The Relationship between Corporate Diversification, Corporate Governance and Corporate Social Performance in Indonesian Companies

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Abstract

The effect of corporate diversification on behaviour of business towards stakeholder demands and social concerns has been overlook, especially in product diversification both related and unrelated diversification. This study investigates the relationship between corporate diversification (CD) (i.e. related, unrelated and international diversification) and Corporate Social Performance (CSP) in Indonesian listed companies. It explores the moderating effect of corporate governance (CG) (e.g. independent commissioner and ownership concentration) on the correlation between corporate diversification and CSP.

This study takes 203 listed companies from the Indonesian Stock Exchange as the sample. It applied company annual report, Indonesian Capital Market Directory and Osiris database as sourced of data. Moreover, content analysis based on 80 indicators of Global Report Initiative is used to measure CSP, while multiple regression with one-year lag dependent variables is used as the primary data analysis. The result of multi regression analysis shows that related and unrelated diversification produced different outcomes whereby related diversification is negatively correlated with CSP. Unrelated diversification, conversely, reveals a positive relationship with CSP. Moreover, unrelated diversification is more positively correlated to CSP than the related CD, while international diversification also has a positive relationship with CSP. Furthermore, an independent commissioner could strengthen the CD-CSP relationship with regards to unrelated and international diversification. Conversely, ownership concentration could weaken the CD and CSP relationship for related diversification.

In conclusion, this study contributes to theoretical development (i.e. it explains the link between product diversification, international diversification and CSP in emerging economies setting. It extends previous studies by considering the role of CG as a moderator, and uses content analysis based on GRI indicators in measuring CSP). Additionally, it has managerial implications, including a manager needs to consider CD and carefully manage the demands of an extensive range of stakeholders to increase CSP. Second, in order to maximise the impact of corporate diversification strategy on CSP, a manager has to think sensibly, based on the CG dimensions in the company, such as the number of independent commissioners and ownership concentration. Third, this study provides input to managers who run their businesses in emerging economies that have some differences with developed economies, for instance local rules, regulations and governmental control. Fourth, it also has an impact on the economy of Indonesia. For example, the government should establish regulations suitable for several types of industry and encourage the listed companies to implement good CG. Finally, limitations and further research directions are discussed.

Publications

Some parts of the work in this thesis have been presented and published as research papers in international conferences and journals during 2015-2016. They are:

1. “Diversification and Corporate Social Performance in Indonesia” that was presented in the 17th Eurasia Business and Economic Society (EBES) conference on 15-17 October 2015 at Venice, Italy.
2. Patrisia, D., and Dastgir, S., (2016). Diversification and corporate social performance in manufacturing companies. Eurasian Business Review DOI 10.1007/s40821-016-0052-6

List of Abbreviation

AoA	Article of association
API-P	Angka Pengenal Impor Produsen, Producer/Importer Identification Number
ASEAN	Association of Southeast Asian Nation
BAPEPAM	Badan Pengawas Pasar Modal, the capital market authority
BOC	Board of Commissioners
BOD	board of directors
CAR	Corporate Annual Report
CEI	Cultural entropy index
CEO	Chief Executive Officer
CEP	Corporate environmental performance
CFP	Corporate Financial Performance
CG	Corporate Governance
CRI	Corporate Reputational Index
CSID	Canadian Social Investment Database
CSiR	Corporate Social irresponsibility
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
DR	Related diversification
DT	Total diversification
DU	Unrelated diversification
EIRIS	Ethical Investment Research Service
EP	Environmental performance
EPS	Earnings per share
ESG	Environmental, Social and Governance
F&B	Foods and Beverages
FDI	Foreign Direct Investment

FTSE	The Financial Times Stock Exchange
GCG	Good Corporate Governance
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GLS	Generalised least squares
GMS	General Meeting of Shareholders
GNI	Gross National Income
GNP	Gross National Product
GRI	Global Report Initiative
HDI	Human Development Index
HI	Herfindahl Index
ICL	Indonesian Company Law
ID	International Diversification
IDF.Normal	Inverse density function normal
IDX	Indonesian Stock Exchange
IICD	The Indonesian Institute for Corporate Directorship
ISIC	International Standard Industry Classification of All Economic Activities
IVA	Intangible Value Assessment
JASICA	Jakarta Stock Exchange Industrial Classification
KBLI	*Klasifikasi Baku Lapangan Usaha Indonesia*
KLD	Kinder, Lydenberg, Domini
LM	Lagrange Multiplier
LSE	London Stock Exchange
MJRA	Michael Jantzi Research Associates
MMT	Ministry of Manpower and Transmigration
MNCs	Multinational companies
MNE	Multinational enterprise
MNEs	Multinational enterprises
MSCI	Morgan Stanley Capital International Inc

OECD	Organisation for Economic Cooperation and Development
OJK	*Otoritas Jasa Keuangan*, Capital market supervisory board
OLS	Ordinary Least Square
P/E	price earning
PACAP	Pacific-Basin Capital Market
PLS	Partial Least Square
PROPER	*Program Penilaian Peringkat Kinerja Perusahaan,* programme for appraising companies' performance
PSAK	Pernyataan Standar Akuntansi Keuangan
RBV	Resource-based view
ROA	Return on Assets
ROC	Return on Capital
ROCE	Return on capital employee
ROE	Return on Equity
ROI	Return on Investment
ROS	Return on Sales
ROTC	Return on total capital
RPTKA	Foreign workers manpower plan
SEM	Simultaneous equation model
SIC	Standard Industrial Classification
TSE	Taiwan Stock Exchange
UNDP	United Nations Development Programme
UK	United Kingdom
US	United States
VIF	The variance inflation factors
ZScore	Standard score

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CHAPTER 1 OVERVIEW OF STUDY

1.1 Introduction

Diversification suggests a company that has several different businesses in a given sector and which differs in terms of industry or product, market and resources (Hill, Jones and Schilling, 2015; Knecht, 2014; Barney and Hesterly, 2012; Johnson, Scholes and Whittington, 2008; Pitts and Hopkins, 1982). Industry diversification describes a company which adopts a diversification strategy by having multiple businesses based on a type of product or industry. Moreover, product or industry diversification itself can be classified into related and unrelated diversification (Hashai, 2015; Oh, Sohl and Rugman, 2015; Su and Tsang, 2015; Zahavi and Lavie, 2013; Chang, Oh, Jung and Lee, 2012; Chen and Yu, 2012; Palepu, 1985). Therefore, Chen and Yu (2012) define related diversification as a company's strategy in relation to diversifying its business into two or more businesses that are associated with similar products, or sharing intangible assets. In contrast, they define unrelated diversification as a company's strategy in extending its business into different business areas, where no physical or knowledge resources are shared.

Furthermore, market diversification is described as a diversification strategy that comprises multiple businesses based on different market characteristics, such as consumer needs, cross elasticity and geographical area (Pitts and Hopkins, 1982). In terms of market, according to Pitts and Hopkins (1982), the geographical market is more popular in relation to describing market diversification than other factors and therefore, it has been applied in some recent studies. Previous researchers, such as Ma *et al.* (2016); Krapl (2015);

Kang (2013); Majocchi and Strange (2012) used international diversification to describe geographical market diversification, which refers to a company which has operated in multiple regions or countries, whereas other researchers used global diversification to explain international diversification (Gao and Chou, 2015; Çolak, 2010; Doukas and Kan, 2006). Accordingly, a company could adopt an international diversification strategy by means of export or by using foreign subsidiaries (Majocchi and Strange, 2012).

Furthermore, diversification is associated with different resources and is embedded in product diversification (Pitts and Hopkins, 1982). Additionally, other authors, such as Knecht (2014); Castañer and Kavadis (2013); Zahavi and Lavie (2013); Chen and Yu (2012) also define diversification as the extent of company business with regards to similar skills, intangible assets or resources (related diversification), and which have no similar resources (unrelated diversification).

Diversification is a significant strategy in relation to creating a competitive advantage or surviving against the competition (Kang, 2013; Purkayastha, Manolova and Edelman, 2012; Montgomery, 1994; Rumelt, 1974). Moreover, diversification strategy has other benefits, for instance creating synergy and market power (Purkayastha *et al.*, 2012; Montgomery, 1994), risk reduction (Purkayastha *et al.*, 2012; Martin and Sayrak, 2003), and internal capital market efficiency (Erdorf, Hartmann-Wendels, Heinrichs and Matz, 2013; Purkayastha *et al.*, 2012; Martin and Sayrak, 2003). Therefore, diversification strategy is expected to improve company performance and create value for stakeholders (Purkayastha *et al.*, 2012; Barney, 2011; Thompson, Strickland and Gamble, 2007; Montgomery, 1994). Alternatively, diversification also has several costs that arise due to asymmetric information (Chen and Yu, 2012; Martin and Sayrak,

2003; Berger and Ofek, 1995), co-ordination (Chen and Yu, 2012) and agency problems (Su and Tsang, 2015; Ataullah, Davidson, Le and Wood, 2014; Martin and Sayrak, 2003). Accordingly, the asymmetric information and agency problems result in internal co-ordination costs (Su and Tsang, 2015). Hence, both the benefit and cost of diversification may have an impact on the performance of a company (Chen and Yu, 2012; George and Kabir, 2012; Purkayastha *et al.*, 2012; Palich, Cardinal and Miller, 2000; Montgomery, 1994).

Many studies have been conducted to investigate the effect of diversification on performance (Kang, 2013; Markides and Williamson, 1994). However, the studies only focused on a company's financial performance, which has several limitations, such as frequent failure to represent long-term performance and the survival of the business (Harrison and Wicks, 2013; Kaplan and Norton, 1996) and emphasises maximising shareholder's wealth (Barney, 2011). One alternative to financial performance as a measure, which deals with multiple stakeholders and useful predictors of long-term performance and viability, is Corporate Social Performance (CSP) (Kang, 2013; Kacperczyk, 2009). CSP relates to the concept of Corporate Social Responsibility (CSR). According to (Aguilera-Caracuel, Guerrero-Villegas, Vidal-Salazar and Delgado-Márquez, 2015), CSP measures the level of implementation and success of practising CSR. Nowadays, CSP has become a vital component of overall performance (Brammer, Pavelin and Porter, 2006).

According to Kang (2013), the relationship between corporate diversification and CSP not only provides an understanding of CSP as a complementary measurement of a company's performance, but also provides an argument that diversified businesses will have a beneficial impact on the welfare

of stakeholders. However, research on the relationship between corporate diversification and CSP has been overlooked. J. Kang (2013) emphasises that empirical evidence concerning the relationship between these variables is limited, especially for related and unrelated diversification. To the best of the researcher's knowledge, only limited studies have investigated the relationship between corporate diversification and CSP, such as Attig, Boubakri, El Ghoul and Guedhami (2016); Ma *et al.* (2016); Aguilera-Caracuel *et al.* (2015); Kang (2013); Brammer *et al.* (2006); Strike, Gao and Bansal (2006); Christmann (2004); Dooley and Fryxell (1999). However, most of these studies have focused on the relationship between international diversification and CSP. Only Kang (2013); Dooley and Fryxell (1999); Simerly (1997) have investigated the relationship between product diversification and CSP. However, Simerly (1997) did not differentiate between product diversification in related and unrelated diversification. Conversely, Dooley and Fryxell (1999) used related and unrelated diversification to reflect specific types of industry diversification, although they only used environmental performance as a CSP measurement and applied a uni-dimensional indicator. Hence, it is onlyKang (2013), who applied related and unrelated types of industry diversification and used multi-dimensional indicators to measure CSP. Therefore, empirical evidence of the relationship between corporate diversification and CSP is limited, and a study which investigates this relationship is valuable.

Furthermore, several studies have investigated the determinant of CSP. Researchers such as Hafsi and Turgut (2013); Khan, Muttakin and Siddiqui (2013); Ntim and Soobaroyen (2013) believe that corporate governance is an influencing factor with regards to CSP. Corporate governance (CG), is defined as

a set of mechanisms used to manage relationships among stakeholders and to determine and control the strategic direction and performance of the organisation (Hitt, Ireland and Hoskisson, 2011). Furthermore, it should be noted that CSR and CSP are influenced by the choices, motives and values of those who are involved in formulating and taking decisions in the organisation(Khan *et al.*, 2013). Therefore, some researchers argue that internal corporate mechanisms, for example board composition (Cuadrado-Ballesteros, Rodríguez-Ariza and García-Sánchez, 2015; Hafsi and Turgut, 2013; Khan *et al.*, 2013) and ownership structure (Ducassy and Montandrau, 2015; Dam and Scholtens, 2013; Khan *et al.*, 2013), are considered important determinants of CSR and CSP.

Several previous authors have investigated the direct impact of board composition and ownership structure on CSP, particularly board independence and ownership concentration (Ducassy and Montandrau, 2015; Jizi, Salama, Dixon and Stratling, 2014; Lahouel, Peretti and Autissier, 2014; Dam and Scholtens, 2013; Hafsi and Turgut, 2013; Khan *et al.*, 2013; Dam and Scholtens, 2012; Walls, Berrone and Phan, 2012; Zhang, 2012; Oh, Chang and Martynov, 2011; Li and Zhang, 2010). Further studies have investigated board independence and ownership concentration as a moderating effect on the relationship between CSP and several variables, such as managerial entrenchment, earnings management and family businesses (Cuadrado-Ballesteros *et al.*, 2015; Choi, Lee and Park, 2013; McGuire, Dow and Ibrahim, 2012; Surroca and Tribó, 2008). Arguably, CG relates to CSP and it may possibly affect the correlation between corporate diversification and CSP. However, a study on the effect of CG (e.g., board composition and ownership structure) in relation to the corporate diversification-CSP relationship has not been

investigated yet (Lien and Li, 2013; George and Kabir, 2012; Chen and Ho, 2000; Lins and Servaes, 1999).

Moreover, Claessens and Yurtoglu (2013) assert that good corporate governance (CG) improves a company's relationship with stakeholders. Thus, the researcher argues that CG may have an association with corporate diversification and corporate performance. Accordingly, a company with high CG will have a better relationship with stakeholders, which is important in implementing corporate diversification strategy. Hence, the author argues that the impact of diversification strategy on CSP may be greater in a company which practises enhanced CG. In other words, CG could influence the link between corporate diversification and CSP. Therefore, this study aims to examine the relationship between corporate diversification and CSP with CG as a moderating variable.

Prior studies examining the relationship between corporate diversification-CSP and corporate governance-CSP have been conducted in developed market settings, such as the US and UK (Kang, 2013; Brammer *et al.*, 2006; Simerly, 1997); nevertheless, it remains neglected in emerging economies. According to Reimann, Rauer and Kaufmann (2015), every country has differentiations in local rules, regulations and governmental control, which lead to different CSR requirements. Most economies in emerging countries suffer from these weak institutions (Ma *et al.*, 2016); consequently, they have low local labour rights or poor working standards. This condition leads to lower requirements concerning CSR in emerging economies than in developed economies (Reimann *et al.*, 2015; Yang and Rivers, 2009). Arguably, it will lead to a lower level of CSP, due to the implementation and success of practising CSR. Therefore, the result of a

study into the relationship between corporate diversification and CSP in emerging economies could differ from that of developed economies. Moreover, the unique characteristics of a company in emerging economies, such as family dominance, could result in the failure of corporate governance mechanisms to increase CSP (Khan *et al.*, 2013).

For example, Cuadrado-Ballesteros *et al.* (2015) established that the role of the independent director is disappearing in family owned companies. Moreover, shared ownership generally centres on the founder or family as the controlling shareholder and manager in emerging economies (Mangantar and Ali, 2015; International Finance Corporation, 2014; Utama and Utama, 2014; Claessens and Yurtoglu, 2013; Globerman, Peng and Shapiro, 2011; Claessens and Djankov, 2002). Hence, the role of ownership concentration could also have a different effect on the corporate diversification-CSP relationship in emerging economies. In addition, several studies have been conducted in developed countries (Kang, 2013; Brammer *et al.*, 2006; Simerly, 1997); however, emerging economies such as Indonesia continue to overlook research on these topics. Accordingly, the researcher argues that an opportunity exists to investigate the relationship between corporate diversification, corporate governance and CSP in emerging economies.

The term ‘emerging economies’ is used to characterise less developed economies (Daniela-Neonila and Roxana-Manuela, 2014). Criterion to classify countries into emerging economies remains contentious. According to Ghemawat and Altman (2016), the World Bank defines emerging countries as low- and middle-income countries, which have a purchasing power parity-adjusted Gross National Income (GNI) of less than $12,736,2. The United Nations Development

Programme (UNDP) uses their Human Development Index (HDI), comprised of per capita income, educational attainment and life expectancy, to classify countries without “very high” HDI and those below 0.8 (United Nations Development Programme, 2015) (on a 0 to 1 scale). Based on World Bank and UNDP criterion, Indonesia is classified as emerging economy.

Moreover, Daniela-Neonila and Roxana-Manuela (2014) assert that Indonesia has also been classified as an emerging country in an exclusive group, in conjunction with Next Eleven (Egypt, Indonesia, Bangladesh, Iran, Mexico, Pakistan, Nigeria, Philippines, Turkey, South Korea, and Vietnam), based on the size of population and Gross National Product (GDP). An additional group is CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa). This group is classified based on young populations.

Therefore, this study investigates the relationship between corporate diversification, both product diversification and international diversification, on CSP in an emerging economy, by means of using Indonesian companies. This study also investigates the role of corporate governance on the relationship between corporate diversification and CSP. Corporate governance mechanisms, particularly independent commissioner and ownership concentration are used as part of board composition and ownership structure. Figure 1.1 depicts the research framework

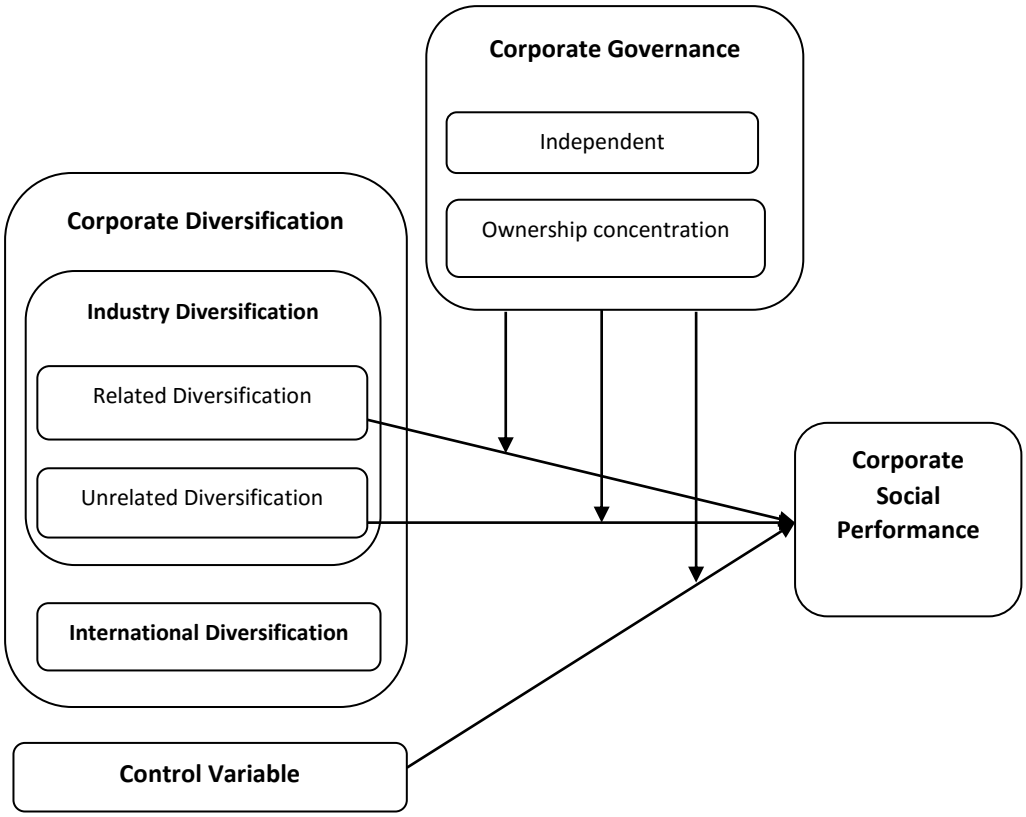

Figure 1.1 Research Framework

1.2 Research Aims and Research Questions

The aims of this research are to investigate the relationship between corporate diversification (both product and market) and CSP; and to examine the role of corporate governance in the relationship between corporate diversification and CSP in listed companies in Indonesia. Moreover, the primary aims of this study consist of the following four research questions:

1. What is the relationship between product diversification and CSP?
2. What is the relationship between international diversification and CSP?
3. What is the relationship between corporate diversification and CSP via independent commissioner as a moderating variable?

