# Article information:

Does the Diversification–Firm Performance Relationship Change Over Time? A Meta‐Analytical Review - Schommer - 2019 - Journal of Management Studies - Wiley Online Library
<https://onlinelibrary.wiley.com/doi/full/10.1111/joms.12393>

# Article summary:

1. The relationship between diversification and firm performance has changed over time, with levels of unrelated diversification decreasing and levels of related diversification increasing since the mid-1990s.

2. The pressure to reduce diversification may have affected firms whose diversification strategies were most detrimental to performance, leading to an improvement in the relationship between unrelated diversification and firm performance over time.

3. This study covers over 60 years of research on the diversification-firm performance relationship, using meta-analytical regression analysis to analyze 267 primary studies containing 387 effect sizes based on 150,000 firm-level observations.

# Article rating:

May be slightly imbalanced: The article presents the information in a generally reliable way, but there are minor points of consideration that could be explored further or claims that are not fully backed by appropriate evidence. Some perspectives may also be omitted, and you are encouraged to use the research topics section to explore the topic further.

# Article analysis:

The article "Does the Diversification–Firm Performance Relationship Change Over Time? A Meta‐Analytical Review" by Schommer (2019) provides a comprehensive analysis of the relationship between diversification and firm performance over time. The author argues that the pressure to reduce diversification may have more strongly affected those firms whose diversification strategies were most detrimental to firm performance. The study employs meta-analytical regression (MARA) using 267 primary studies containing 387 effect sizes based on 150,000 firm-level observations from over 60 years of research on the diversification–firm performance relationship.

The article provides a detailed overview of the literature on corporate diversification and its impact on firm performance. However, there are some potential biases in the article that need to be addressed. Firstly, the author's argument that environmental pressures to de-diversify have been greatest for those firms whose diversification strategies were particularly detrimental to value creation and performance is not supported by empirical evidence. While it is true that there has been a trend towards de-diversification in recent decades, this does not necessarily mean that firms with poor diversification strategies have been targeted more than others.

Secondly, the article focuses primarily on related and unrelated forms of diversification without considering other types of diversification such as geographic or product-line diversification. This narrow focus limits the scope of the study and may lead to incomplete conclusions about the relationship between diversification and firm performance.

Thirdly, while the article acknowledges that many studies on changes in diversification do not distinguish between related and unrelated forms of diversification, it does not provide a clear rationale for why this distinction is important or how it affects their analysis.

Finally, while the article provides valuable insights into trends in corporate diversification over time, it does not explore counterarguments or alternative explanations for these trends. For example, it is possible that changes in market conditions or technological advancements have played a role in the decline of diversification, rather than just shareholder pressure or changes in institutional development.

In conclusion, while the article provides a comprehensive analysis of the relationship between diversification and firm performance over time, there are some potential biases and limitations that need to be addressed. Future research should consider a broader range of diversification types and explore alternative explanations for trends in corporate diversification.

# Topics for further research:

* Geographic diversification and firm performance
* Product-line diversification and value creation
* Market conditions and corporate diversification trends
* Technological advancements and diversification strategies
* Shareholder pressure and de-diversification
* Institutional development and corporate diversification

# Report location:

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