within a multi-sector framework, the author examines the structural dynamics of prices, production and employment (implied by differentiated rates of productivity growth and expansion of demand) against a background of 'natural' relations. He also considers a number of institutional problems. Institutional and social learning, know-how, and the diffusion of knowledge emerge as the decisive factors accounting for the success and failure of industrial societies.

Downscoping

Are your core corporate growth opportunities limited? Do you seek new avenues for expansion? Is the timing opportune to consider such a quest? If you are the owner or executive of a small to mid-sized manufacturing or service company then this book is a must-read. The text includes a broad range of diversification options supported by numerous practical examples of companies of all sizes that have embarked on a strategy involving diversification. It lists the many and various types of diversification - vertical, horizontal, and tangential - available for growth and explains how they might be identified, evaluated, and effectively pursued. Opportunities and risks of each of the categories are addressed as well.

Structural Economic Dynamics

This impressive book sees the author applying and extending the resource based view of the firm to explain and predict the strategy of corporate diversification. Technological Resources and the Logic of Corporate Diversification is an original and authoritative book that will be extremely useful to academics and students in such disciplines as business economics, corporate strategy and international business.

Corporate Diversification

Based on data from Japan, the book examines the combined effect of product, geographic, and network diversity on multinational enterprise performance. A new measure for geographic scope is developed, one that considers the related elements of international asset dispersion and country environment diversity. The book also introduces a new concept of network diversity, and examines how it is strategically linked to performance. Perhaps most importantly, the book is able to empirically and theoretically demonstrate that a larger, more diverse network of alliances is not necessarily a good idea. These are important findings, with far reaching implications for practice and theory.

Corporate Diversification

Product scope adjustment is a key mechanism through which multi-product firms achieve efficient resource allocations. In this paper, we take a novel perspective to study firms' product scope adjustment behavior through the lens of asset pricing. Using a unique panel scanner data set containing detailed information on products, matched with the financial information of their manufacturers, we find that multi-product firms with higher product turnover have lower financial risks and lower risk premia. To understand this channel, we propose a stylized model with a time-dependent (Calvo-type) product turnover rate to highlight the 'risk absorption channel' of product scope adjustment. In response to an economy-wide shock, a firm that can adjust its product scope more flexibly shows lower excess equity returns and lower asset volatility.

Technological Resources and the Logic of Corporate Diversification

This book combines the human development approach and innovation economics in order to explore the effects that structural economic change has on human development. While economic diversification can provide valuable new social choices and capabilities, it also tends to lead to more complex decision processes and changes to the set of capabilities required by people to self-determine their future. Within this process of structural transformation, social networks are crucial for accessing information and social support, but networks can also be a root cause of exclusion and inequality reproduction. This implies the need to encourage innovation and economic diversification beyond production expansion, focusing on the promotion of human agency and social inclusion. This book provides such a modern perspective on development economics, emphasizing the role of social networks, economic diversity and entrepreneurship for social welfare. The author discusses how innovation, social networks, economic dynamics and human development are interlinked, and provides several practical examples of social and micro-entrepreneurship in contexts as diverse as Peruvian rural villages and Brazil's urban areas. The interdisciplinary perspective put forward in this book illustrates theoretical and methodological methods of exploring the complexity of development in a practical and relevant way. It also provides useful information about structural factors which need to be considered by practitioners when designing pro-poor growth policies. Furthermore, the coverage of the core concepts of innovation, networks and development economics, enriched with multiple examples, makes it a valuable resource for scholars and advanced students of modern development economics.

Networks and Location

This book looks at both the potential and limits of policies to promote entrepreneurship as an important vehicle for social mobility in Latin America and the Caribbean. Who are the region's entrepreneurs? They tend to be middle-aged males with secondary and, often, tertiary education who represent only a small segment of the economically active population in the six countries considered in this book. They come from families in which a parent is, or was, an entrepreneur. In fact, a parent's occupation is more important in the decision to become an entrepreneur than a parent's wealth, income or education. Middle class entrepreneurship tends to dominate the sample in part since this is the majority class in society. However, as a percentage of each social class, entrepreneurship tends to be higher in the upper class, followed by the middle and lower class. Entrepreneurs concentrate in micro enterprises with fewer than five employees. They enjoy greater social mobility than employees and the self-employed, but this mobility is not always in the upward direction. Entrepreneurs face multiple obstacles including stifling bureaucracy, burdensome tax procedures, and lack of financing, human capital, technological skills, and supportive networks. The support of family and friends and a modicum of social capital help cope with these obstacles to entrepreneurship.