4. What is the relationship between corporate diversification and CSP by means of ownership concentration as a moderating variable?

1.3 Contributions of the Study

There are four theoretical contributions and four policy implications with respect to this study. First, this study has contributed the following four theoretical development, which can be seen below.

1. This study has explained the link between product diversification and CSP. Based on the literature review of 45 previous studies on corporate diversification and corporate performance between 1995 and 2016, only nine empirical studies investigated the relationship between corporate diversification and CSP as corporate performance. These include Attig *et al.* (2016); Ma *et al.* (2016); Aguilera-Caracuel *et al.* (2015); Kang (2013); Brammer *et al.* (2006); Strike *et al.* (2006); Christmann (2004); Dooley and Fryxell (1999); (Simerly, 1997). Other studies focused on financial performance from accounting or market perspectives. Furthermore, most of the studies related to the corporate diversification-CSP relationship focused on the correlation between international diversification and CSP.

   To the best of the researcher's knowledge, only Kang (2013); Dooley and Fryxell (1999); Simerly (1997) have investigated the relationship between product diversification and CSP. However, Simerly (1997) did not differentiate between product diversification in related and unrelated diversification. In contrast, Dooley and Fryxell (1999) used related and unrelated diversification to reflect specific types of industry diversification; however, they only used environmental performance as a CSP

measurement and they employed a uni-dimensional indicator. Accordingly, only Kang (2013) applied related and unrelated types of industry diversification and employed multi-dimensional indicators to measure CSP. Therefore, it may be concluded that research on the relationship between corporate diversification and CSP remains limited, particularly regarding the link between product diversification and CSP. This study has addressed this gap.

2. This study has introduced the moderating role of CG with respect to the corporate diversification-CSP relationship. Several authors investigated the direct and positive impact of CG mechanisms, such as ownership and board of directors on CSP (Cuadrado-Ballesteros *et al.*, 2015; Jizi *et al.*, 2014; Lahouel *et al.*, 2014; Dam and Scholtens, 2013; Hafsi and Turgut, 2013; Khan *et al.*, 2013; Ntim and Soobaroyen, 2013; Dam and Scholtens, 2012; Walls *et al.*, 2012; Zhang, 2012). Some authors also investigated the CG mechanism as a moderating effect on the relationship between CSP and other variables, for instance managerial entrenchment, earnings management and family businesses (Cuadrado-Ballesteros *et al.*, 2015; Choi *et al.*, 2013; McGuire *et al.*, 2012; Surroca and Tribó, 2008).

   Moreover, several prior studies have investigated the role of corporate governance on the corporate diversification-financial performance relationship (Lien and Li, 2013; George and Kabir, 2012; Chen and Ho, 2000; Lins and Servaes, 1999). However, investigation of the moderating effect of CG on corporate diversification-CSP is still lacking. Accordingly, this study has contributed to extend previous studies which addressed the

relationship between corporate diversification and CSP, by using CG as a moderating variable.

3. Moreover, most of the previous studies examining the relationship between corporate diversification-CSP and corporate governance-CSP were conducted in a developed market setting, such as the US and UK(Kang, 2013; Brammer *et al.*, 2006; Simerly, 1997) and thus, are still required in developing economies. According to Reimann *et al.* (2015), every country has differentiations in local rules, regulations and governmental controls, which lead to different requirements concerning CSR. Most emerging economies suffer from weak institutions (Ma *et al.*, 2016), for example low local labour rights or poor working conditions. This situation leads to lower requirements regarding CSR in emerging economies than in developed economies (Reimann *et al.*, 2015; Yang and Rivers, 2009). Therefore, the result of a study into the relationship between corporate diversification and CSP in a developing economy could be different to a developed economy. Furthermore, the unique characteristics of a company in an emerging economy, for instance family dominance, could result in the failure of corporate governance mechanisms to increase CSR (Khan *et al.*, 2013). Accordingly, the researcher argues that this study has contributed to explaining the link between these three variables in the context of an emerging country.
4. In terms of CSP indicators, most of the previous studies on CSP and CSR used KLD indicators, particularly regarding the corporate diversification-CSP relationship. From the literature review, it is only Ma *et al.* (2016); Brammer *et al.* (2006) that use other indicators with respect to CSP, such

as EIRIS. However, no research has used GRI guidelines to measure CSP indicators. Meanwhile, according to Cuadrado-Ballesteros *et al.* (2015); Bouten, Everaert, Van Liedekerke, De Moor and Christiaens (2011), GRI guidelines could be an adequate standard in relation to CSR achievement which reflect the CSP, particularly performance indicators pertaining to GRI. Therefore, the researcher argues that this study has contributed to developing a CSP measurement based on GRI guidelines.

Second, the study suggests four policy implications, as follows: (1) a company must be careful in making decisions about its diversification strategy, for instance related/unrelated or international diversification. These diversification strategies have an impact on CSP. Accordingly, to increase CSP, a company must consider a diversification strategy, such as international diversification, which has a positive relationship with CSP; (2) CG has a significant moderating impact on the diversification-CSP relationship. Consequently, in order to maximise the impact of corporate diversification strategy on CSP, a manager has to think sensibly, based on the CG dimensions in the company, such as the number of independent commissioners and ownership concentration; (3) This study provides input to managers who run their businesses in emerging economies that have some differences with developed economies, for instance local rules, regulations and governmental control. (4) This study provides input for governments to create programmes or regulations which increase the willingness of companies to deal with issues connected with social responsibility.

1.4 Structure of the Thesis

The thesis comprises eight chapters.

Chapter 1 provides a brief introduction to the study, problem statements, research aims and questions, significance of the study and structure of the thesis. Chapter 2 describes the study from the Indonesian context: geography and demography, economic conditions, listed companies on the Indonesian capital market, diversification, CSR and CG. Chapter 3 illustrates the theory which relates to corporate diversification, company performance and CG. Diversification strategy consists of the definition of corporate diversification, motives for diversification, benefit and cost of diversification, industry diversification, international diversification and measurement of diversification. Company performance consists of a definition of company performance, financial and non-financial performance, CSP, dimensions of CSP, CSP measurement and CSP disclosure measurement. CG entails a definition of CG and the mechanisms related to CG.

Chapter 4 is a literature review of the relationship between corporate diversification and CSP and moreover, the role of CG in corporate diversification-CSP relationships. This chapter also describes key themes in previous studies and academic gaps that can be addressed as contributions. The final part of this chapter is hypothesis development for corporate diversification and the CSP relationship, in addition to the role of corporate governance in this relationship.

Chapter 5 clarifies the methodology used in this study. This chapter begins by explaining the population and sample of this study. This part is followed by data collection processes and sources of data. The subsequent part explains the definition of variables and their measurement for dependent, independent, moderating and control variable. The remaining part is data analysis, which consists of descriptive statistical analysis, regression analysis, content analysis

and additional analysis. Furthermore, in developed countries various agencies have calculated the CSP (e.g., KLD, EIRIS and INOVES), although no agency has yet developed a CSP measurement in relation to emerging countries. Hence, this study employed content analysis to build a CSP measurement based on GRI indicators.

Chapter 6 presents the results and discussion. The former consists of descriptive statistical analysis, summary statistics and multiple regressions. The results of the multiple regression are divided into regression results for the relationship between corporate diversification and CSP, the moderating effect of CG on the corporate diversification-CSP relationship, a summary and additional analysis of robustness. The discussion, which addresses all the research questions, is divided into relationships between corporate diversification and CSP and the moderating effect of CG on the corporate diversification-CSP relationship. Chapter 7 summarises the key findings, identifies research contributions, including theoretical perspectives and managerial implications, and outlines the limitations and options for future research.

1.5 Summary

Overall, this study aims to examine the relationship between corporate diversification and CSP and to investigate the role of CG as a moderating variable in Indonesian listed companies. It contributes to theoretical development (e.g. using CSP as the performance variable and analysing the moderating effect of CG on the corporate diversification-CSP relationship) and implications for management and policy makers (e.g. a new insight into an emerging country, such as Indonesia).

CHAPTER 2 ECONOMIC CONDITIONS, CORPORATE DIVERSIFICATION, CORPORATE SOCIAL PERFORMANCE AND CORPORATE GOVERNANCE IN INDONESIA

2.1 Introduction

This chapter describes the economic conditions, corporate diversification, CSR, CSP and CG in Indonesia. It highlights some economic indicators, such as gross domestic product (GDP), global competitive index (GCI), and gives an overview of the industry in Indonesia. Some companies in Indonesia have employed corporate strategies, such as diversification; therefore, an overview of diversification strategy and the types of diversification in Indonesia are discussed. The chapter offers an overview of CSR and CSP in Indonesia. Finally, it describes how CG has been implemented in the country.

2.2 Economic conditions of Indonesia

Indonesia is an emerging country in Southeast Asia (World Investment Report, 2015). Over the last four years, its GDP has grown by approximately 6% annually. The country has attracted foreign direct investment (FDI) in various sectors (e.g. hotel, manufacturing and service sectors) and its economic indicators (e.g. GDP per capita, GCI and FDI) have all improved in recent years (Sentana, 2013; *World Investment Report*, 2012; Shwab and Sala-i-Martin, 2012). Moreover, Indonesia's competitiveness index has a satisfactory position internationally, especially in Southeast Asia. Table 2.1 confirms Indonesia's current position based on the Global Competitiveness Index (GCI) 2012-2013. Although its position dropped four places to 50 in 2012-2013, Indonesia remains in the top 50 of the GCI and fifth in the ASEAN region. Accordingly, the

researcher argues that Indonesia is a promising country for investment in the ASEAN region, which may become a competitive advantage.

Table 2.1 Global Competitiveness Index

No	Country	2011-2012	2012-2013
1	Singapore	2	2
2	Malaysia	21	25
3	Brunei Darussalam	28	28
4	Thailand	39	38
5	Indonesia	46	50
6	Philippines	75	65
7	Vietnam	65	75

Source: Shwab and Sala-i-Martin (2012)

Table 2.2 shows GDP per capita of ASEAN Countries from 2008-2014. Indonesia's increased from $2,172 in 2008 to $3,623 in 2013, although it dropped slightly again to $3,534 in 2014. The increase in GDP per capita implies that the purchasing power of Indonesian people increased, and this may affect business by increasing demand. Indeed, business will have an opportunity to produce more products and services.

Table 2.2 GDP per capita of ASEAN Countries 2008-2014 (US $)

COUNTRY	2008	2009	2010	2011	2012	2013	2014
Singapore	34,465	35,274	41,987	46,241	54,578	55,980	56,319
Brunei Darussalam	37,414	27,390	31,008	40,301	41,809	39,152	36,607
Malaysia	8,399	7,236	8,691	9,977	10,508	10,628	10,804
Thailand	3,993	3,838	4,614	4,972	5,449	5,741	5,445
Indonesia	2,172	2,273	2,952	3,495	3,700	3,623	3,534
Philippines	1,925	1,836	2,140	2,370	2,606	2,788	2,865
Vietnam	1,070	1,130	1,224	1,407	1,755	1,909	2,053
Cambodia	743	735	783	879	948	1,010	1.081
Laos	900	948	1,147	1,301	1,446	1,700	1,693
Myanmar	n.a	n.a	n.a	n.a	1,421	1,107	1,269

Source: OECD (2015)

Another indicator of economic development is FDI. Indonesia's increased by 23.8% in the first quarter of 2013 (Sentana, 2013). Finally, Indonesia's debt ranking increased to investment level Baaa3 in 2011, based on Moody's rating (Martini, Tjakraatmadja, Anggoro, Pritasari and Hutapea, 2012). This means that Indonesia is an investment-grade country; a prospective country for investment, as recommended by Moody's.

The business sector in Indonesia has developed over recent years. According to the Indonesian Stock Exchange (IDX) fact book, the number of listed companies has increased gradually. For example, there were 472 companies in 2013 and 494 companies in 2014 (Indonesian Stock Exchange, 2015). IDX also classifies the listed companies according to the Jakarta Stock Exchange Industrial Classification (JASICA). JASICA is beneficial as an investment decision-making tool for the IDX participants. This industrial classification also calculates sectorial indices as an indicator of industrial group performance (Indonesian Stock Exchange, 2015).

The sector groups in JASICA are classified as primary, secondary and tertiary, based on the primary economic activities of each company. First, the primary sector comprises the extractive industry, including agriculture and mining. The secondary sector, manufacturing, can be divided into three types of industry: basic industry and chemicals, miscellaneous industry and consumer goods. Finally, the tertiary sector is the service sector. This includes many enterprises, such as property, real estate and construction, infrastructure, utilities and transport, finance and trade, services and the investment industry. Table 2.3 reveals the number of IDX listed companies from 2010 to 2014, showing a gradual increase. The principal group is trade, service and investment

companies. In conclusion, Indonesia has good economic conditions for investment among the ASEAN countries.

Table 2.3 Number of Listed Companies in IDX

No	Industry	Number of Firms Listed				
		2010	2011	2012	2013	2014
1	Agriculture	15	18	17	20	21
2	Mining	29	31	36	40	41
3	Basic Industry and Chemicals	58	61	59	60	65
4	Miscellaneous Industry	40	40	40	40	40
5	Consumer Goods	33	33	36	37	37
6	Property, Real Estate and Building Construction	48	49	53	54	54
7	Infrastructure, Utilities and Transport	34	39	42	47	52
8	Finance	71	72	74	77	86
9	Trade, Services and Investment	92	97	102	108	110
		420	440	459	483	506

Source: adapted from Indonesian Stock Exchange (2015, 2014, 2013, 2012, 2011)

2.3 Diversification in Indonesia

Several IDX listed companies have implemented a diversification strategy. They are considering this because they want to play a major role in the national economy (Humarseno and Chalid, 2013). Accordingly, diversification strategy has become an alternative strategy for Indonesian companies in dealing with business competition. Claessens, Djankov, Fan and Lang (2003) have examined the diversification strategy in East Asian companies, analysing over 10,000 firm-years of data in economies including Hong Kong, Indonesia, South Korea, Japan, Malaysia, Philippines, Singapore, Taiwan and Thailand. In Indonesia, they ascertained 117 multi-segment and 133 single-segment companies. Similarly, Akben Selçuk (2015) investigated the association between corporate

diversification and the value of companies in nine emerging countries: Brazil, Chile, Indonesia, Malaysia, Philippines, Poland, South Africa, Thailand and Turkey. In this case, 249 Indonesian companies were analysed: 100 diversified businesses and 149 single-segment companies. Humarseno and Chalid (2013) also examined the link between business diversification and financial performance in listed companies in Indonesian. Consequently, these studies have noted that some Indonesian companies have diversified their business. The diversification information was revealed in the companies' annual reports, particularly in audited financial report sections. For example, one diversified company, *PT Krakatau Steel,* has several product segments, including steel products, real estate and hotel, engineering and construction, port service provision and other services (Steel, 2013). This confirms that diversification strategy has already been implemented in Indonesian companies.

2.4 CSP and CSR in Indonesia

According to Aguilera-Caracuel *et al.* (2015, p. 322), CSP reflects the degree of success and implementation of CSR practice as a response to stakeholders' demands. Therefore, CSP in the Indonesian context is related to implementation of CSR. CSR in Indonesia is primarily triggered by the government rather than the willingness of the company or private sector (Park, Song, Choe and Baik, 2015). The government introduced regulations for obligatory CSR in 2007, such as Indonesian Investment Law No. 25 Article 15 and Indonesian Corporate Law No. 40 Article 74 on Limited Liability Companies. Owing to these laws, Indonesia has become the first country to introduce a mandatory element in CSR (Park *et al.*, 2015; Taufiqurrahman, 2013; Rosser and Edwin, 2010). According to

Waagstein (2011, p. 457), Indonesia has mandatory and customary norms for work safety, labour rights, limited welfare, countering corruption, environmental protection and consumer protection. Furthermore, these regulations also provide boundaries for companies pertaining to what they can or cannot do. However, these regulations are regularly problematic in their implementation; thus, some authors, e.g. Waagstein (2011); Wan, Hoskisson, Short and Yiu (2011) argue that weak law enforcement mechanisms were presented in the implementation. For example, they highlight the unavailability of judicial mechanisms to hold corporate responsibility, the prevalence of corruption, and furthermore, legal uncertainty due to overlapping norms on social and environmental issues; all undermine implementation in Indonesia (Waagstein, 2011, p. 457).

Article 74 of the Indonesian Corporate Law of 2007 consists of four points:

> *(1) Companies doing business in the field of and/or in relation to natural resources must put into practice Environmental and Social Responsibility. (2) The Environmental and Social Responsibility contemplated in paragraph 1 constitutes an obligation of the Company which shall be budgeted for and calculated as a cost of the Company performance of which shall be with due attention to decency and fairness. (3) Companies who do not put their obligation into practice as contemplated in paragraph 1 shall be liable to sanctions in accordance with the provisions of legislative regulations. (4) Further provisions regarding Environmental and Social Responsibility shall be stipulated by Government Regulation.* (Waagstein, 2011, pp. 460-461)

Although this law has contributed to the institutionalisation of CSR as a business norm, it did not provide detailed information concerning CSR programmes in Indonesian companies (Park *et al.*, 2015; Waagstein, 2011). Moreover, according to Waagstein (2011), Article 74 leaves several pragmatic and conceptual questions, such as the lack of clarification on how to determine which corporations are connected with natural resources in such a way that they should

be duty bearers. Hence, it failed to provide any implementation mechanism, with little clarity on how the article should be implemented and monitored.

Hence, the various issues above should be examined and elaborated in government regulations intended to implement Law No. 40. as without clarification, this law is simply inspirational in character and unenforceable (Taufiqurrahman, 2013; Waagstein, 2011; Rosser and Edwin, 2010). Unfortunately, it required five years to issue government regulation No.47/2012 on CSR. This regulation consists of nine articles. Ideally, it should clarify the ambiguity of the concept of mandatory CSR and reinforce the concepts expressed in Article 74 points (1) and (2). However, it is uncertain and does not offer guidance on how to implement mandatory CSR. The nature of the CSR regulation has become increasingly imprecise (Edi, 2014; Taufiqurrahman, 2013). Even though government regulation No.47/2012 has a few weaknesses, the government encourages listed companies to follow well-meaning sustainable development and environmental rules, and, the Ministry of Environment and Forestry has introduced a programme for appraising the performance of companies (KemenLH, 2015).

