

FOREWORD

With the rise of diversified conglomerates in the 1960s corporate diversification has become a central element in the strategist's toolbox as a means to boost growth, enter into new markets, or acquire technology and intellectual property. Today diversified corporations command significant market share across virtually all industries and play an important role in economic activity. Yet, since adding value to a diverse set of businesses often proves difficult, corporate top management faces a crucial question: how to diversify? While most academics stand firm in the widely-held belief that related diversification can improve firm performance, empirical results are mixed. This is partly due to the limitation that most prior research narrowly focuses on explaining the diversification-performance linkage through the traditional lens of synergies based on product/market-relatedness; alternative perspectives that could provide a more comprehensive understanding tend to be sidelined.

In his doctoral thesis Matthias Knecht examines today's turbulent economic environments and identifies industry dynamism as a major factor influencing the multi-business firm. Based on the resource-based school of thought and the dynamic capabilities view Knecht systematically analyzes the impact of dynamic environments on the organization and explains in detail how combining businesses from similarly dynamic industries can result in superior economic performance. Through his work on corporate diversification and dynamic environments he is able to integrate for the first time these two highly relevant streams of the strategic management literature.

The first empirical part of this work develops a comprehensive, theoretically-grounded methodology to measure industry dynamism along multiple dimensions. Using a global dataset of unprecedented breadth and depth, Knecht is able to comprehensively measure and interpret the dynamism of a wide range of industries. The second empirical part of the project develops two unique methods to quantify dynamic-relatedness in order to address the effect of dynamic-related diversification on performance. Based on his innovative conceptual work Knecht is able to provide empirical proof that dynamic-relatedness contributes significantly to firm performance.

This dissertation is a cornerstone in advancing our knowledge about successful corporate diversification. It makes important contributions to theory development by opening up a new perspective on relatedness and should be seen as a highly valuable contribution to ongoing research in the field of corporate diversification.

Professor Dr. Harald Hungenberg

Diversification, Industry Dynamism, and Economic
Performance

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