

Performance Implications of Unplanned Product Diversification

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Abstract:

This study focuses on the antecedents and consequences of geographic and product diversification as modes of firms' organizational search, drawing on behavioral perspective (particularly drawing on the behavioral theory of the firm). This study aims to examine the relationship between unintended diversification and corporate performance in the context of certain types of institutional pressures (e.g., entry into business domains related to 4th industrial revolution given that the decision may have been influenced by national industrial policy).

In the corporate diversification literature, we have an established body of knowledge that firms have strong incentives to use their diversification strategy as the major means to achieve deliberate learning goals. However, we still have very limited understanding whether or not unintended diversification can be a type of problemistic search that can enhance corporate performance. This study tries to examine boundary conditions leading to positive relationship between unintended diversification and corporate performance by (potentially) using the performance feedback logic. Given that the majority of previous diversification studies has relied on archival data, such an intention variable can be an important advantage to empirically measure a cognitive construct as one of the main antecedents of corporate diversification decision.