This company performance appraisal programme, *Program Penilaian Peringkat Kinerja Perusahaan* (PROPER), has several aims, including (i) encouraging companies to follow government rules by means of incentive and disincentive programmes, and (ii) motivating high performance companies to implement cleaner production programmes. PROPER is a primary programme in controlling, monitoring and supervising companies regarding environmental issues, such as the handling of B3 toxic waste. PROPER awards aim to encourage companies to follow the rules of sustainable development and

environmental excellence. According to Khoirunnisa, Napitupulu and Tavip (2015, p. 2); Kementrian Lingkungan Hidup (2012, pp. 9-10):

> *The ratings of business performances and/or activities are made of: a) Gold is for businesses and/or activities that have consistently demonstrated environmental excellence in terms of production or service processes, conducting business ethically and responsibly towards society. b) Green is for businesses and/or activities that have performed environmental management beyond compliance through the implementation of environmental management systems, efficient utilization of resources and adequately implement community development programmes. c) Blue is for businesses and/or activities that have performed environmental management as required in accordance with any applicable laws. d) Red denotes that the environmental management effort does not meet the requirements stipulated in the law. e) Black is for businesses and/or activities that intentionally perform any act or omission that leads to pollution or environmental damage and violations of laws and regulations applicable or not carrying out administrative sanctions handed down to them.*

Specifically, PROPER is a business performance rating programme measuring environmental performance, including CSR. Thus, the researcher argues that CSR is currently a prominent issue in Indonesian business. A similar issue is CG, discussed in the next section.

2.5 Corporate Governance in Indonesia

In Southeast Asian countries, including Indonesia, shared ownership generally centres on the founder or family as the controlling shareholder and manager (Mangantar and Ali, 2015; International Finance Corporation, 2014; Utama and Utama, 2014; Claessens and Yurtoglu, 2013; Globerman *et al.*, 2011; Claessens and Djankov, 2002). According to Globerman *et al.* (2011); Claessens, Djankov and Lang (2000), the ten largest families in Indonesia control half of the corporate assets. Similarly, according to Utama and Utama (2014); Claessens and Yurtoglu (2013); Claessens and Djankov (2002), most Indonesian listed companies have a concentrated ownership with wide divergence between control

and cash-flow rights. Hence, ownership concentration is a trigger for agency conflict between minority and majority shareholders.

It is worthwhile mentioning that a set of governance mechanisms was implemented to mitigate the agency conflict. After the financial crisis in 1998, the Indonesian Government initiated several programmes to improve CG. For example, by way of capital market authority (BAPEPAM), it promoted CG by requiring independent board members and an audit committee chaired by an independent director (Siagian, Siregar and Rahadian, 2013, p. 5). According to the International Finance Corporation (2014), several laws, regulations and governmental decrees on CG have been introduced in Indonesia (see Table 2.4).

Table 2.4 Principal Laws and Regulations for Corporate Governance in Indonesia

Law/Regulation	Applicability	Comments
Law No. 40 of 2007 concerning Limited Liability Company (Indonesian Company Law hereinafter referred to as ICL)	All limited liability company activities	Establishment of limited liability company, capital and shares, company organs (GMS, BOD, BOC), Article of association (AoA) of the company, merger, acquisition, and dissolution, work programme, annual report, and use of profit, liquidation, expiry of company.
Law No. 25 of 2007 concerning Investment (“Investment Law”)	All investment activities (domestic and foreign)	Form of business entity for investment, treatment of investor, manpower plan, business sector for investment, rights and obligations and liabilities of investor, investment facilities.
Law No. 13 of 2003 concerning Manpower (“Manpower Law”)	Manpower in companies	Manpower management, rights and obligations of employee, rights and obligations of the company, and all related manpower plans for business activities.
Law No. 8 of 1995 concerning Capital Market (“Capital Market Law”)	All listed company activities	Capital market supervisory board (OJK), stock exchange, clearing and guarantee corporation, central securities depository, investment fund, securities company, securities company representatives and investment advisors, capital market supporting institutions and professionals, issuers and public companies, public documents and reporting to OJK.
Presidential Regulation No. 36 of 2010 concerning Lists of Business Fields that are Closed to Investments and Business Fields that are Conditionally Open for Investments (“Negative List”)	Business fields for foreign investment activities	List of business fields that are open and closed for foreign investment.

Head of BKPM Regulation No. 12 of 2009 concerning Procedures and Guidelines of Investment Application ("BKPM Reg.12/2009")	Foreign investment activities	One-stop service of permit application procedures and mechanisms to conduct foreign investment in Indonesia, transfer of foreign shares, fiscal and non-fiscal facilities, regional incentives, foreign workers manpower plan (RPTKA), producer/importer Identification Number (API-P), tax facilities, customs.
Ministry of Manpower and Transmigration Decree No. 40 of 2012 concerning Certain Positions that are Prohibited for Foreign Workers ("MMT Reg. 40/2012")	Companies with foreign workers	List of positions in a company that are restricted for foreign workers.
Indonesian Code of Good Corporate Governance 2006 ("GCG Code")	All company practices	Code of conduct and business ethics, company organs, shareholders, stakeholders, good corporate governance principles, implementation of good corporate governance.
All related regulations in OJK Capital Market	Capital market activities	Capital market supervisory board (OJK), stock exchange, clearing and guarantee corporation, central securities depository, investment fund, securities company, securities company representatives and investment advisors, capital market supporting institutions and professionals, issuers and public companies, sanctions, public documents and reporting to OJK.

Source: Adopted form International Finance Corporation (2014, pp. 55-56)

Listed companies in Indonesia must comply with Law No. 40, 2007, which provides the legal framework for the governance of corporations and all related regulations in the OJK capital market (Asian Development Bank, 2014). Moreover, all Indonesian companies are being encouraged to adhere to the CG rules included in the CG regulations, although these provisions are currently only mandatory for listed companies (International Finance Corporation, 2014, p. 57). A company must have a general meeting of shareholders (GMS), a board of commissioners, board of directors, internal auditor, external auditor, audit committee and corporate secretary. In addition, it may establish a risk policy, CG, nomination and remuneration, and other board committees (International Finance Corporation, 2014).

All ordinary shareholders have a right to participate in the GMS and have several votes based on the number of ordinary shares they hold. The GMS approves nominations for membership of the Board of Commissioners and the Board of Directors. In addition, it approves the annual report and financial statements, the distribution of profits and losses (including the payment of dividends), amended authorised capital, amendments of the AoA, re-organisation and dissolution, and extraordinary transactions (International Finance Corporation, 2014). In terms of the board system, Indonesian companies have adopted two-tier boards or dual systems, which are different to the US or UK CG systems (Nur'ainy, Nurcahyo, Kurniasih and Sugiharti, 2013). The dual system has unique supervisory and management bodies (Utama and Utama, 2014). The supervisory board is known as the Board of Commissioners and the executive board is the Board of Directors. Under this system, the day-to-day management of the company is controlled by the executive board, which in turn is supervised

by the supervisory board (International Finance Corporation, 2014). These two bodies have distinct authorities and their composition cannot be mixed, i.e. a member of one cannot be a member of the other simultaneously. The advantage of the two-tier system is that there is a clear supervisory mechanism; nonetheless, it has been criticised for an inefficient decision-making process (Waagstein, 2011).

The Board of Commissioners plays a central role in the CG framework (International Finance Corporation, 2014), with responsibility for supervising management policy and advising the Board of Directors (Nur'ainy *et al.*, 2013). The Board of Commissioners should have expertise and integrity in order to perform their responsibilities and to ensure that the company's activities are in compliance with the applicable laws and regulations (International Finance Corporation, 2014). The category of commissioner is regulated in Article 120 of Indonesia Company Law no 40 2007, and consists of an Independent Commissioner and a Delegated Commissioner (Waagstein, 2011). Accordingly, good CG practice suggests that an independent commissioner is an individual who has not received substantial financial or other benefits from the company in the last three years (Siagian *et al.*, 2013).

It should be noted that numerous public companies in Indonesia are controlled by a single majority shareholder or a group of shareholders who are well informed vis-à-vis the company and able to monitor the company's management closely (Waagstein, 2011). The remaining ownership is often extensively dispersed among minority shareholders who lack the resources and information to effectively monitor management, or to defend themselves against the potential abuses of large shareholders (International Finance Corporation,

2014, p. 134). The independent commissioners therefore have a vital role in this type of company, ensuring that the control mechanism runs effectively and is in accordance with government laws and regulations.

The Board of Directors is responsible for the day-to-day management of the company, and it is the legal representative of the company. It has full authority and responsibility for the company in accordance with the company's aims and objectives, and furthermore, represents the company in and out of court (International Finance Corporation, 2014). There is also the Board Committee, which is responsible for overseeing, supervising and advising the Board of Directors and the Board of Commissioners. The CG Code recommends the establishment of specific Board Committees, such as an Audit Committee, Risk Policy Committee, and Nomination and Remuneration Committee. The primary task of these committees is to assist the Board of Directors.

The External Auditor is a licensed and accredited audit company/organisation (International Finance Corporation, 2014). For listed companies, this auditor is a separate unit within the company, chosen by the GMS from the Ministry of Finance's list of authorised auditors to conduct an audit of the financial statements of listed companies, prepare the auditor's report and submit it to the Board of Directors (Siagian *et al.*, 2013). In contrast, the role of the Internal Auditor is becoming increasingly important in encouraging the implementation of good CG in listed companies (International Finance Corporation, 2014). The Corporate Secretary ensures that the governing bodies follow the existing internal corporate rules and policies, amending them or instituting new ones as appropriate (International Finance Corporation, 2014, p. 218). The Corporate Secretary also contributes to establishing and maintaining

better communication between the various governing units of the company regarding regulations, the CG code and other internal rules. In addition, the Corporate Secretary ensures that the governing bodies follow all the relevant regulatory requirements, both domestic and possibly foreign (Siagian *et al.*, 2013). Consequently, the individual frequently acts as an advisor to the Board of Commissioners and the Board of Directors on regulatory requirements, listing rules and legislation related to CG. He may also identify gaps in CG matters and propose a solution to weaknesses (International Finance Corporation, 2014, p. 218).

The Indonesian Institute for Corporate Directorship (IICD) has calculated a CG score related to the IDX listed companies. Based on the country's 100 largest market capitalisation public listed companies, the average total CG score was 43.29% in 2012, rising to 54.55% in 2013 (Asian Development Bank, 2014), i.e. below 60%, and therefore, categorised as poor CG practice. This relatively low average score indicates that most Indonesian public listed companies have not yet implemented the internationally based CG principles. Hence, the researcher argues that CG is remains problematic in the Indonesian context.

Table 2.5 Corporate Governance Score of Indonesian Companies 2012-2013

Description	Corporate Governance Score (%)	
	2012	2013
Rights of shareholders	33.10	41.50
Equitable treatment of shareholders	35.20	51.60
Role of stakeholders	52.20	58.40
Disclosure and transparency	53.72	63.52
Responsibility of the board	44.08	48.78
Total	43.29	54.55

Source: Asian Development Bank (2014)

2.6 Summary

In conclusion, Indonesia's economic conditions have recently improved, as seen in the growth of GDP over the last five years. Indonesian listed companies have also adopted a diversification strategy (e.g. PT Krakatau Steel). Accordingly, they conduct their business in related and unrelated business segments. Furthermore, this chapter also described the implementation of CSR in Indonesian companies and how they manage CG. In Indonesia government law states that CSR is mandatory; hence, most companies implement CSR only because they must follow the rules. The following chapter explains a few of the theories pertaining to corporate diversification and company performance, including CSP and CG theory.

CHAPTER 3 THEORETICAL PERSPECTIVES ON CORPORATE DIVERSIFICATION, CORPORATE SOCIAL PERFORMANCE AND CORPORATE GOVERNANCE

3.1 Introduction

This chapter provides the background theory relating to diversification strategy, performance and CG. It is organised into five sections: diversification, CSP, CG, stakeholder theory and institutional theory. The section on diversification offers a definition of diversification, describing motives, cost and benefit, industry diversification, international diversification, and the measurement of diversification. The section on CSP describes the concept of company performance, types of company performance, CSP itself and measuring CSP. Finally, the chapter explains the concept of CG and CG mechanisms, such as independent commissioners and ownership concentration.

3.2 Corporate Diversification

3.2.1 Definition of Corporate Diversification

Diversification is a company strategy in the growth stage of the product life cycle and when a company wants to expand its current operation (David, 2003). It refers to implementing the company's strategy by conducting different business activities. According to Pitts and Hopkins (1982), differentiation in business activities can be seen from three perspectives: resource independence, market discreteness and product difference; product perspective is considered to be a combination of resource and market perspectives. Definitions of diversification given by different authors tend to be similar, as shown in Table 3.1.

Table 3.1 Definition of Corporate Diversification

Year	Author	Definition
2015	Hill *et al.* (2015, p. 322)	The process of entering new industries, distinct from a company's core or original industry, to make new kinds of products for customers in new markets
2015	Su and Tsang (2015, p. 1129)	Operation in more than one industry or product market
2014	Knecht (2014, pp. 47-48)	A firm's move to enter new markets and industries, serve new customer segments, offer new lines of product, employ different types of resources, and expand its operations internationally
2012	Park and Jang (2012, p. 219)	Moving into a number of markets (sectors, industries, or segments) not previously engaged in.
2012	Barney and Hesterly (2012, p. 190)	A firm implements a corporate diversification strategy when it operates in multiple industries or markets simultaneously
2008	Johnson *et al.* (2008, p. 262)	Diversification is a strategy that takes an organisation away from both its existing markets and its existing products
2007	Barney and Clark (2007, p. 185)	A firm implements a corporate diversification strategy when it operates multiple businesses within its boundaries
2007	Hill and Jones (2007, p. 349)	A company strategy to implant its business models and strategies in other industries to increase long-term profitability
1982	Pitts and Hopkins (1982, p. 620)	A firm is considered diversified only if it simultaneously operates several different businesses
1971	Berry (1971, p. 978)	Corporate diversification is an increase in the number industries a company participates in

Sources: Adopted from several studies

Only Knecht (2014) explicitly includes all the perspectives to define diversification. Other authors, i.e. Barney and Hesterly (2012); Park and Jang (2012) and Johnson *et al.* (2008), employ product and market perspectives concurrently. The researcher therefore concludes that diversification is a company strategy to operate in multiple or different businesses, in terms of products or services, markets and resources. In terms of products, diversification is identified by grouping the company's output under a product classification system, such as Standard Industrial Classification (SIC) for the US economy (Pitts and Hopkins, 1982). Some researchers, such as Park and Jang (2013a); Hargis and Mei (2006) use the term industry diversification to capture the business differences, while Pitts and Hopkins (1982) argue that it is easy to collect data using this approach. Product classification is thus one indicator of product diversification.

Based on the market perspective, market characteristics and geographic market dimensions are important factors to capture business differences (Pitts and Hopkins, 1982). These authors note that the geographic market dimension was more popular with earlier researchers who adopted the market approach to diversification, asserting that data is easier to access by way of this approach. Diversification based on the geographic market dimension has various names. For example, Krapl (2015); Kang (2013); Majocchi and Strange (2012); Bobillo, López-Iturriaga and Tejerina-Gaite (2010) emphasise that it means international diversification, while Hargis and Mei (2006) define it as national diversification, and Brammer *et al.* (2006) see it simply as geographical diversification. At the other extreme, Doukas and Kan (2006); Hitt, Hoskisson and Kim (1997); Kim,

Hwang and Burgers (1989) label it global diversification. That is, the area chosen for geographical diversification varies.

From the resource independence perspective, several authors, such as Pitts and Hopkins (1982) and Rumelt (1974), have stated that businesses are different if they can be managed separately or if their resources are independent. Based on the criteria for different business, Pitts and Hopkins (1982) believe that the task of data collection is more complex, more subjective and less replicable; based on the availability and accessibility of data, they only use product and market perspectives to describe corporate diversification.

This study focuses on industry diversification as being synonymous with corporate diversification from the product perspective, and employs international diversification to capture corporate diversification based on the geographical market dimension.

3.2.2 Motives for Diversification

There are many reasons behind the decision to diversify. Amit and Livnat (1988b) grouped them into two principal motives: synergy and finance., Montgomery (1994) added a further motive, market power, whereas Hitt *et al.* (2011) identified three reasons for diversification based on its effect on the company's value: value creating, value neutral and value reducing diversification. Value creating has three components: economies of scope; market power by blocking competitors and vertical integration; and financial economies. Value neutral diversification has seven components: antitrust regulation, tax law, low performance, uncertain future cash flows, risk reduction, tangible resources and intangible resources. Finally, from the value-reducing perspective, there are

diversifying managerial employment risk and increasing managerial compensation.

The first major motive of diversification is synergy. Synergy occurs when two or more business units are combined, providing new opportunities which are not achievable individually (Purkayastha *et al.*, 2012). Joint operation creates more value than individual operation. Put simply, the result of one plus one should be more than two. Purkayastha *et al.* (2012) argue that synergy occurs in two ways. First, it occurs when two or more individual businesses are operated as a single organisation; thus, consolidating individual units can create economies of scope and economies of scale (Amit and Livnat, 1988b). Purkayastha *et al.* (2012) emphasise that economy of scope is a specific expression of synergy, usually thought of in the context of cost.

According to Barney (2011); Hitt *et al.* (2011), synergy in economies of scope can be created by sharing activities and transferring core competencies. Hence, synergy may emerge either from the use of common infrastructures, including resources both tangible and intangible, such as marketing and R&D operations, brand names, production and distribution systems (Purkayastha *et al.*, 2012; Thompson *et al.*, 2007; Alesón and Escuer, 2002; Amit and Livnat, 1988a); or from transferring resources and capability, for instance managerial and technical knowledge, experience and expertise in different businesses (Barney and Hesterly, 2012; Hitt *et al.*, 2011). Similarly, according to Chakrabarti, Singh and Mahmood (2007), a diversified company may gain scope and scale advantages from internalising intermediary functions, such as financial and marketing, which may be inefficient or absent (Chakrabarti *et al.*, 2007). Secondly, synergy may occur if the operation of individual businesses

complements each other (Amit and Livnat, 1988b). For example, a synergy between some products which come from the same product line can offer customers more benefits.

The second major motive for diversification is market power, which is also known as conglomerate power (Montgomery, 1994). According to Hitt *et al.* (2011) market power exists when a company is able to sell its products above the existing competitive level or reduce the costs of its primary and supportive activities below the competitive level, or both of these. This reason is not based on efficiency to create maximum profit, but on tactical power to cause competitors concern and make them withdraw from the market to minimise competition. The company subsequently becomes the only one in the business area; in other words it has a monopoly (Montgomery, 1994). This market power is termed the anti-competitive effect, and in a corporation, it can result from one or a combination of three actions: predatory pricing, mutual forbearance and reciprocal buying (Martin and Sayrak, 2003; Montgomery, 1994; Amit and Livnat, 1988a). First, the company can use the profit from one business to fund predatory pricing in another business within the company. That is, predatory pricing is a tactic to set the price of a product lower than other companies' prices, in order to eliminate competitors from the market. This tactic requires considerable funding, because the firm risks losses, and only an organisation with strong financial resources, such as a conglomerate, can consider it. In contrast, the tactic provides the company with an advantage, seeing as it eliminates competitors who are not as stable financially. However, predatory pricing makes the market vulnerable to a monopoly. The second action, mutual forbearance, occurs when two or more firms that compete in multiple markets

collude, breaking down competitive barriers. Finally, companies that diversify can take advantage of reciprocal buying between different businesses within the company, or with other large firms, destroying smaller competitors. In the long term, these three actions eliminate competition in the market.

Finally, the third major motive for diversification is the financial perspective. There are three reasons here to pursue a diversification strategy: risk reduction, internal capital market and agency theory (Purkayastha *et al.*, 2012). Risk reduction (Erdorf *et al.*, 2013; Purkayastha *et al.*, 2012; Martin and Sayrak, 2003; Alesón and Escuer, 2002; Amit and Livnat, 1988a) emerges from dispersing risk, obeying the adage “Don’t put all your eggs in one basket”. In business terms, it implies that a focused company is more vulnerable than a diversified one. A diversified company with more than one business or marketplace reduces risk, especially in unrelated diversification, which has a negative earning correlation (Erdorf *et al.*, 2013; Purkayastha *et al.*, 2012; Amit and Livnat, 1988a). It can occur by reducing the probability of failure in a product, labour or financial market and reducing the impact of declining or changing demand and supply fluctuation (Martin and Sayrak, 2003; Alesón and Escuer, 2002). However, although a company can minimise unsystematic risk by means of unrelated diversification strategy, there is no economic advantage to create a higher return for the investor (Purkayastha *et al.*, 2012; Montgomery and Singh, 1984).