Extensive Margin Adjustment of Multi-Product Firm and Risk Diversification

This volume provides a comprehensive view of the interindustry structure of the large diversified enterprise. The study shows that companies have diversified mainly into industries experiencing rapid technological change.

Correlated Returns and the Pattern of Diversification

How do firms compete? How do firms earn above normal returns? What's needed to sustain superior performance long term? An increasingly powerful answer to these fundamental questions of business strategy lies in the concept of dynamic capabilities. These are the skills, processes, routines, organizational structures, and disciplines that enable firms to build, employ, and orchestrate intangible assets relevant to satisfying customer needs, and which cannot be readily replicated by competitors. Enterprises with strong dynamic capabilities are intensely entrepreneurial. They not only adapt to business ecosystems; they also shape them through innovation, collaboration, learning, and involvement. David Teece was the pioneer of the dynamic capabilities perspective. It is grounded in 25 years of his research, teaching, and consultancy. His ideas have been influential in business strategy, management, and economics, and are relevant to innovation, technology management, and competition policy. Through his consultancy and advisory work he has also brought these ideas to bear in business and policy making around the world. This book is the clearest and most succinct statement of the core ideas of dynamic capabilities. Teece explains their genesis, application, and how they offer an alternative approach to much conventional strategic thinking grounded in simplistic and outdated understandings of industrial organizations and the foundations of competitive advantage. Accessibly written and presented, it will be an invaluable and stimulating tool for all those who want to understand this important contribution to strategic thinking, be they MBA students, academics, managers, or consultants.

Diversification, Industry Structure and Firm Strategy

A company is diversified when she runs two or more different businesses. The word "businesses" can refer either to lines of products or to company's structure, however - since in the real world the corporate configuration always reflects company's market situation - the most distinctive characteristics of diversified companies is certainly a large number of different products they sell. Many actual enterprises are in such case. In USA General Electric with thousands of products, in Japan Yamaha with several different lines of goods marketed worldwide, in France famous Vivendi - it is easy to find many good examples. The question is how different are these diversified companies comparing to single business enterprises? Does a diversified company has to be managed differently than single product businesses? How to achieve the highest profitability of portfolio of products? Are all portfolio products independent or there can exist interactions between some of them? And are there any rules concerning financing of growing products by those which are in the advanced stages of the life cycle? Finally, separating different businesses of a diversified company leads to building what is called "holding" organizational structure. Each of components of a holding corporation is an independent company, having a full autonomy, a proper statute, a separate management and very often also separate facilities. One thing is only common: the capital. How to manage this? Do holdings have any sort of advantage against simple diversified companies? This book is for managers working on corporate strategy and for students of MBA programs. It gives the access to exercices as well as to a tool of portfolio analysis downloadable from the Web. TABLE OF CONTENTS for the SECOND EDITION: DIVERSIFICATION 1.1 Higher profits with increased number of products 1.2 Smother evolution of company's cash flows 1.3 Full exploitation of the market 1.4 A more efficient use of company's assets 1.5 The risk and the diversification 1.6 Diversify or not? A DIVERSIFIED COMPANY 2.1 Products and their life cycles 2.2 Products interdependence 2.3 Products and their financial margins 2.4 Products and financial flows they generate 2.5 Portfolio equilibrium 2.6 Helping the "emerging" products 2.7 The evolution of market share 2.8 Portfolio risk and reward 2.9 Managing portfolio 2.10 Adding new products to portfolio 2.11 Organizing a diversified company HOLDINGS 3.1 Why holdings? 3.2 Parent company 3.3 Subsidiaries and diversification 3.4 Financial management 3.5 How much help to provide to subsidiaries? 3.6 Holdings and international operations 3.7 Conglomerates 3.8 Mergers Answering the questions Formulas used in this book Index The author

Diversification Through Acquisition

This book addresses the importance of diversification for reducing volatility of investment portfolios. It shows how to improve investment efficiency, and explains how international diversification reduces overall risk while enhancing performance. This book is a crucial tool for any investor looking to improve the profit gain from their investment.

The Performance of Optimally Diversified Firms

This paper assesses the impact of the geographic diversification of bank holding company (BHC) assets across the United States on their market valuations. Using two novel identification strategies based on the dynamic process of interstate bank deregulation, we find that exogenous increases in geographic diversity reduce BHC valuations. These findings are consistent with the view that geographic diversity makes it more difficult for shareholders and creditors to monitor firm executives, allowing corporate insiders to extract larger private benefits from firms.

Economic Complexity and Human Development

Entrepreneurship in Latin America