Performance Effects of Firms’ Expansion Paths within and across Industries and Nations

Abstract:
This article contributes to the emerging discussion on the diversification-performance relationship from a dynamic perspective. The research focuses on the ability of firms to handle complexity associated with added product scope during a period of time and the effect this may have on performance. The authors hypothesize that firms undertaking expansion steps during a given period of time, involving a higher level of added product scope, and those that expand into unrelated industries in an irregular fashion, i.e. with a higher variability will gain less from expansion. Likewise, the authors hypothesize that if the degree of expansion steps involving internationalization is higher or shows more variance, firms will gain less from expansion. These hypothesized relationships are tested using detailed longitudinal data on 3503 expansion steps undertaken by a panel of 91 German firms, whose expansion programs have been tracked for periods ranging between five and 20 years.

Stichworte:
Diversification; Expansion path; Longitudinal analysis