The second reason is the transaction cost of the internal capital market (Erdorf *et al.*, 2013; Barney and Hesterly, 2012; Purkayastha *et al.*, 2012; Martin and Sayrak, 2003). Internal capital market efficiency is created by the allocation

and flexibility of capital across segments. A diversified firm can use assets from one segment as collateral to obtain funding for other segments as external capital, and also use any excess of cash flow in one segment to fund another (Erdorf *et al.*, 2013; Martin and Sayrak, 2003), as internal equity capital. Conversely, a focused company relies heavily on external funding, which is often more costly than internal capital (Purkayastha *et al.*, 2012). In addition, the transactional cost of internal capital is lower than external funding and less time consuming. A diversified firm could therefore have an efficiency benefit by way of reducing the transaction cost in raising capital (Erdorf *et al.*, 2013; Purkayastha *et al.*, 2012). Furthermore, raising funds internally could also increase efficiency in resource allocation by shifting excess capital from one segment to another (Erdorf *et al.*, 2013; Purkayastha *et al.*, 2012; Stein, 1997).

The corporate office of a diversified company has a rich source of information on its segment and auditing system which allows it to control the manager effectively. Hence, internal funding leads to a better monitoring process than institutional lending (Erdorf *et al.*, 2013; Purkayastha *et al.*, 2012). However, several authors have questioned the efficiency of the internal capital market and argue that it has some disadvantages. For example, as funding decisions are decided by headquarters, the internal capital market reduces the managerial entrepreneurial incentive (Purkayastha *et al.*, 2012; Gertner, Scharfstein and Stein, 1994). It may also increase agency conflict when a manager's decision is not in line with the shareholders' demands resulting in a power struggle between divisions. Subsequently, it can lead to inefficient cross-subsidisation (Erdorf *et al.*, 2013; Purkayastha *et al.*, 2012; Martin and Sayrak, 2003).

The third reason from a financial perspective is agency theory (Erdorf *et al.*, 2013; Doaei, Anuar and Hamid, 2012; Purkayastha *et al.*, 2012; Montgomery, 1994). In modern firms, owners do not always manage the company directly. Owners, principals or shareholders may hire a manager to run the business, giving authority to the manager to make decisions concerning the firm in the owner's best interest. The relationship between owners and manager in this case is known as an agency relationship (Jensen and Meckling, 1976). Ownership is no longer in line with the control of the business, that is, there is a separation of ownership and control (Jensen and Meckling, 1976). To make sure all the manager's decisions are based on the owners' interest, the owners should control the manager. A lack of control may encourage managers to focus on their own interests rather than the owners' welfare. Hence, agency theory explores the possibility of managerial decisions in a diversification strategy being motivated by personal gain.

There are four personal benefits that could be pursued by managers via diversification: power and prestige, higher compensation, reduced risk of unemployment, and making the manager indispensable to the company (Purkayastha *et al.*, 2012). A diversified firm is associated with larger size, and managing a large business gives the manager more power and prestige (Erdorf *et al.*, 2013; Purkayastha *et al.*, 2012; Jensen, 1986). Additionally, the size of a firm is also related to managerial compensation, large firms being associated with higher executive compensation (Erdorf *et al.*, 2013; Purkayastha *et al.*, 2012; Dyl, 1988). Similarly, a diversified company expects to be stronger against the risk of business failure rather than a focused firm. Reducing risk by means of diversification will have an impact on the manager's employment risk (Erdorf *et*

al., 2013; Purkayastha *et al.*, 2012; Amihud and Lev, 1981). Finally, managing a diversified business requires a specific skill and a good understanding of many businesses. Managers who invest in a new business that fits their particular skills can increase demand for their personal skill. Shleifer and Vinishny (1997) call this behaviour managerial entrenchment. Hence, managers can become indispensable through diversification (Erdorf *et al.*, 2013; Purkayastha *et al.*, 2012; Shleifer and Vinishny, 1997). Motives for diversification may also reflect the benefits and costs of diversification.

3.2.3 Cost and Benefit of Diversification

According to Ataullah *et al.* (2014), a company may gain several benefits from diversifying its business, such as economies of scope, increasing market power, increasing competitive advantage, raising the debt capacity and being more active in internal capital markets. In addition, Berger and Ofek (1995) add increasing debt capacity through increasing interest on tax shields; a diversified firm will have higher leverage and lower tax payments than a focused firm. Martin and Sayrak (2003) agree that a diversified company benefits in terms of a tax shield, and moreover, risk reduction, increased debt capacity, its internal capital market, and a combination of resources. With an internal source of financing, the firm's managers can exercise superior decision control over project selection, rather than leaving investment decisions to the whims of less well informed investors in the external capital market. Therefore, corporate diversification may create shareholder value by mitigating failures in product, labour and financial markets.

According to George and Kabir (2012), the efficient internal capital market argument typically suggests that diversified firms have more access to internally generated resources and can exploit superior information to allocate resources among divisions. Diversified firms can also employ a number of mechanisms to create and exploit market power advantages; tools that are largely unavailable to their more focused counterparts. These mechanisms include predatory pricing (i.e. sustained price cutting with the goal of driving existing rivals from future entry), cross-subsidisation (whereby a firm taps excess revenues from one product line to support another), entry deterrence (constructing a reputation for predatory behaviour or signalling that such a response is likely in the event of a new entry), and reciprocal buying and selling (a company gives preference in purchasing decisions or contracting requirements to suppliers). From a resource-based perspective, further benefits of diversification include the ability to exploit excess firm-specific assets and share resources, such as brand names, managerial skills, consumer loyalty and technological innovation. Benefits also stem from tax and other financial advantages associated with diversification.

Diversification strategy not only has benefits but also costs (Ataullah *et al.*, 2014; George and Kabir, 2012; Berger and Ofek, 1995). For example, Berger and Ofek (1995) have identified the following costs. First, a diversified firm may invest too much in a business line with poor investment opportunity. Second, it may invest more in projects with a negative net present value. Third, unprofitable business lines in conglomerates may have greater losses than in a focused business. Finally, asymmetric information costs in a diversified firm will be higher than in a focused firm. In addition, Ataullah *et al.* (2014); Martin and Sayrak (2003)emphasise that from the agency theory perspective, managers can pursue

a diversification strategy to benefit themselves at the stakeholders' expense. Somewhat differently, George and Kabir (2012) assert that diversified firms are prone to severe agency problems that can lead to inefficient resource allocation. Jensen (1986) says that managers of firms with large free cash flows undertake redundant expansion activities for their private benefit. He stresses the information processing problems that arise between corporate headquarters and divisional managers. Accordingly, information and incentive problems may lead to misallocation of resources among the divisions of a diversified firm.

Martin and Sayrak (2003) note that a diversified firm simply does an inferior job of allocating resources than a focused firm. Thus, the root of the problem is inefficiency rather than agency. This inefficiency could be a result of the asymmetry of information problem between the company's central management and the operational management. Similarly, Chen and Yu (2012) stress that diversification can also increase costs due to the difficulties associated with coordination, asymmetry of information and incentive misalignment between headquarters and divisional managers in multidivisional firms. According to Su and Tsang (2015), when a business unit shares resources and becomes jointly specialised in order to create economies of scope, then monitoring the performance of individuals becomes more complicated, resulting in a greater potential for avoiding responsibility, and other opportunistic behaviour. Thus, the diversification strategy can destroy the shareholder's value.

Consequently, the researcher argues that a diversification strategy not only has several positive points, but also has a few negative consequences. The benefits of diversification could be grouped into several points: creating synergy

from economies of scope; increasing market power; and financial benefit such as creating an internal capital market, increasing debt capacity, increasing interest from tax shields and reducing risk. The negative consequences may relate to agency problems and the inefficient allocation of resources.

3.2.4 Product Diversification

Derived from the definition of corporate diversification, product diversification describes a company which adopts a diversification strategy by having multiple businesses or different businesses in terms of product. Hence, to identify product diversification, this study uses an established product classification code; the updated version of International Standard Industry Classification of All Economic Activities (ISIC). According to several prior studies, product diversification may be classified as either related diversification or unrelated diversification (Hashai, 2015; Oh *et al.*, 2015; Su and Tsang, 2015; Zahavi and Lavie, 2013; Chang *et al.*, 2012; Chen and Yu, 2012; Palepu, 1985). Some authors refer to them as intra-industry and inter-industry diversification (Zahavi and Lavie, 2013; Li and Greenwood, 2004), or within-industry and across-industry diversification (Hashai, 2015; Li and Greenwood, 2004). The following part discusses these two forms of product diversification.

3.2.4.1 Related Diversification

Related diversification in general is defined by the similarity of resources and market. Table 3.2 shows several definitions of related diversification.

Table 3.2 Definition of Related Diversification

Year	Author	Definition
2015	Hill *et al.* (2015, p. 331)	A corporate-level strategy that is based on the goal of establishing a business unit in a new industry that is related to a company's existing business units by some form of commonality or linkage between their value-chain functions
2014	Knecht (2014, p. 49)	The firm diversifies to serve similar customers or market segments, employing similar resources
2013	Zahavi and Lavie (2013, p. 979)	Intra-industry diversification refers to the extent to which the firm's businesses draw on similar skills or resources, common technologies, or shared customers.
2012	Chen and Yu (2012, p. 521)	Related diversification means diversifying into business associated with similar products, vertically integrating complementary activities (corresponding to backward or forward integration), or sharing intangible assets such as marketing knowledge, patented technology, product differentiation, superior managerial capabilities, or routines and repertoires.
2008	Johnson *et al.* (2008, p. 265)	Related diversification is corporate development beyond current products and markets, but within the capabilities or value network of the organisation
2007	Barney and Clark (2007)	A firm exploits a core competence in its diversification efforts
2007	Hill and Jones (2007, p. 394)	A strategy of establishing a business unit in a new industry that is related to a company's existing business units.
2003	David (2003, p. 169)	A company's strategy which adds new products or services that are related.
2001	Langford and Male (2001, p. 78)	The broad confines of the industry within which a firm operates.
2000	Palich, Cardinal, *et al.* (2000, p. 159)	Related diversification involves multiple industries with businesses that are able to tap a common pool of corporate resources.
1994	Shrivastava (1994, p. 92)	A domain choice that encompasses related product markets.
1991	Vachani (1991, p. 307)	Dispersion of activities across business segment within industries.

Sources: Adopted from several studies

Synergy from economies of scope is the primary motive for unrelated diversification, followed by the market power motive. Therefore, in terms of benefit diversification, synergy in a diversified firm is greater in related diversification than unrelated diversification, as management is more familiar with the market it has entered and the technology used (Su and Tsang (2015); (Wan *et al.*, 2011; Michel and Shaked, 1984). Su and Tsang (2015) agree that related diversification is more likely to enjoy economies of scope where input is shared and utilised jointly by different business units. Related diversification also enhances the market power of the consolidated company (Amit and Livnat, 1988b). It has an impact on market power for the reason that when a company diversifies its business to a related product or market, it may become more efficient via actions such as predatory pricing, mutual forbearance and reciprocal buying (Martin and Sayrak, 2003; Montgomery, 1994; Amit and Livnat, 1988a). Related diversification is thus a product diversification strategy, which uses the same resources and optimises the capabilities or the value network of the organisation to serve the same customers or related market segments.

3.2.4.2 Unrelated Diversification

Unrelated diversification has several definitions and also relates to resources and markets (see Table 3.3). In general, unrelated diversification relates to new products with different competencies or resources and/or markets.

Table 3.3 Definition of Unrelated Diversification

Year	Author	Definition
2015	Hill *et al.* (2015, p. 331)	A corporate-level strategy based on a multi-business model that uses general organisational competencies to increase the performance of all the company's business units.
2014	Knecht (2014, p. 50)	The firm diversifies into businesses not related to similar customer or market segments, or not employing similar resources.
2013	Zahavi and Lavie (2013, p. 979)	Inter-industry diversification refers to expansion into additional businesses new to the firm.
2013	Castañer and Kavadis (2013, p. 864)	Unrelated diversification refers to the extent to which a firm operates in different businesses, have different input-output configurations and thus few or no resources in common.
2012	Chen and Yu (2012, p. 552)	Unrelated diversification refers to a firm's diversification into business areas where no physical or knowledge resources are shared, other than financial resources.
2008	Johnson *et al.* (2008, p. 267)	The development of products or services is beyond the current capabilities and value network.
2007	Barney and Clark (2007)	A firm does not exploit a core competence in its diversification efforts.
2007	Hill and Jones (2007, p. 350)	The multi-business model implants general organisational competencies in new business units.
2003	David (2003, p. 170)	A company's strategy which adds new, unrelated products or services for present customers (horizontal diversification) or both of new customers and new products (conglomeration).
2001	Langford and Male (2001, p. 78)	Takes the firm outside the industry, markets or products within which it currently operates.
1994	Shrivastava (1994, p. 92)	Involves operating a set of diverse, unrelated businesses (conglomerate strategy).
1991	Vachani (1991, p. 307)	The extent to which a firm's activities are dispersed across different industries.

Sources: Adopted from several studies

As with most diversification, the main motive of unrelated diversification is financial resources (Su and Tsang, 2015; Hitt *et al.*, 2011; Chatterjee and Wernerfelt, 1991). Most unrelated diversified companies enjoy the financial benefits of diversification. Unrelated diversification results in reducing transaction costs, tax benefit, risk reduction, agency motive and leveraging firms' resources and capabilities (Su and Tsang, 2015; Ataullah *et al.*, 2014; Amit and Livnat, 1988a; Amihud and Lev, 1981). Amit and Livnat (1988a) argue that by using an unrelated diversification strategy, a business will use excess resources and enhance efficiency, leading to a reduction in transaction costs. They add that unrelated diversification will increase tax benefits because the company will receive an additional interest deduction due to conglomerate diversification. Moreover, unrelated diversification contributes to the risk reduction motive and leveraging of an organisation's resources and capabilities as that firm diversifies its business and of course reduces the risk of failure.

In summary, unrelated diversification is a product diversification strategy, which uses different resources, beyond the existing capabilities or value network of the organisation, to serve current or different customers or unrelated market segments.

3.2.5 International Diversification

Diversification strategy also has a geographical or international context (Alfredo, Felix and Fernando, 2012; Doaei *et al.*, 2012). An internationally diversified firm is one which operates beyond its domestic market (Kang, 2013; Doaei *et al.*, 2012; Ferris and Sen, 2010). Table 3.4 gives several definitions of international diversification.

Table 3.4 Definition of International Diversification

Year	Author	Definition
2016	Ma *et al.* (2016) p. 750	International diversification is a strategy through which a firm expands the sales of its goods or services across the borders of global regions and countries into different geographic locations or markets.
2014	Knecht (2014, p. 51)	International diversification reaches into markets outside the firm's home country.
2013	Kang (2013) p.101	International diversification refers to a firm's expansion beyond its domestic market into other regions or countries
2012	Barney and Hesterly (2012, p. 190)	Diversification occurs when a firm operates in multiple geographic market simultaneously.
2011	Hitt *et al.* (2011) p. 219	International strategy is a strategy through which the firm sells its goods or services outside its domestic market.
2006	Strike *et al.* (2006, p. 851)	A number of different markets in which a firm operates and their importance to the firm, where market refers to the different geographic locations that cross national borders.
1991	Vachani (1991, pp. 307-308)	Related international geographic diversification is the dispersion of a multinational's activities across countries within a relatively homogeneous cluster of countries and is analogous to the concept of related product diversification. Unrelated international diversification is the dispersion of the multinational's activities across heterogeneous geographic regions and is analogous to the concept of unrelated product diversification.

Sources: Adopted from several studies

The benefits of international diversification include creating value, if companies can leverage economies of scale and scope, location advantage and synergy creation via asset internalisation (tangible and intangible) and synergise their operation efficiently (Alfredo *et al.*, 2012; Doaei *et al.*, 2012; Lee, Hooy and

Hooy, 2012; Ferris and Sen, 2010). International diversification may also reduce a firm's risk of reduction in demand from the domestic market (Alfredo *et al.*, 2012). It may create economies of scale and economies of scope (Qian, Qian, Li and Li, 2008). Global diversification is also beneficial because the organisation can enhance its cash flow stability and reduce cash flow uncertainty (Doukas and Kan, 2006). Lastly, it allows the company to access international human resources and knowledge stock which relates to the firm's innovation (Gao and Chou, 2015).

In contrast, the decision to diversify globally also has some disadvantages. For example, the complexity of international firms increases coordination costs, difficulties in transferring assets to create a competitive advantage and inefficiencies from the lack of adaptability to environmental differences (Ferris and Sen, 2010). Therefore, the corporate diversification strategies adopted differ in level and type. To understand the type, and how inherent the diversification strategy the company has adopted is, a measurement of corporate diversification is required.

3.2.6 Measurement of Diversification

This part consists of the diversification measurement of a product and international diversification.

3.2.6.1 Product Diversification Measurement

Historically, product diversification has been measured by either the strategic approach or the business count approach (Martin and Sayrak, 2003; Sambharya, 2000; Pitts and Hopkins, 1982). Both should be considered when choosing the measurement for corporate diversification, as recommended by

Ataullah *et al.* (2014); Park and Jang (2013a, 2013b). The strategic approach uses a categorical measurement and deals with the type of diversification (Martin and Sayrak, 2003; Sambharya, 2000; Pitts and Hopkins, 1982). It was introduced by Wrigley in 1971 when he proposed four discrete measurements for four categories of diversification: single business, dominant business, related business and unrelated business (Martin and Sayrak, 2003; Sambharya, 2000; Pitts and Hopkins, 1982). In 1974, Rumelt expanded it into nine sub-categories (single business, single vertical, dominant vertical, dominant constrained, dominant linked, dominant unrelated, related constrained, related linked, and unrelated) based on the specialisation ratio, direction of diversification and vertical ratio (Sambharya, 2000; Pitts and Hopkins, 1982; Rumelt, 1982, 1974).

Strategic approach considers resources, such as skill sharing, strengths and tangible attempts to exploit other common features to capture the relatedness between business units (Sambharya, 2000; Pitts and Hopkins, 1982; Rumelt, 1982, 1974). Although these approaches are rigorous conceptually, they require extensive information from various resources and are also time consuming (Sambharya, 2000; Pitts and Hopkins, 1982). Moreover, the categories rely heavily on the researcher's judgment and might be very subjective (Martin and Sayrak, 2003; Sambharya, 2000; Pitts and Hopkins, 1982). Hence, the reliability of this approach is questionable (Sambharya, 2000; Pitts and Hopkins, 1982).

More successfully, according to Sambharya (2000); Datta, Rajagopalan and Rasheed (1991), the business count approach is a continuous measurement of corporate diversification which is focused on the level of diversification. The level of entropy as one measurement in this approach, could also capture the

type of diversification (Martin and Sayrak, 2003; Sambharya, 2000). The business count approach was based on an established product classification code, Standard Industrial Classification (SIC) (Martin and Sayrak, 2003; Sambharya, 2000; Montgomery, 1982; Pitts and Hopkins, 1982), and therefore, is more objective and reliable. The data to measure diversification can be accessed readily via companies' financial statements in their annual reports. Details of the company's sales based on the product classification system make the continuous measurement of diversification possible, from which to calculate corporate diversification easily and promptly (Montgomery, 1982).

Nevertheless, these measurements have a limitation, the internal consistency of the product classification system's coding (Martin and Sayrak, 2003; Montgomery, 1982). Martin and Sayrak (2003) and Montgomery (1982) argue that the SIC is limited to reflecting the relationship between products, because the numerical differences between categories of industry cannot be defined as an interval or ratio scale. Hence, the business count approach cannot provide a refined measurement regarding corporate diversification. Nevertheless, after the consistent pattern between different levels of refinement in SIC has been taken into account, Montgomery (1982) states that this weakness is less threatening. These measurement approaches are summarised in Table 3.5.

Table 3.5 Corporate Diversification Measurement

Approach	Characteristic	Strengths	Weaknesses
Strategic Approach	- Relies heavily on researcher's judgment - Categorical measure - Focuses on type of diversification	- Rigorous conceptually	- Subjective - Reliability is questionable - Need to collect information from various resources - Time consuming
Business count approach	- Relies on a formal product classification system, such as SIC - Continuous measure - Focuses on degree of diversification	- Objective - Reliability is high - Information is available and accessible - Easy to calculate - Less time consuming	- Internal inconsistency of product classification system coding

Sources: Adapted from Martin and Sayrak (2003); Sambharya (2000); Montgomery (1982); Pitts and Hopkins (1982)

From this table, it can be concluded that: first, the business count approach is suitable for the differentiation process of a business based on products or services, because it relies on the established product classification system. Second, this approach offers objectivity, which leads to a high reliability of measurement. Third, availability and accessibility of data and the ease of computation make this approach less time consuming. For these reasons, this approach is suitable for a study which has a large sample of analysis.

There are three principal methods to measure diversification in the business count approach: the number of segments or industry groups, the Herfindahl Index and the Entropy measure (Martin and Sayrak, 2003). The first, is based on the number of industry groups which a firm operates (Martin and

Sayrak, 2003). A company with a higher number of segments or industry groups is more diversified (George and Kabir, 2012); Pitts and Hopkins (1982), termed this a numerical count. It is a simple measurement of corporate diversification, although it cannot describe which industry is more important than others for the firm (Martin and Sayrak, 2003; Pitts and Hopkins, 1982). For example, there are two firms, X and Y. Firm X, based on a three-digit SIC or ISIC codes, has three industrial groups, and Firm Y has four industrial groups. By using this approach, Y is more diversified than X, because it has more industries. Nevertheless, in exploring it with additional information concerning the number of sales in each industry, the result can be different. For example, each of Firm X's three industries, might contribute 33.33% to the total sales of the business; however, Firm Y might rely on one of its four industries to contribute 70% of the company's total sales. This implies that Firm Y is more volatile than Firm X, because the latter is more diversified. To eliminate this problem, the Herfindahl Index (HI) is recommended (Martin and Sayrak, 2003).

The second measurement of the business count approach, HI, was originally developed as a measure of industry concentration (Martin and Sayrak, 2003). The higher the degree of industry concentration, the lower the level of its diversification. HI is the square of the sales share of each industry in the firm. Equation 3.1 shows the HI formula (Acar and Sankaran, 1999; Jacquemin and Berry, 1979):

Equation 3.1 Herfindahl Index Measurement

$$HI = \sum_{i}^{n} Pi^2 \qquad (3.1)$$

Where: *Pi* = is the percentage contribution of industry *i* within a company
n = is the number of industries in the company

HI takes a value between 0 and 1, or 0<HI<1. The higher the index, the lower the corporate diversification. In practice, the contribution of the industry could be sales, assets or revenue.

Berry (1971) modified the original HI by adjusting the equation with a denominator: the Berry-Herfindahl Index (Montgomery, 1982). The denominator was added to accommodate the use of a firm's sales share, which is not summed into one. Thus, the formula for Berry-HI (Kranenburg, Hagedoorn and Pennings, 2004; Sambharya, 2000; Montgomery, 1982) is:

Equation 3.2 Berry Herfindahl Index equation

$$Berry\ HI = 1 - \left(\frac{\sum_{i=1}^{n} P_i^2}{\left(\sum_{i=1}^{n} P_i\right)^2}\right) \qquad (3.2)$$

With this measurement, if a company operates in a single segment or industry, the index will be zero (Kranenburg *et al.*, 2004); unlike the original HI, the higher index means a higher degree of corporate diversification. HI measurement can capture the relative importance of a business or segment in a firm (Zahavi and Lavie, 2013; George and Kabir, 2012; Martin and Sayrak, 2003; Sambharya, 2000), and several previous studies, such as Zahavi and Lavie (2013); George and Kabir (2012) applied it. However, it failed to capture the relatedness among two- three- or four-digit ISIC codes (Martin and Sayrak, 2003; Sambharya, 2000). To resolve this shortcoming, Jacquemin and Berry introduced the entropy (inverse) measure in 1979 (Doaei *et al.*, 2012; Martin and Sayrak, 2003; Jacquemin and Berry, 1979).

The last measurement of the business count approach is the entropy measure as espoused by Jacquemin and Berry (Purkayastha, 2013; Doaei *et al.*,

2012; Jacquemin and Berry, 1979). This considers three elements of diversification: the number of operating industry/product segments in a company, the portion of the firm's total assets or sales across the industry/product segments and the degree of relatedness among the various industry/product segments (Martin and Sayrak, 2003; Palepu, 1985). The last element in the entropy measure enables the decomposition of related and unrelated diversification by classifying each of the business segments (Kang, 2013; Purkayastha, 2013). Furthermore, related diversification (DR) can be defined as four-digit segments within a two-digit industry, and unrelated diversification (DU) occurs if a firm operates only in two-digit industries (Hoskisson and Johnson, 1992). Total diversification (DT) is the sum of DR and DU. The entropy measurement is shown in equations 3.3-3.7 (Doaei *et al.*, 2012; Sambharya, 2000; Acar and Sankaran, 1999; Palepu, 1985; Jacquemin and Berry, 1979).

Equation 3.3 Total Diversification

$$DT = DR + DU \tag{3.3}$$

Equation 3.4 Total Related Diversification

$$DR = DT\text{-}DU \tag{3.4}$$

Equation 3.5 Total Related Diversification

$$DR = \sum_{j=1}^{m} DR_j P^j \tag{3.5}$$

Equation 3.6 Related Diversification in several segments

$$DR_j = \sum_{i \varepsilon j} P_i^j \, ln \frac{1}{P_i^j} \tag{3.6}$$

Equation 3.7 Total Unrelated Diversification

$$DU = \sum_{j=1}^{m} P^j ln \frac{1}{p_i} \tag{3.7}$$

DT = Total diversification
DR= Related Diversification
DU= Unrelated Diversification
n = is the number of segments in the firm (industry based on four-digit ISIC)
P_i = is the sales share of *i*th segment (industry based on four-digit ISIC) in the total sales of the company
m = is the number of industry groups in the firm (industry based on two-digit ISIC)
P_j = is the share of *j*th group's sales in the total sales of the firm
P^j_i = is the share of segment *i* of group *j* in the total sales of the group

According to Ataullah *et al.* (2014) and Sambharya (2000), the entropy measure has numerous advantages, such as technical rigour, a strong theoretical base, lacks subjectivity and relatively minor shortcomings. Several studies, such Ataullah *et al.* (2014); Kang (2013); Lien and Li (2013); Park and Jang (2013a, 2013b); Chen and Yu (2012) still apply this measurement. Table 3.6 summarises the business count approach related to diversification measurement.

Table 3.6 Business Count Approach

Measure	Formula	Strengths	Weaknesses
Numerical count	Number of industry groups	- Simple - Easy to compute	- Fails to capture the relative importance or distribution of the firm's involvement in each industry
Herfindahl Index - Based on revenue - Based on assets	$HI = \sum_{i}^{n} Pi^2$	- Simple - Easy to compute - Captures the relative importance or distribution of the firm's involvement in each industry	- Fails to capture the relatedness of the firm's businesses
Entropy Measure	DT = DR + DU $DR = \sum_{j=1}^{m} DR_j P^j$ $DR_j = \sum_{i \varepsilon j} P_i^j \, ln \frac{1}{P_i^j}$ $DU = \sum_{j=1}^{m} P^j ln \frac{1}{p_i}$	- Technical rigour - Strong theoretical base - Can be decomposed into related and unrelated diversification components by classifying each of the firm's business segments into related industries or capturing diversification across products and within product groups; related and unrelated diversification	Computation is complex Requires data on 4-digit level

Sources: adapted from Ataullah *et al.* (2014); Martin and Sayrak (2003); Sambharya (2000); Pitts and Hopkins (1982)

3.2.6.2 International Diversification Measurement

Several authors, such as Majocchi and Strange (2012); Hitt *et al.* (1997) have classified the international diversification measurement into uni-dimensional

and multi-dimensional measurements. Moreover, there are three measurements in the uni-dimensional measure, specifically the ratio of foreign sales to total sales (Kang, 2013; Majocchi and Strange, 2012), the ratio of foreign assets to total sales, and the number of geographic segments (Krapl, 2015). The last of these is similar to the number of industries in the industry diversification measurement. However, the uni-dimensional measurement has a weakness, which does not take into account the geographical distribution (Majocchi and Strange, 2012). A further disadvantage is the similarity or dissimilarity of geographic regions (Vachani, 1991). This means that two companies may have the same ratio of foreign sales or foreign assets, but operate in a different number of geographic segments. Or, two companies might have the same number of geographic segments, although one company relies on domestic operation and the other on foreign operation. Therefore, multi-dimensional measurement is used to eliminate this weakness.

One of the multi-dimensional measurements is Kim's entropy index (Kim, 1989a). Originally, this measurement extended the Jacquemin-Berry entropy measurement to develop a global diversification measurement. This is a multi-dimensional measurement which has been used in various studies related to international diversification (Majocchi and Strange, 2012; Wiersema and Bowen, 2008; Chang and Wang, 2007; Hitt *et al.*, 1997). The formula for this measurement is:

Equation 3.8 International Diversification

$$ID = \sum_{j=1}^{n} x_j ln \frac{1}{x_j} \quad (3.8)$$

ID = international diversification

j = number of geographic segments (number of countries)

x_j = percentage of sales realised in market j

The entropy measure is 0 for a company which only operates in one country, while higher values indicate greater international diversification. According to Vachani (1991), it is important to divide international diversification into related and unrelated international diversification, based on the similarities and differences among countries, such as physical proximity, cultural proximity and level of economic development. He introduced the related and unrelated international diversification measurement.

3.3 Company Performance

3.3.1 Definition of Company Performance

Performance is the result of activities in a particular period, conducted by an individual, group or firm. Activities undertaken by a company are determined by the organisation's strategy. Sahut, Hikkerova and Khalfallah (2013) define company performance as a perceptible result from the adoption of company strategy. Furthermore, an evaluation of the company's performance is required by the business community or company stakeholders to evaluate strategy formulation and accountability (Crowther, 1996).

Company performance can be measured in several ways. Pun and White (2005) have grouped it into quantitative and qualitative measurements. The quantitative measurement is a numeric measurement, such as financial ratio, staff turnover and number of customer complaints. This measurement is easy to

use and manage. Qualitative measures, for instance perception and satisfaction of customers and employees, quality and motivation are not straightforward to measure and are often not connected to the organisation's current strategy. Alternatively, Goyal and Rahman (2013); FitzRoy, Hulbert and Ghobadian (2012); Verbeeten and Boons (2009); classified performance measurement into financial and non-financial. In addition, Barney (2011) used simple accounting measures, adjusted accounting measure, market measure and stakeholder point of view measure.

3.3.2 Financial and Non-Financial Performance

Financial performance measurements provide information on performance in monetary terms. They reveal how well a company is achieving an aim, (Kang, 2013) more specifically in its operation. Verbeeten and Boons (2009) stated that financial performance measurement ranges from accounting-based performance measurement to extended financial performance measurement, such as economic profit measurement. Accounting-based performance measures, the traditional measurement, are relied on heavily for accounting data, for instance financial budgets, profit or return on investment, and earnings. For example, this measure employs budgets compared with actual return on capital employee (ROCE) and return on total capital (ROTC) (Verbeeten and Boons, 2009). Conversely, economic profit performance measurement, including economic value added, shareholder value added and cash flow return on investment, depend on residual income and cash flow. Accounting-based measures play an important role in the evaluation of performance, because they are required for external reports, reliable, easy to understand, and capture all

organisational activities (Otley, 1999). However, performance information from these measures is considered to be historic and backward looking, encouraging short-term behaviour, and generating management frustration and resistance. All of these factors mean that accounting-based financial measures are not in line with the strategic goals of an organisation (Verbeeten and Boons, 2009)

Purkayastha *et al.* (2012) classified the performance of companies into accounting measures and market measures, then each of these into a return dimension and a risk dimension. Return on Assets (ROA), Return on Investment (ROI), Return on Sales (ROS), Return on Equity (ROE), Return on Capital (ROC), growth in sales and growth in earnings per share are some examples of return measurements using accounting data. Return measures using market-based data are abnormal return, Sharpe Index, Treynor Index, market-to-book equity and Tobin's Q. The risk measures from accounting data are variability in ROA, ROC and earnings, while market-based risk measures are total risk, systematic and unsystematic risk. Accordingly, accounting-based measures focus on measuring past performance and are vulnerable to accounting-data manipulation (Purkayastha *et al.*, 2012; Chakravarthy, 1986). As a consequence, these measures do not represent future cash flow (Purkayastha *et al.*, 2012).

Barney (2011) described simple accounting measures using four ratios to measure performance: profitability ratio, liquidity ratio, leverage ratio and activity ratio. Profitability ratio reflects the ability of a business to generate profit. ROA, ROE, gross profit margin, earning per share (EPS), price earning (P/E) and cash flow per share are all examples of profitability ratio. Liquidity ratio demonstrates the ability of the firm to meet short-term financial liability; current ratio and quick

ratio are examples. Leverage ratio reflects the level of financial liability of the company, and includes debt to asset, debt to equity and time interest earned. Activity ratios, such as inventory turnover, account receivable turnover and average collection period, reveal the company's level of activity. Additionally, ratios can be used to capture integrative and complete performance, such as Altman's equation to predict bankruptcy. However, these simple accounting measures have three shortcomings (Barney, 2011). The first is that the financial statement is the result of an accounting process, which is influenced by managerial discretion in choosing the accounting method for revenue, inventory, depreciation and others. Second, simple accounting measures have only focused on short-term orientation and tend to ignore long-term performance. Finally, this measure fails to assess the role of intangible resources and capabilities.

In general, financial performance has some limitations and regularly fails to represent long-term performance and the survival of the organisation (Kaplan and Norton, 1996). Barney (2011) stated that although financial performance is crucial for the company's core stakeholders, this performance measure alone is not complete, and usually ignores the role of various stakeholders. Similarly, Harrison and Wicks (2013) argue that although financial measures play an important role, they have a limited perspective on value creation, especially as they always attempt to quantify events in terms of specific and measurable financial outcomes, in the short or medium period. Thus, they may narrow the business's potential and/or the manager's view of the total firm value across stakeholders. Non-financial performance measurement is a supplement to improve the strategic dimension of performance information which cannot be provided by accounting performance measurement (Verbeeten and Boons,

2009). In contrast, non-financial performance information is provided in non-monetary terms. Verbeeten and Boons (2009) have used employee and customer measurement, process, quality measures and innovation to measure non-financial performance. Moreover, Goyal and Rahman (2013) have divided non-financial performance into marketing performance, human resource performance and operational performance.

Clarkson (1995) states that the aims of the company, both economic and social, are to make and distribute increased welfare and value to all groups belonging to its primary stakeholders, without giving priority to one group at the expense of others. In line with this argument, Barney (2011) has suggested measuring performance not only from the stockholder's perspective but also from the perspectives of multiple stakeholders: customers, employees, suppliers and others. Accordingly, measuring performance across stakeholders includes tangible and intangible factors to measure an organisation's current performance and offers new insight into how the firm will perform in the future (Harrison and Wicks, 2013). Harrison and Wicks (2013) also suggested employing the utility for the stakeholder as a performance measurement, including both economic and other stakeholder benefits. Their examples of performance measurement from perspectives of multiple stakeholders are shown in Table 3.7.

Table 3.7 Example of performance measures from multiple stakeholders' perspectives

Stakeholders	Potential categories for measuring happiness/wellbeing	Potential proxies for researchers
Employees	- Various components of employment contract - Perceived fairness of decision-making process - Perceived treatment - Perceived authenticity - Consistency between stated vs. realised firm values - Promotion policies/upward mobility - Firm's environmental performance - Firm's position/performance on other social issues Objective measures such as turnover, and legal action	- Compensation and benefit - Workplace benefits - Legal action or, if unionised, grievances - Productivity measures - Inclusion on list of the best company to work for - Internal promotion to top management turnover - Kinder, Lydenberg, Domini (KLD) health and safety concern or strength - KLD workforce reductions - KLD pension/benefits concerns or strengths - KLD cash profit sharing
Customers	- Product/service features - Perceived treatment during transactions - Perceived authenticity - Firm's environmental performance - Firm's position/performance on other social issues - Objective measures such as repeat business, and legal actions	- Growth in sales - Consumer reports on product/services - Reputation rankings - KLD product safety concern - KLD marketing or contracting controversy - KLD quality ranking of product - KLD R&D/innovation ranking
Suppliers	- Perceived treatment during transactions - Firm's environmental performance - Firm's position/performance on other social issues - Nature of payment - Objective measures such as longevity and availability of supplies	- Days payable - Longevity of supplier relationship - Legal action

Stakeholders	Potential categories for measuring happiness/wellbeing	Potential proxies for researchers
Shareholders	- Financial return - Perceived risk of investment - Governance structure and policies - Disclosure of pertinent information/transparency - Firm's environmental performance - Firm's position/performance on other social issues - Objective data on return and risk	- Shareholder return - Price to earnings ratio - Risk associated with return - Number of shareholder proposals - Compensation levels of top managers - KLD ownership concern
Community	- Perceived impact on community/environment (from community leaders or general perception) - Perception of integrity of firm - Objective data on number of positive/negative encounters, community service, charitable and infrastructure contributions	- Tax breaks or other advantages provided to the firm - New local regulations that affect firm - Legal action - KLD tax disputes or investment controversies - KLD negative economic impact - KLD generous giving

Sources: Adopted from Harrison and Wicks (2013)

Although most stakeholder-based company performance proxies suggested by Harrison and Wicks (2013) are non-financial, the financial return and shareholder happiness categories fall under financial performance. Another performance measurement which consists of both financial and non-financial performance is the balance scorecard. According to Kaplan and Norton (1996), this measures company performance by combining financial performance with other performance measurements, including internal business process, learning and growth, and customers. Wood (2010) argues that the business organisation is the locus of action with consequences for stakeholders and society, as well as for the company itself. Therefore, she emphasises that the company's activities

should be focused on the impacts and outcomes for society, stakeholders and the company. Based on this concept, company performance is measured by CSP. Certain researchers assume that CSP and financial performance are different dimensions of performance, and investigated the link between CSP and financial performance; for example, Barnett and Salomon (2012); Soana (2011); Waddock and Graves (1997); McGuire, Sundgren and Schneeweis (1988). However, based on her concept of CSP, Wood (2010) believes that financial performance is one dimension of CSP.

Figure 3.1 is derived from these various opinions concerning the performance of companies.

Figure 3.1 Firms' Performance

Sources: Adapted by author from Goyal and Rahman (2013); (FitzRoy *et al.*, 2012); Barney (2011); Verbeeten and Boons (2009); Brammer *et al.* (2006);Harrison and Wicks (2013); Kaplan and Norton (1996)

3.3.3 Corporate Social Performance

Corporate Social Performance (CSP) is a performance measurement which is based on different stakeholders' perspectives. According to Kang (2013), CSP may reflect the response of a business to stakeholders' demands and to social issues that are related to the firm's operation. Turban and Greening (1996, p. 658) argue that CSP can be defined as "a construct that emphasises a company's responsibilities to multiple stakeholders, such as employee and community at large, in addition to its traditional responsibilities to economic

shareholders". Brammer *et al.* (2006) state that CSP has become a principal component of business organisation performance, since a company is under intense pressures from stakeholders, including customers, employees and socially responsible investors, to reveal its commitment and contribution to society in social and environmental issues. Moreover, Kang (2013) states that CSP may become a complementary measurement for performance, specifically as a long-term performance and viability predictor. The measurement of CSP reflects a broad range of economic, social and environmental impacts arising from the business operation (Gond and Crane, 2010; Chen and Delmas, 2011).

Table 3.8 shows a few definitions of CSP. In general, most of the previous authors define CSP as a performance measurement based on corporate or organisational response to stakeholder demand and social issues, stakeholders including employees, customers and communities (Cheung, Jiang, Mak and Tan, 2013; Kang, 2013; Neubaum and Zahra, 2006). For example, Wood (2010) notes that CSP focuses on the impacts and outcomes for society and the stakeholders of the company. Luo and Bhattacharya (2009) emphasise that CSP deals with corporate prosocial programmes.

Table 3.8 Definitions of CSP

Year	Author	Definition
2015	Aguilera-Caracuel *et al.* (2015, p. 324)	The measurement of the general performance of organisations in protecting and improving social wellbeing, compared to their main competitors, for a given period of time. The degree of success and implementation that CSR practices have as a response to stakeholders' social demands.
2009	Luo and Bhattacharya (2009, p. 202)	A company's overall performance in these diverse corporate prosocial programmes in relation to those of its leading competitors in the industry.
2013	Kang (2013, p. 95)	CSP is an effective measure of a firm's response to stakeholder demands and social issues.
2010	Wood (2010, p. 54)	CSP is asset of descriptive categorisations of business activity, focusing on impacts and outcomes for society, stakeholders and the firm.
2013	Cheung *et al.* (2013, p. 625)	CSP is a set of corporate actions that positively affect an identifiable social stakeholders' interests and do not violate the legitimacy claims of another identifiable social stakeholder in the long run.
2011	Chiu and Sharfman (2011, p. 1564)	CSP is a firm's actions in the promotion and configuration of social responsibilities, processes, policies, programmes and observable outcomes that are beyond the immediate interests of the firm and beyond that which is required by law.
2006	Neubaum and Zahra (2006, p. 109)	CSP refers to the company policies, programmes and actions intended to improve the quality of life in society, as well as company's efforts to foster positive relationship with key stakeholders such as employees, customers, and communities.

Sources: adapted from several studies.

3.3.4 Dimensions of CSP

According to Walls *et al.* (2012); Brammer *et al.* (2006); Kang (2013); Wood (2010); Waddock and Graves (1997), CSP is a multi-dimensional construct. CSP dimensions vary among standards, agencies and researchers. First, the Ethical Investment Research Service (EIRIS) propose three: environment, social and governance dimensions. The social dimension is divided into specific subjects such as human rights, the employee, community and supply chain management (Wood, 2010). Like EIRIS, Brammer and Millington (2008) employ only three CSP dimensions: community, environment and employee. Second, the measurement by Kinder, Lydenberg and Domini (KLD) (Kang, 2013) applies eight CSP dimensions: community, CG, diversity, employee relationships, environment, human rights, products, and controversial business, such as alcohol, gambling, tobacco, firearms, military and nuclear power (Risk Metrics Group). Every dimension consists of strength and concern indicators. Several authors used KLD's dimensions of CSP, including Kang (2013); Chiu and Sharfman (2011).

Third, Cheung *et al.* (2013) note that CSP can be measured based on OECD CG principles. This measurement has several dimensions: employees, customers, environment, suppliers, society/community and creditors. Fourth, the Fortune index is used to determine the "most admired company", with eight dimensions, including long-term investment value, quality of management and sensible use of corporate assets. Fifth, the Canadian Social Investment Database (CSID) uses seven dimensions, including community, diversity and environment. Sixth, Innovest Intangible Asset (IVA) has four dimensions: stakeholder capital, strategic governance, human capital and environment. For example, Graves and

Waddock (1994) have used IVA dimensions in measuring CSP. Seventh, GRI guidelines divide CSP dimensions into economic, environmental and social; the social dimension consists of labour practices and decent working conditions, human rights, society and product responsibility.

According to Waddock and Graves (1997), CSP is characterised by a variety of input behaviours, internal/process behaviours and output behaviours. The first can be seen in indicators such as investment in pollution control equipment. Internal behaviours include treatment of women and minorities, and relationship with customers, in addition to output behaviours community relations and philanthropic programmes. Accordingly, it may be understood that there are some dimensions of CSP which relate to the stakeholders' view. From this, the researcher argues that the CSP dimensions are derived from stakeholder identity, for instance employees, customers, communities and environment.

3.3.5 CSP Measurement

Some measurements of CSP have been covered in previous studies (Aguilera-Caracuel *et al.*, 2015; Peng and Yang, 2014; Kang, 2013; Ho and Wang, 2012; Chiu and Sharfman, 2011; Soana, 2011; Brammer *et al.*, 2006; Neubaum and Zahra, 2006; Waddock and Graves, 1997). For example, Brammer *et al.* (2006) accentuate three measurements of CSP based on community performance, environmental performance and employees' performance dimensions. In community performance, they employ a scoring method graded from 1 to 4. For environmental performance, they consider policies, systems, reporting and performance indicators, graded from 1 to 5. Finally, employees' performance is divided into several indicators, such as health and safety, training

and development, equal opportunities, employee relations, job creation and job security, each scored from 1 to 3. Soana (2011) emphasises five methods to measure CSP ascertained in previous studies: questionnaire surveys, reputational measures, one-dimensional indicators, ethical rating and content analysis.

Chiu and Sharfman (2011) argue that there are two groups of CSP measurement methods, uni-dimensional (e.g. pollution control or corporate philanthropy) and multi-dimensional (e.g. Fortune magazine's America's Most Admired Companies data, primary survey, content analysis and KLD social performance indicators). In addition, Ho and Wang (2012) mentioned reputation indices and databases as CSP measurements methods, such as KLD, Fortune index, CSID, pollution control performance from the Council of Economic Priorities, and IVA from an independent evaluation agency known as Innovest. Rather differently, Waddock and Graves (1997) note that CSP has been measured by methods including forced-choice survey, fortune reputational and social responsibility index, content analysis of documents, behavioural and perceptual measures, social disclosure and pollution control as uni-dimensional measures. Additionally, there are many ways of measuring CSP, such as; questionnaire survey, reputational measurement, one-dimensional indicators, ethical rating and content analysis.

First, questionnaire surveys measure CSP by way of an analysis of the questionnaire data completed by managers and directors (Chiu and Sharfman, 2011; Soana, 2011; Waddock and Graves, 1997). Directors and managers are appropriate respondents for CSP surveys, because of their involvement in strategic decision making (Soana, 2011). However, this method has some

disadvantages. For example, Soana (2011) argues that the managers and directors are an internal party of the company; therefore, their responses will reflect their own perceptions of social responsibility. Moreover, the absence of any of their responses will eliminate their company from the research sample and affect the response rate. That is, according to Graves and Waddock (1994), response rate is one of the weaknesses of survey measures.

Second, reputational measurement evaluates CSP by using ratios calculated by the researcher or specialised journals as third parties to determine a score for the company's reputation, which is reflected in the CSP (Ho and Wang, 2012; Soana, 2011; Liston-Heyes and Ceton, 2009; Quevedo-Puente, Fuente-Sabaté and Delgado-García, 2007; Stanwick and Stanwick, 1998). Researchers can measure it by using specific selected indicators to determine the corporate reputation themselves. They could also use existing results of surveys from relevant stakeholders or existing measurements for corporate reputation already conducted by specialised journals, such as the Corporate Reputational Index (CRI) or Fortune's "most admired company" database (Ho and Wang, 2012; Chiu and Sharfman, 2011; Soana, 2011; Luo and Bhattacharya, 2009).

According to Soana (2011), reputational indicators as perceived by a third party are a good proxy for CSP, as they are not influenced by the company's financial-economic performance (Soana, 2011). However, this measurement has a few shortcomings. As stated by Liston-Heyes and Ceton (2009), CSP measurement is based on perception, which has a subjective nature towards social performance. Jizi *et al.* (2014) called it obscure; hence, it could be misaligned with the real CSP. Moreover, some reputational measurements are

affected by “the financial performance halo” or previous financial results of the company, for example, the CRI calculated by Fortune magazine (Soana, 2011; Liston-Heyes and Ceton, 2009; Stanwick and Stanwick, 1998; Brown and Perry, 1994; Graves and Waddock, 1994).

Third, a one-dimensional indicator measures CSP via a single one of the multiple aspects of CSP practice (Peng and Yang, 2014; Zhang, 2012; Soana, 2011; Carroll, 1979). Dialogue with the local community, philanthropy (Chiu and Sharfman, 2011), orientation towards the client (Soana, 2011), degree of involvement in illegal practice, respect for the environment and pollution control investment (Peng and Yang, 2014; Chiu and Sharfman, 2011) are some of CSP proxies related to this method. Moreover, a number of independent agencies have compiled these indicators, such as the Toxics Release Inventory, Governmental Pollution Indices and Pollution Performance Ranking, as a measure of CSP (Ho and Wang, 2012; Soana, 2011). However, one-dimensional indicators also have limitations. For example, they measure CSP only from a single dimension (Soana, 2011). In fact, CSP measures a firm’s commitment level in a number of social, ethical and legal issues and it is a multi-dimensional concept, which comprises the company’s responses to a wide range of stakeholders’ demands related to the business’s operation (Zhang, 2012; Chiu and Sharfman, 2011; Carroll, 1979)

Fourth, ethical rating is a multi-dimensional index of CSP measurement, which is calculated by a specialised agency (Soana, 2011; Wood, 2010). It uses multiple indicators derived from different stakeholders’ points of view. Several agencies have summed all indicators directly, whereas others have summed them according to their weight in an overall ethical rating. These have resulted in

some ethical ratings, such as the KLD measurement (Aguilera-Caracuel *et al.*, 2015; Kang, 2013; Ho and Wang, 2012; Chiu and Sharfman, 2011; Wood, 2010; Neubaum and Zahra, 2006), Michael Jantzi Research Associates (MJRA) in Canada (Soana, 2011), CSID (Ho and Wang, 2012; Wood, 2010), EIRIS ESG rating in the UK (Soana, 2011; Brammer *et al.*, 2006), and IVA from Innovest (Ho and Wang, 2012). The ethical rating could eliminate the weaknesses of one-dimensional indicators, nonetheless it relies on inconsistent models and inter-agency indicators. Each agency will have composed its own quantification models and indicators based on their own circumstances (e.g. KLD database). KLD does have several advantages (Chiu and Sharfman, 2011; Waddock and Graves, 1997). First, it values all companies that publish their financial information in the Standard & Poor's database. Second, it establishes a separate ranking for each main social dimension. Third, it uses objective and uniform criteria in the valuation of the social aspects of the firm. Fourth, the information under consideration comes from various sources, both internal and external (Aguilera-Caracuel *et al.*, 2015). Finally, it has a good construct validity of the social performance measure (Kang, 2013).

Ethical ratings are multi-dimensional and generalisable across industries and therefore, represent a comprehensive evaluation of a firm's CSP (Neubaum and Zahra, 2006). These ratings are the result of a comprehensive process undertaken by qualified experts who closely monitor companies' CSP practices (Neubaum and Zahra, 2006). The ethical ratings are also comprehensive and objective (Chiu and Sharfman, 2011; Neubaum and Zahra, 2006; Waddock and Graves, 1997). In addition, the database for this rating is large and addresses a cross-section of the industry. As the raters are not evaluating their own

companies' performances, there is less chance of self-serving bias from which primary data might suffer (Chiu and Sharfman, 2011). However, even ethical ratings such as KLD have certain limitations, such as not being globally focused and only trading on the US stock exchange. Additionally, KLD's dichotomous variable for ''strength'' and ''concern'' may ignore some valuable information (Peng and Yang, 2014), and it assigns equal weight to each dimension, which inhibits the capture of incremental differences across the dimensions (Ho and Wang, 2012).

Finally, content analysis (Cuadrado-Ballesteros *et al.*, 2015; Jizi *et al.*, 2014; Cheung *et al.*, 2013; Khan *et al.*, 2013; Chiu and Sharfman, 2011; Soana, 2011; Waddock and Graves, 1997) calculates volume/quantity or quality of CSP disclosure in published company documents, printed and/or online. Content analysis also refers to disclosure analysis (Cuadrado-Ballesteros *et al.*, 2015; Jizi *et al.*, 2014; Khan *et al.*, 2013; Bouten *et al.*, 2011; Hooks and Van Staden, 2011; Joseph and Taplin, 2011), seeing as it assumes that social disclosure is a good indicator of CSP. This assumption is based on Fischer and Sawczyn (2013) argument, which emphasises that a company with superior CSP voluntarily reveals credible information regarding its corporate social activities to express its performance. It is also congruent with Fischer and Sawczyn (2013); Clarkson, Li, Richardson and Vasvari (2008), who argue that a firm with good CSP is not only more likely to disclose CSP information than a company with poor CSP, but the measure will be predominantly quantitative or objective, and is unlikely to be imitated by a firm with poor CSP.

Content analysis can be a simple count of words, lines or sentences in relation to CSP information (disclosure abundance or volumetric disclosure); a

count of the extent or number of CSP items in a checklist (disclosure occurrence); or quantification of the quality of the CSP disclosure (Jizi *et al.*, 2014; Khan *et al.*, 2013; Bouten *et al.*, 2011; Hooks and Van Staden, 2011; Joseph and Taplin, 2011; Quevedo-Puente *et al.*, 2007). Hence, calculation in content analysis involves scoring the disclosure, specifically in quality disclosure. Some authors refer to this as a scoring method (Haji, 2013; Al-Tuwaijri, Christensen and Hughes, 2004), while others present disclosure in the form of an index, named a disclosure index (Fischer and Sawczyn, 2013; Khan *et al.*, 2013; Joseph and Taplin, 2011; Hassan and Marston, 2010). According to Graves and Waddock (1994), the weakness of content analysis depends on the comprehensiveness of and the purposes for which the documents were originally created.

In summary, Table 3.9 shows the CSP measurement methods, grouped by compiler (researcher or agency) and data source (primary or secondary).

Table 3.9 Measurement methods of CSP

Measurement method	Measured by		Source of Data	
	Researcher	Specialised Agency	Primary	Secondary
Survey	v		v	
Reputational measures	v	v		v
One-dimensional indicators	v	v		v
Ethical Rating		v		v
Disclosure Measure	v			v

Sources: Adapted from several studies

If they use a CSP measurement compiled by a specialised agency, such as reputational measure, one-dimensional indicators and ethical rating, researchers do not need to calculate CSP. Unfortunately, databases for this type of measurement are largely available only in developed countries. For example, those referred to above are all from the US, UK or Canada. Therefore, CSP and CSR studies in emerging countries, such as those conducted by Khan *et al.* (2013); Reimann, Ehrgott, Kaufmann and Carter (2012); Muller and Kolk (2009) tend to use survey and disclosure measurements.

3.3.6 Content Analysis

Krippendorff (2013) defines content analysis as a research technique for drawing replicable and valid conclusions from text or other meaningful matter into the context of use. In line with that Hooks and Van Staden (2011) the result of content analysis then can be analysed statistically.

From the context of CSP, various authors agree that content analysis can be described as quantifying the extent or quality of CSP disclosure in published company documents; printed and/or online (Cuadrado-Ballesteros *et al.*, 2015; Jizi *et al.*, 2014; Khan *et al.*, 2013; Bouten *et al.*, 2011; Hooks and Van Staden, 2011; Joseph and Taplin, 2011). Moreover, because the definition of content analysis relates to disclosure, these authors mention content analysis in conjunction with disclosure analysis.

The extent of disclosure refers to both the volume of disclosure (disclosure abundance) and to the presence/absence of disclosure (disclosure occurrence) (Joseph and Taplin, 2011). Conversely, quality of disclosure refers to the completeness or the degree of detail in the disclosure (Hooks and Van

Staden, 2011). Hence, content analysis has numerous ways of analysing narrative disclosures. It can range from complex coding and counting of every sentence, graph, chart, table, etc. as the unit of analysis, to the use of quality indices as the basis for seeking the presence of an item (Hooks and Van Staden, 2011).

The disclosure index involves identifying certain information or items which should appear in a company report, in the form of a checklist and scoring the disclosure items based on a detailed measurement system (Fischer and Sawczyn, 2013; Khan *et al.*, 2013; Hooks and Van Staden, 2011; Joseph and Taplin, 2011; Clarkson *et al.*, 2008). This is why several authors (Haji, 2013; Al-Tuwaijri *et al.*, 2004) have named it the scoring method. The index is used to evaluate a narrative disclosure; it assesses, compares and explains differences in the quantity and quality of the information disclosed by a company (Hooks and Van Staden, 2011). Quantity disclosure in the disclosure index is associated disclosure occurrence (the presence or the absence of expected information) (Hooks and Van Staden, 2011; Joseph and Taplin, 2011; Al-Tuwaijri *et al.*, 2004).

To measure the quantity of a disclosure index, a binary coding system is used, an item scoring 1 if disclosed and 0 if not (Haji, 2013; Khan *et al.*, 2013; Hooks and Van Staden, 2011; Joseph and Taplin, 2011; Al-Tuwaijri *et al.*, 2004). This type of disclosure index is also known as an unweighted disclosure index (Haji, 2013; Joseph and Taplin, 2011). Conversely, quality in the disclosure index reflects how information is stated, and is associated with the type of information, comprehensiveness of the information or degree of detail (Haji, 2013; Hooks and Van Staden, 2011; Al-Tuwaijri *et al.*, 2004). Moreover, how each disclosure item is stated will be rewarded or scored more than the others with a value which

reflects the quality of disclosure. For example: it may score 3 for quantitative disclosure, 2 for non-quantitative but specific disclosure, 1 for general qualitative disclosure and 0 for undisclosed information (Fauzi, 2008; Al-Tuwaijri *et al.*, 2004). It may score 3 if the company disclosed both qualitative and quantitative information, 2 if it disclosed information quantitatively, 1 if disclosed information qualitatively and 0 if the information was not undisclosed (Haji, 2013). This type of disclosure index is the weighted disclosure index (Hooks and Van Staden, 2011; Joseph and Taplin, 2011; Al-Tuwaijri *et al.*, 2004).

After scoring the information, certain authors sum the score arithmetically to compile the index (Fischer and Sawczyn, 2013; Hooks and Van Staden, 2011; Joseph and Taplin, 2011; Clarkson *et al.*, 2008); the minimum index score is 0 and the maximum will be the same as the number of the item. Other authors sum the scores arithmetically and subsequently divide them by the maximum score for all items (Haji, 2013; Khan *et al.*, 2013). This method will have 0 for a minimum score in the index and 1 for a maximum score. The higher score reflects the greater extent and quality of the disclosure, which indicates that the company has a higher CSP level.

Moreover, content analysis requires a unit of analysis. According to Krippendorff (2013, p. 97) units are defined as “wholes that analysts distinguish and treat as independent elements”. He argues that three types of unit deserve distinction in content analysis: sampling, context and recording units. The sampling unit distinguishes selective inclusion in analysis (Krippendorff, 2013). In CSP disclosure, the sampling unit is the company’s disclosure tool or vehicle used by the researcher. It can be a Corporate Annual Report (CAR), a standalone report or a corporate social report (e.g. a sustainability report or CSR

report, a company website, etc.). Certain researchers use a single sampling unit, including Haji (2013); Bouten *et al.* (2011); Al-Tuwaijri *et al.* (2004). Khan *et al.* (2013) use the CAR, Clarkson *et al.* (2008) the sustainability report, and others, two or more sampling units (Fischer and Sawczyn, 2013; Hooks and Van Staden, 2011).

Context units are “units of textual matter that set limits on the information to be considered in description of recording units”, and “recording or coding units are distinguished for separate description, transcription, recording or coding” (Krippendorff, 2013, p. 101 and 199). To differentiate these units clearly, Krippendorff argues that a sentence is a minimal context unit for words. In order to understand the meaning of a word, its role in a sentence, or even more, must be identified. In volumetric content analysis, the coding unit is more important than the context unit, because it is not counted, need not be independent of each other, can be overlapped and may be consulted in the description of several recording units (Krippendorff, 2013). The recording or coding unit for volumetric content analysis can be a word, line, sentence, paragraph or page (Joseph and Taplin, 2011). In contrast, according to Bouten *et al.* (2011); Hooks and Van Staden (2011); Joseph and Taplin (2011), in the disclosure index approach, previous researchers have paid more attention to the context, since the recording unit is the presence or absence of specific information (binary coding) or weighted coding based on the quality of specific information.

Both content analysis approaches have shortcomings in measuring CSP disclosure. Disclosure abundance or volumetric analysis has disadvantages related to subjectivity in the counting of units: subjectivity in the conversion of disclosures in tables and figures into an equivalent number of sentences and

double counting of repetitive messages (Hooks and Van Staden, 2011; Joseph and Taplin, 2011). The disclosure index suffers from subjectivity in the allocation of similar disclosures as separate items, and cannot capture the full quantity of disclosure, because it only measures the first disclosure of any item (Joseph and Taplin, 2011).

Accordingly, after statistical investigation to compare these measures, Joseph and Taplin (2011) established that the R-squared of regression analysis between some independent variables with sustainability disclosure for disclosure abundance/volumetric is lower than the disclosure occurrence (presence or not). This suggests that the number of disclosures in a specific unit analysis, in this case a sentence, is less accurate compared to the number of disclosed items. In terms of disclosure index measurement, the unweighted disclosure index only counts the extent of disclosure but ignores quality. Counting the number or volume of disclosure, including the extent of disclosure, could be misleading when the quality of disclosure is the more important aspect (Bouten *et al.*, 2011; Toms, 2002). This weakness can be solved by the weighted disclosure index. In contrast, Hooks and Van Staden (2011) ascertained that unweighted and weighted disclosure indices are very highly correlated, which means that using every type of disclosure index in further analysis, would not result in any major difference. Moreover, because any item is equally relevant for all organisations and less subjective, most studies use the unweighted disclosure index (Joseph and Taplin, 2011).

3.4 Corporate Governance

3.4.1 Definition of Corporate Governance

According to the International Finance Corporation (2014); Claessens and Yurtoglu (2013), the definition of CG varies according to the institution, author, country or legal tradition. Several definitions in relation to CG are shown in Table 3.10.

Table 3.10 Definition of Corporate Governance

year	Author	Definition
2014	International Finance Corporation (2014, p. 30)	Corporate governance is the structures and processes for the direction and control of companies.
2013	Claessens and Yurtoglu (2013, p. 3)	Corporate governance from the behavioural pattern perspective is the set of behaviours of a corporation in terms of such measures as performance, efficiency, growth, financial structure, and treatment of shareholders and other stakeholders. Corporate governance from the normative framework perspective is the rules under which firms are operating.
2011	Hitt *et al.* (2011, p. 286)	Corporate governance is a set of mechanisms used to manage the relationship among stakeholders and to determine and control the strategic direction and performance of the organisation.
2008	Jamali, Safieddine and Rabbath (2008, p. 44)	Governance sets the tone for the organisation, defining how power is exerted and how decisions are reached.
1999	The Organisation for Economic Cooperation and Development (OECD)	The internal means by which corporations are operated and controlled […], which involves a set of relationships between a company's management, its board, its shareholders and other stakeholders.
1997	Shleifer and Vinishny (1997, p. 737)	Corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment.

Source: adapted from several studies

CG is a set of mechanisms or the way in which a company manages its stakeholders' relationship and how the company decides and controls its strategic direction and performance. In terms of the stakeholder relationship, CG manages the relationship between capital stakeholders, such as shareholder and creditor, management and other stakeholder(s), (e.g. employee, customer, supplier, etc.) to achieve a certain rate of return and profit on the shareholders' investment and other stakeholders' interests. The interests of stakeholders may differ and occasionally conflict. Separation of ownership and managerial control, or an agency relationship, are common in modern companies (Hitt *et al.*, 2011); Jensen and Meckling (1976): the agency relationship can be problematic when there is a conflict of interest between shareholder and management, or agency conflict. Therefore, CG is required to maintain the relationship and ensure the company's direction and performance.

3.4.2 Mechanism of Corporate Governance

Hitt *et al.* (2011) classified governance mechanisms into internal and external. Internal mechanism concerns the concentration of ownership, the board of directors and executive compensation. External mechanism consists of a single factor; market control. Walls *et al.* (2012) identified CG dimensions, including ownership (institutional ownership, investment turnover, shareholder activism and shareholder concentration), board of directors (board independence, board size, and board diversity) and management (CEO compensation, CEO duality, CEO positions and managerial control). Ntim and Soobaroyen (2013) emphasise that CG is demonstrated in two mechanisms, ownership (i.e. government, block or institutional ownership) and the board of directors (size, independence and diversity). Li, Lu, Mittoo and Zhang (2015) similarly classify

CG into two mechanisms, the board of directors (i.e., board independence) and ownership concentration (e.g. controlling shareholder).

Khan *et al.* (2013) suggest a third mechanism pertaining to CG; in addition to ownership (e.g. managerial, public or foreign ownership) and board of directors (board independence), is management (e.g. role duality and audit committees). Jizi *et al.* (2014), board of directors (board independence and board size) and management (CEO duality), while Cuadrado-Ballesteros *et al.* (2015) consider only the board of directors (board independence) as the CG dimension in their study. Hafsi and Turgut (2013) use board of directors (board diversity) and Choi *et al.* (2013) ownership concentration as the CG dimension., Nguyen, Locke and Reddy (2015) consider the external (i.e. legal system, takeover market) and internal (e.g. ownership concentration) governance mechanisms. Neubaum and Zahra (2006) comment that most previous research has considered the volume or percentage of an institution's ownership, as a key indicator of its vigilance to monitor or influence executives' attention on CSP.

The board of directors is an appointed or elected body or committee that has responsibility for overseeing the organisation's activities (Hill *et al.*, 2015). Its functions include monitoring and provision of resources. There are two types of board director: the insider and the outsider. The former is a member of the board who works directly with members of management or as an executive of the company, as opposed to the outside director, who is a non-management or executive member of the board (Majocchi and Strange, 2012; Zhang, 2012; Wang and Dewhirst, 1992). The absence of direct ties with the company makes the outside director independent; thus, Majocchi and Strange (2012); Zhang

(2012) have used the proportion of outside directors as a proxy regarding board independence.

3.5 Summary

To sum up, this chapter has introduced several theories vis-à-vis corporate diversification (e.g. stakeholder theory, institutional theory and agency theory), company performance (e.g. financial performance, non-financial performance and a combination), CSP, and CG mechanisms, internal and external. Definitions, dimensions and measurements of these constructs have been discussed in detail. For example, corporate diversification can be divided into three constructs: related, unrelated and international diversification. The subsequent chapter explains the relationship between these three concepts.

CHAPTER 4 STUDIES ON CORPORATE DIVERSIFICATION, CORPORATE GOVERNANCE,CSP AND HYPOTHESIS DEVELOPMENT

4.1 Introduction

This chapter reviews the literature on corporate diversification, CG and CSP and describes hypothesis development based on previous studies. It first explains the contributions of previous studies, and subsequently discusses the key themes of previous studies to define academic gaps in previous research. This part is followed by an explanation of the relationship between corporate diversification, CG and CSP regarding hypothesis development.

4.2 Corporate Diversification, Corporate Governance and CSP

Corporate diversification is receiving increasing attention in current research (Gao and Chou, 2015; Hashai, 2015; Krapl, 2015; Oh *et al.*, 2015; Su and Tsang, 2015), especially as it may have an impact on corporate performance (Aguilera-Caracuel *et al.*, 2015; Castañer and Kavadis, 2013; Kang, 2013; Markides and Williamson, 1996). Furthermore, some authors argue that CG also has a relationship with CSP (Cuadrado-Ballesteros *et al.*, 2015; Jizi *et al.*, 2014). Claessens and Yurtoglu (2013) investigate the relationship between good CG and stakeholders, while other authors have used several CG mechanisms as moderating variables regarding the relationship between CSP and managerial entrenchment, earnings management, family firms, etc. (Cuadrado-Ballesteros *et al.*, 2015; Choi *et al.*, 2013; McGuire *et al.*, 2012; Surroca and Tribó, 2008). Accordingly, the researcher argues that corporate diversification and CG have an association with CSP. Furthermore, this study has discussed several previous studies on these topics (see Appendix 1 and 2 for more detail).

Attig *et al.* (2016) investigated the effect of internationalisation on CSR and examined the role of the institutional environment on the relationship between them. They argue that internationalisation drives businesses to respond to their stakeholders, including employees and the community. Therefore, they noted that internationalisation might be related to CSR. Their study was conducted on 3,040 US companies and 16,606 firm-year observations over the period 1991-2010. The dependent variable in their research was CSR, using the MSCI ESG Stat database (KLD database) measurement. The independent variable internationalisation was measured by foreign sales to total sales and foreign sales to total assets. It was also measured by HI and entropy for firms with a geographic segment. Furthermore, their study also used control variables, such as firm size, firm age, profitability (ROA), leverage, intangible assets (market to book ratio) and long-term institutional ownership. All the financial data were collected from the Compustat database. A one-year lag regression model, both fixed effect and firm random models, were applied. The results reveal that internationalisation is positively related to CSR for each alternative measurement. Furthermore, strong institutional environments and strong legal and political institutions will strenghten the positive relationship between internationalisation and CSR. The limitations of their sudy are that CSR was measured by a binary rating of KLD indicators for corporate social activity and uni-dimensional measurements for internationationalisation, which may not be the ideal situation.

Ma *et al.* (2016) explored the relationship between international diversification and CSR in China as an emerging economy. From the stakeholder and institutional perspective, they argue that the international diversification-CSR relationship in international contractors is positive. Furthermore, they assert that

the scope of international diversification, such as geographical and product diversification, also relates to CSR and might moderate the international diversification-CSR relationship. They employed 266 observations from contractor companies in China from 2010 to 2014. The dependent variable in this research was the CSR index, measured by way of disclosure analysis. Independent variables were the degree of international diversification (foreign revenue/total revenue), geographical diversification (inverse HI) and product diversification (inverse HI). Their study also used control variables, such as ownership (type of controlling shareholder), listed (binary), geographic dummy (eight categories of geographic area) and project dummy. Their results indicate that the degree of international diversification has a positive relationship with CSR and geographical diversification. Moreover, the positive relationship between international diversification-CSR is weakened by geographical diversification.

Alternatively, product diversification has a positive impact on CSR, although it cannot moderate the international diversification-CSP relationship. Their study made several practical contributions, such as exploring how international diversification influences CSR, exploring how the scale and scope of international diversification could have different impacts on CSR, providing CSR measurements for companies that are not listed in the CSR rating database and expanding previous study results to emerging economies. Finally, their study has a few limitations that offer opportunities for future research, including developing the detail and comprehensive measure of the CSR disclosure, studying other emerging countries and comparing the results for developed and emerging economies.

Aguilera-Caracuel *et al.* (2015) conducted a study to analyse the effect of the international cultural diversification of a multinational enterprise (MNE) on CSP and to investigate the moderating effect of slack financial resources on this relationship. They employed stakeholder theory as their underlying theory to explain the relationship between international cultural diversification and CSP. They argue that MNEs that extend their activities to culturally distant countries have an opportunity to address the diverse CSR demands that may exist in the different markets in which they operate, thereby improving their level of social performance. They also analyse whether excess financial resources can be used to conduct advanced CSR activities, in order to improve companies' CSP levels.

Aguilera-Caracuel *et al.* (2015) studied 113 MNEs and 672 observations over a six-year time period of analysis (2005–2010) in US companies from the chemical, energy and industrial machinery sectors. These industries are characterised by serious environmental and social impacts worldwide. Their study employed Standard and Poor's database (capital IQ) for financial information and the KLD database for CSR information. Internal cultural diversification was measured by the cultural entropy index (CEI) with five dimensions of culture: power/distance, individualism vs. collectivism, masculinity vs. femininity, uncertainty/avoidance index and long-term vs. short-term orientation. Their study was conducted in five different regions based on the degree of cultural similarity: North America (USA, Canada and Mexico), Latin America, Asia, Western Europe and Eastern Europe. Moreover, slack financial resource was measured by the current asset to current liabilities ratio. Social performance was measured by several indicators: relations with the local community, relations with women and disadvantaged groups, relations with

employees, environmental impact, and the socially responsible characteristics of the products offered by the organisations from the KLD database. Finally, their study used control variables, for instance type of industry and size.

To test their argument Aguilera-Caracuel *et al.* (2015) used fixed-effect regression. Their results demonstrate a direct and significant relationship between international cultural diversification and the improved social performance of MNEs. Moreover, in the context of MNEs which operate in markets with a diverse cultural profile, they argue that the slack financial resources allow these companies to conduct advanced CSR practices which arguably will have a significant impact on their CSP. Hence, the presence of slack financial resources in these organisations encourages the existing relationship between international cultural diversification and CSP.

Their research makes several contributions as follows. Firstly, their study reinforces stakeholder theory as applied to international companies and to the performance of these businesses in the social sphere. Secondly, it contributes to the literature regarding the history that focuses on the CSP-financial relationship via theoretical and empirical analyses of how CSP affects the international cultural diversification of MNEs. Thirdly, their study investigated the relationship between slack financial resources and the social performance of MNEs that operate in culturally distant markets. However, their research also has some limitations, such us only using US MNEs. Moreover, by using regional cultural profiles, their study might disregard the cultural reality of each country. Finally, their investigation ignores other institutional pressures that have pushed MNEs toward a higher level of CSR.

Cuadrado-Ballesteros *et al.* (2015) investigated the negative relationship between family businesses and CSR disclosure and the negative effect of family members on the positive relationship between independent directors and CSR disclosure. They also used stakeholder and agency theory in developing their hypotheses. They took as their sample 575 non-financial listed companies, with 3,068 observations, from several countries: Belgium, Canada, Denmark, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, the UK and the US, over the period 2003-2009. Secondary data was taken from published CSR reports which can be accessed on the companies' websites and the Thomson One Analytics database. They measured CSR disclosure by means of disclosure analysis. Family ownership was a dummy variable (e.g. value 1 if a member of the founding family had at least 10% of the ownership). Independent director was measured as the percentage of independent directors to total board members. They used some control variables that predict an effect on CSR disclosure (board size, percentage of women and foreign directors, activity of board, company size, annual ROA, country, industry and year). Finally, the generalised method of moment was used as the analysis tool.

The results of the study conducted by Cuadrado-Ballesteros *et al.* (2015) confirm that independent directors improve the quality and quantity of published CSR information, as they are more sensitive to social demands. However, this positive relationship is weakened in family firms, as outside directors usually have close connections with family members, and might be more influenced by family interests than other stakeholders' interests. Family members will be less concerned with the CSR disclosures, as they have large investments in the company and will be more interested in profitability and financial issues than

social and environmental action. The contributions of their study include reliance on family firms, particularly in analysing their role in the independent directors-CSR disclosure relationship. Limitations include the fact that their study sample was restricted to specific countries and years, it used only the limited information available from different databases, and it employed categorical measurement (dummy variable) to differentiate between family and non-family businesses. Finally, for future research, they suggest including other corporate characteristics (e.g. audit committees and CEO duality, country characteristics such as legal and institutional factors), addressing relevant shareholders for instance institutions, government and foreign investors as control variables, and considering the firm's reputation as a moderating factor in the independent director-CSR disclosure relationship of family firms.

Jizi *et al.* (2014) investigated the impact of governance characteristics, especially in relation to the key features of the board of directors, on CSR disclosure. They used agency theory to explain the CG-CSR disclosure relationship. Their study sample was 98 US listed national commercial banks in the period 2009-2011, or 291 observations. CSR disclosure as the dependent variable was measured by conducting content analysis on annual reports. Indicators of CSR consisted of four categories: community involvement, environment, employees, and product and customer service quality. Independent variables were board of directors' characteristics, including board independence, board size and CEO duality. Additionally, data concerning board characteristics was collected from the bank's annual reports. The study used control variables, such as the number of audit committee and board meetings, profitability, leverage, firm size and firm risk. The authors employed Tobit regression as the

analysis tool. The results indicate that board independence and board size are positively related to CSR disclosure. Furthermore, CEO duality, which was expected to have a negative impact, surprisingly had a positive impact on CSR disclosure. Therefore, their study has contributed to explaining the effect of characteristics of the board of directors on CSR disclosure in the banking sector, which had been largely overlooked in previous studies. However, the results still need to be expanded to a wider range of industries and countries with different levels of public scrutiny, regulation and competitive pressure.

Park, Chidlow and Choi (2014) examined how specific stakeholder groups influence MNEs' CSR practices in South Korea. Their results show that both primary stakeholders (e.g. consumers, internal managers and employees, and business collaborators) and secondary stakeholders (e.g. government, media, local community and NGOs) positively influence MNEs' CSR. Their study employs institutional theory, particularly organisational sociological neo-institutionalism, and stakeholder theory. The sample for their study was 1,531 MNE subsidiaries operating in South Korea, and their data collection technique was a postal survey to CEOs. From a total of 312 responses only 300 were useable. The dependent variable CSR was measured by 12 items. Independent variables were consumers (3 items), internal manager and employees (4 items), business collaboration (3 items), government (3 items), media (3 items), local community (3 items), and NGOs (3 items). All items, both dependent and independent variables, were measured by Likert-type responses on a 1-5 scale.

Based on OLS regression analysis, Park *et al.* (2014) ascertained that both primary and secondary stakeholders positively influence MNEs' CSR, except for business collaborators. Their research offers a framework for MNEs in

considering stakeholders' impact on creating MNEs' CSR strategy. Their study also contributes to current knowledge in the CSR literature by proposing fulfilment of CSR practices and satisfaction of stakeholder demands. This finding may help MNEs in strengthening their subsidiaries within the MNE network, particularly in emerging economies. Their study has several limitations, including only focusing on a single country; they do not control the subsidiary size and type of consumer (consumer-related subsidiary vs. non-consumer oriented subsidiary) or industry; nor do they investigate the influence of stakeholders in each dimension of CSR. Nevertheless, although they identified a moderating effect of consumers on other stakeholders' relationships with CSP, further explanation is still required.

Similarly, Lien and Li (2013) investigated the effect of diversification on companies' value and the role of CG as a moderating variable in emerging economies, particularly in Taiwanese firms. CG is reflected by block ownership, family controlling ownership and bank ownership. They argue that controlling-family ownership in emerging economies tends to promote the extent of corporate diversification; driven by the altruism motive in agency theory, these firms disregard optimal scale to pursue a wider range of diversification, even though this decision might destroy their firm's value. The authors therefore argue that controlling-family ownership in emerging economies negatively moderates the diversification-performance relationship. Bank ownership, however, appears to be active in CG, limiting the entrenchment of the controlling family on decisions which tend to preclude corporate diversification. However, the role of the bank as the structural link between the holders of surplus capital and those in need of financial resources, and the relationship between bank and government in

emerging economies, enable investor firms to find various opportunities by using a diversification strategy. Hence, the relationship between diversification and companies' performance can be moderated positively by bank ownership.

In their study, Lien and Li (2013) sampled 205 companies listed on the Taiwan Stock Exchange (TSE) from 1999 to 2003, excluding financial firms, classified into three industrial groups: consumer products (food, textiles, paper and general commodities), electronic products (electric equipment, cable lines and information technology) and other industries (cement, steel, chemicals, plastics and transportation). Tobin's Q (market price to book value) was applied to measure performance and the entropy index to measure diversification. Independent variables which were also moderating variables (e.g. controlling-family ownership and bank ownership), were measured as the sum of the percentage of shares held by individual investors who have the same family name as the largest owner, and the percentage of shares held by domestic banks. The authors controlled the economic conditions by means of four annual dummies (2000-2003) and the industrial sector with two dummy variables (consumer and electronics). They also control firm-specific variables with issued capital (the sum of all long-term equity and debts that are issued by the firm in each year) and experience gained by means of the company's age.

To test their argument, Lien and Li (2013) applied the Tobit model of panel data analysis (the effect of controlling-family ownership and bank ownership on diversification) and the random-effect model of panel data analysis (diversification performance and moderation of block shareholders; controlling-family ownership and bank ownership). All their hypotheses were supported. The results of the

Tobit model of panel data analysis showed that controlling-family owners tend to promote the extent of corporate diversification, but that bank ownership tends to limit corporate diversification. Moreover, the random effect model of panel data analysis implied that family-controlling shareholders have a negative moderating effect on the relationship between corporate diversification and performance. Conversely, bank ownership positively moderates the diversification-performance relationship.

Lien and Li (2013) offered three theoretical contributions. First, their research filled the gap in traditional diversification studies by connecting CG efficiency. Second, their research framework considered the issues of both diversification decisions and performance. Ultimately, their research used family control and bank ownership as variations regarding the ownership of the organisation. Their study was limited by only focusing on ownership structure in investigating the role of CG; thus, future research must investigate other parts of CG, such as board composition in diversification decisions and diversification performance. It should also consider the rapid transition of most emerging economies and how family owners deal with that.

Kang (2013) conducted a study on the relationship between corporate diversification and CSP in large US companies from 1993 until 2006. Corporate diversification meant industry diversification (level of related and unrelated diversification) and global diversification (level of global diversification). He developed four hypotheses, three of them based on stakeholder theory and one on the short-term profit orientation of the diversified firm. Diversified companies are more likely to face pressure from stakeholders' demands and social issues than focused firms which only operate in one industry or country. Therefore, a

diversified company tends to respond better to stakeholders' demands and social issues than focused firms. Kang's hypotheses were based on stakeholder theory. For example, the level of diversification is positively associated with CSP; the level of unrelated diversification is more positively associated rather than the level of related diversification; and the level of international diversification is positively associated with CSP. From these three hypotheses, he argued that the level of diversification is positively associated with CSP, and the positive association is stronger for unrelated diversification than for related diversification. The last hypothesis is built on the time horizon of performance, where short-term performance will obstruct long-term performance; short-term profit is negatively moderated by the positive relationship between the level of diversification and CSP.

The dependent variable in Kang's research, CSP, was measured by the sum of all strength items minus all concern items, obtained from the KLD social rating database. Explanatory variables were related, unrelated and international diversification, and concentrate on short-term profit. The entropy measure was applied in measuring the related and unrelated diversification, while the level of international diversification was measured by the sales ratio of foreign sales divided by total sales. Additionally, businesses' focus on short-term profit was measured by return on equity. Kang also used firm-specific characteristics: intangible assets (market to book ratio), company size (number of employees), firm profitability (ROE), financial leverage, free cash flow, CEO compensation, and both bonus-based (percentage of earning-based compensation) and stock-based compensation (percentage of stock-based compensation). Financial data in measuring diversification and other variables were collected from Compustat's

North America database and Executive Compensation (Execucomp) databases. Based on the availability and suitability of three sources of data, the final sample comprised 511 large businesses in terms of market capitalisation, with 3,044 observations over the period 1993 to 2006. All of Kang's hypotheses were tested by nine models of multiple regression with contemporaneous lag structure for one-year lag. All hypotheses were supported. However, the moderating effect of short-term profit was not fully supported, except in unrelated diversification. Kang concluded that the level of diversification was positively associated with CSP, and stronger for the level of unrelated diversification than related diversification. He also argued that short-term profit orientation could reduce the positive association between the level of diversification and CSP.

Limitations to Kang's study include not capturing the relatedness activity among firms' segments and geographical diversification. He made several suggestions for further research: to investigate the possibility of a relationship between stakeholders' demands and the diversification discount; to investigate the effectiveness of CSP, as a predictor of long-term performance and viability; to define and evaluate social welfare resulting from corporate action, in measurable monetary value or non-measurable qualitative aspects; and to investigate the possibility of a relationship between the level of related or unrelated diversification and corporate crime.

Ntim and Soobaroyen (2013) investigated the relationship between CG and CSR and the role of CG as a moderating effect on CSR and corporate financial performance. They argued that high-quality CG is positively associated with the extent of CSR practice and may positively moderate the CSR-CSP relationship based on neo-institutional theory. Therefore, they proposed seven

hypotheses to investigate the CG–CSR relationship, six CG mechanisms individually and one in total. Furthermore, they proposed one hypothesis for moderating the effect of CG on the CSR-CFP relationship. CSR practice in their study covers six broad areas. They are specific to the South African context: HIV/Aids, general conventions, environment, ethics, health and safety, and social conditions, measured by disclosure analysis and a word count index. Their study used the mechanisms of ownership, such as government or institutional ownership; board of directors (board size, independent director and board diversity); and CG overall mechanism measured by the CGC index. They employed Tobin's and further measurements: total share return and ROA. It also employed control variables, for instance audit firm size, capital expenditure, cross listing, the presence of a CG and CSR committee, leverage, company size, risk, sales growth, industry dummies and year dummies.

Ntim and Soobaroyen (2013) used 75 large non-financial listed corporations over 2002 to 2009 in South Africa, with a total of 600 observations, as the sample. Financial/utility organisations are subject to different regulatory oversight and capital structure restrictions that can impact differently on CG, CFP and CSR, and were therefore excluded from the sample. Based on the result of multivariate regression analysis, they established that on average better governance practice in a business increases CSR practice, and CG positively moderates the CSR-financial performance relationship. They performed additional analysis to ascertain the robustness of their findings. Their study offers theoretical and academic contributions to explain why and how better-governed corporations are more likely to pursue a more socially responsible agenda, and providing evidence of why and how CG might strengthen the link between CSR

and CFP. Their study also encourages corporate regulators and policy makers to develop a more explicit agenda of jointly pursuing CG and CSR reforms, instead of solely attracting CSR as a minor component of CG or as an independent corporate activity.

Chen and Yu (2012) investigated the diversification-performance relationship in an emerging market, Taiwan, examining the inter-relationship between managerial ownership, corporate diversification and firms' performance. They proposed two principal hypotheses and three subsidiary hypotheses. The first was that the non-linear relationship between managerial ownership and the level of diversification has a negative slope in lower managerial ownership and a positive slope in higher managerial ownership. The level of relationship between unrelated diversification and performance is higher than the relationship between related diversification and performance. This hypothesis was developed from the self-interest perspective of the owner-manager agency theory. The second hypothesis was the positive relationship between diversification and performance. The positive relationship and diminishing return associated with performance are higher with unrelated diversification than related diversification. This hypothesis was developed from strategic theory, specifically the reason for diversification and the condition of the emerging market. Their study sample consisted of 98 companies from 1996 to 2001, with the following criteria: listed on TSE; financial institutions, real estate companies and insurance companies were excluded; and experience in increased or decreased diversification. Corporate diversification was measured by entropy measure; firms' performance was by ROE (earnings before interest and after taxes, to total assets); and managerial ownership by using the percentage of officers and directors. They employed multiple regression

analysis to test the hypotheses, and verified the findings by means of the simultaneous equation model (SEM).

Each of Chen and Yu's hypotheses were supported by statistical analysis. There was a U-shaped nonlinear relationship between managerial ownership and diversification. Lower levels of managerial ownership, below the critical level of control, reflect the interest alignment of owner-managers with minority shareholders; therefore, the slope of this relationship is negative. Higher managerial ownership, exceeding the critical level of control, reflects greater agency problems and agency costs; hence, the slope of the relationship is positive. Moreover, the U-shaped non-linear relationship is stronger for unrelated diversification, showing that diversification is a better strategy to increase performance over a short time, especially unrelated diversification, when it escapes the low profitability of the company's current industry. The finding also shows that the performance of diversified firms diminishes over time. However, their research has a few limitations. First, it only used data from Taiwan, which may not reflect all emerging markets. The second is the lack of data to estimate the level of corporate diversification properly, needing consolidated financial statements. Finally, their research does not consider the preference behaviours of decision makers.

Walls *et al.* (2012) investigated the association between corporate governance and environmental performance (EP), as part of CSR. Specifically, they highlighted the relationship between ownership and EP, the effect of the board of directors on EP, the effect of management aspects on EP and the interaction of ownership, the role of the board of directors and managerial aspects in achieving EP. The dependent variable is EP, given the difficulty of

measuring and drawing insightful conclusions about associative patterns of CSR. EP was measured by using the KLD database separately. Independent variables are ownership (institutional ownership, investment turnover, shareholder activism and shareholder concentration), board of directors (board independence, environmental committee, board diversity and board size) and management aspects (CEO duality, managerial control, CEO salary and bonus as short-term pay incentives, and CEO stock options as long-term pay incentives). The control variable is companies' performance.

Institutional ownership was measured by the percentage of shares held by institutional investors, using data from Thompson/Reuters. Investment; turnover, as the inverse of the investment horizon, was measured by the annual portfolio turnover of each investment institution, weighted by institutional shares in a firm. Shareholder activism was measured using the number of shareholder proxies filed related to environmental issues. Shareholder concentration was measured by the percentage of shares held by a firm's top five institutional investors. Board independence was measured by the number of outside directors to total directors. Environmental committee was a dummy variable, with a value of 1 if the company had an environmental committee and 0 otherwise. Board diversity was measured as a percentage of women on the board of directors, and board size as the total number of board directors. All data about board directors' variables was gathered from the Risk Metrics database. CEO duality was a dummy variable, taking the value 1 if the CEO was also the chair-person of the board. Managerial control was measured as a percentage of shares held by inside directors. CEO salary, CEO bonus, and CEO stock option were measured as the percentages of each item to total CEO compensation. All data about

management was obtained from the ExecuComp database. Control variables were performance indicators, such as ROA, firm size (log of total assets), sales growth (change in sales over the previous year), leverage (total debt to total assets), capital intensity (capital expenditure to sales), R&D intensity (research and development expenditure to sales), advertising intensity (advertising expenditure to sales), year dummy and industry dummy.

Walls *et al.* (2012) employed 2,002 observations, with the number of companies ranging from 119 in 1997 to 298 in 2003. They ran five main effects model regressions for environmental strengths and concern. For environmental strengths, only shareholder activism (-), shareholder concentration (-), and environmental committee (+) were associated with EP. In contrast, for environmental concern, shareholder activism (+), independence (+), environmental committee (+), diversity (-), board size (+) and CEO salary (+) were significantly related to EP. The authors concluded that many CG variables are associated with EP, although many directions had not been predicted in past research. They also ran 112 different models to test interaction effects between the three groups of CG variables, environmental strength and concern, and established that interaction across CG variables played a significant role in EP, which had not been captured in previous studies. They concluded that ownership aspects are essential for EP strength, while board aspects are more relevant for environmental concern. Ownership-board interactions are critical for EP concern, whereas interactions between ownership-management and board–management are pertinent to environmental strength.

Limitations of the research were, first, since their dependent variable was EP, the findings could not be used to generalise the relationship between CG and CSR. Second, their sample was limited to large organisations and primary and manufacturing industries, and moreover, the results could be different in small and medium-sized firms, in the service industry, or under different governance and environmental regimes. Third, their study relied heavily on secondary data to measure the variables; primary sociological and behavioural data obtained via survey or case study investigation will be necessary. Finally, their research cannot depict the temporal order of the variables; they did not use lag regression analysis because some governance aspects were only relevant to the current year; hence, future research might test the temporal order.

Jo and Harjoto (2011) investigated the effect of internal and external CG mechanisms, including board characteristics (e.g. independent outside board proportion), board ownership and board leadership on CSR engagement and the value of the company engaging in CSR activities. They argued that CG and monitoring have a positive association with CSR engagement based on the conflict-resolution hypothesis. Alternatively, association will be negative in the over-investment hypothesis. They also argued that CSR engagement has a positive association with firms' value and a negative association in the over-investment hypothesis. CSR activities were measured by the KLD indicators and database. Internal corporate mechanism was measured by independent outside board proportion, board ownership and board leadership. External CG mechanism was measured by using institutional ownership and the number of security analysts. Firms' value was measured by industry-adjusted Tobin's Q. Their study consists of 1,175-1,777 businesses and 5,639-7,750 observations

from several countries based on a combination of all the databases (KLD, Compustat, risk metric database and Centre for Research Security Prices data).

Jo and Harjoto (2011) employed Ordinary Least Squares (OLS) as the data analysis. Their study determined that CSR choice has a positive association with the internal and external CG and monitoring mechanisms (i.e. board leadership, board independence, institutional ownership, analyst following, and anti-takeover provisions), after controlling for various company characteristics. Their study also reveals that CSR engagement is positively related to the company value. The strength of their study is that it relies on the use of a full spectrum of CG measurements and the use of security analyst monitoring to determine CSR engagement. However, future studies need to address the weaknesses of the KLD database, such as subject to binary response, selection sample bias and the qualitative nature. Large-scale survey data from various stakeholders should be considered in future research.

Kang, Lee and Yang (2011) investigated the impact of the degree of product diversification on financial market and accounting-based performance, and complementarities between products, arguing that the impact of is U-shaped, based on the benefit and cost of the diversification strategy. Product diversification complementary to the casino industry, such as gaming and hotels, gaming and Foods and Beverages (F&B) or hotels and F&B, may contribute to performance. In their research, company performance was measured by Tobin's Q and ROA, and product diversification by modified HI. To test their hypotheses, they used multiple regression analysis. Their study strengthens the diversification literature by using substantial variations in the level of product diversification

among casino firms; however, the results cannot be generalised therefore, they suggested conducting future research in several countries.

Bobillo *et al.* (2010) examined the relationship between the institutional framework and a firm's competitive advantage, and the role of competitive advantage in the relationship between international diversification and performance. Institutional framework focused on the financial system, specifically financial market development, measured by annual increment securities to increase net fixed assets. Competitive advantage was explained by capital intensity and labour intensity and international diversification was measured by foreign sales to total sales. Their study also used control variables including company size and ownership structure. All data was collected from the Worldscope and BACH databases.

The sample for the study of Bobillo *et al.* (2010) was more than 1,500 manufacturing firms in five EU countries: Germany, Denmark, Spain, France and the UK, from 1991-2001, with a total of 16,588 observations. Their study employed two analysis tools: canonical correlation analysis; and multiple regression analysis, quadratic and cubic model regression. The results show that national institutional factors have an impact on internal and external competitive advantage. Moreover, the relationship between international diversification and performance is S-shaped in relation to the competitive advantage of different types of firms. Although this research gives an obvious result of the effect of institutional factors and competitive advantage, and the role of competitive advantage on the international diversification-firm performance relationship, it still has limitations. The study is limited to developed countries, so future research needs to explore emerging and less-developed countries. Additionally, analysis

at firm level would also be interesting. Future research should also consider interviews as a source of primary data, combined with the secondary data from databases.

Qian, Qian, Khoury and Peng (2010) analysed how the level of intra- and inter-regional diversification affected firms' performance, compared to the impact of the total level of geographic diversification on performance. They argued that intra-regional diversification has a positive impact on MNEs' performance, but that the relationship between interregional diversification and performance and total geographical diversification and performance are inverted U-shapes. Hypotheses were developed based on the cost and benefit of diversification in general and on different types of diversification. Their sample consisted of 861 observations of 123 Fortune-500 global US manufacturing MNEs from 1999 to 2005. The data was collected from several sources, including the firms' 10-K filling, Moody's Industrial Manuals, Mergent Online and the World Bank's annual world development reports. The independent variable was performance measured by ROA, and the dependent variables geographical diversification in total, and intra- and inter-geographical diversification. They employed an entropy index based on sales and subsidiaries as the geographical diversification's measurement. Intra-diversification captures geographical diversification across countries within regions (Africa, Asia and Pacific, Europe and America), and inter-diversification captures diversification across different regions. Their study also applied several control variables, such as company size, research and development intensity, advertising intensity, firms' leverage, product scope/product diversification, regional macro-economic indicators and industry.

The results of (OLS) regression analysis demonstrated that all hypotheses were supported. Intra-geographical diversification has a positive impact on performance; while inter- and total geographical diversification have an inverted-U relationship with performance. Additionally, a study by Qian *et al.* (2010) has contributed to frameworks on geographic diversification, by clarifying how intra- and inter-geographical diversification strategies face unique performance limits. Four limitations can be used as suggestions for future research. First, the study failed to test the stability of the relationship between geographic diversification and performance by way of time-series analysis. Secondly, it only focused on four regional areas to capture intra- and inter-geographic diversification, so a future study might use different regional definitions in terms of geographical, cultural and institutional distance. Third the generalisability of the findings was unacceptable, as only a single country's MNEs were studied. Finally, the study cannot differentiate the type of MNEs' investments that could have a different impact on performance. Furthermore, future research also needs to investigate the effect of national versus regional versus global strategy in geographical diversification.

Gaur and Kumar (2009) examined the impact of business group affiliation on the relationship between international diversification and performance in Indian companies. They argued that the relationship between international diversification and performance is U-shaped in emerging economies. This is based on the benefit and cost of diversification at every stage of internationalisation (early, growth and mature). They also predict that the U-shaped relationship would be negatively moderated by group affiliation. To test their argument, they investigated 240 Indian manufacturing and service firms,

1997-2001. Performance, the dependent variable, was measured by ROS and ROA. International diversification and group affiliation, as explanatory variables, were measured by foreign sales to total sales and dummy group affiliation. Control variables included size, age of the company and type of industry. All data was taken from the ISI Emerging Market database. By using a general linear square random-effect model, the results revealed that international diversification has a positive relationship with performance, although group affiliation negatively moderated this relationship. Despite robust results for the international diversification-performance relationship in an emerging country context, future studies will need to consider several factors, such as other emerging countries for the generalisability issue, additional market-based performance measurements, other context-specific factors on this relationship, and the use of specific industries.

Chiao, Yu, Li and Chen (2008) conducted a study to explore diversification strategy, both international and product diversification, in Taiwanese subsidiaries in China. They argued that internationalisation has a positive relationship with the performance of subsidiaries. In terms of type of product diversification, a subsidiary is more engaged in related diversification than in unrelated diversification. Their arguments are based on the resource-based view (RBV). Performance as a dependent variable measured three categories: incurred losses, break-even and earned profit. Diversification as the independent variable was divided into internationalisation and product diversification. The former comprised the outward (exporter activities) and inward (importers activities) internationalisation of subsidiary firms. Product diversification was divided into related and unrelated diversification. Control

variables included industry and parental ownership. The data collection technique was a survey by mailed questionnaire, telephone interview, or both, with a total sample of 920 Taiwanese subsidiary businesses in China. Using path analysis, they ascertained that subsidiaries with a higher level of outward internationalisation demonstrate better performance than their less-internationalised peers. However, the relationship between inward internationalisation and performance was insignificant. Firms with unrelated diversification performed better than those with related diversification.

A study conducted by Chiao *et al.* (2008) extended RBV to the level of subsidiaries and the results suggest to the host country how to increase performance through the diversification strategy of their subsidiary. The limitations of the study are: difficulty in measuring subsidiary size from their source of data; lack of generalisation of findings because only Taiwanese subsidiaries in China were investigated; no control over other institutional variables, for instance competitive pressure and autonomy changes; and the use of only cross-sectional data. Future research might consider these limitations for better results.

Jamali *et al.* (2008) investigated the interrelationship between CG and CSR in a developing country, Lebanon. They used a qualitative interpretive research methodology, collecting data from in-depth interviews with the senior management of eight corporations in Lebanon. Their study aimed to explore the link between CG and CSR. Interview guidelines comprised three sections: CG (ownership structure, composition of board of directors, board committees, codes of conduct for governance, executive compensation schemes, required disclosure and motives for good CG practice); CSR (conception of CSR, formality

of CSR programme, CSR value, principles motivating CSR, anticipated benefits of CSR, most important stakeholders and measurement of CSR); and the interrelationship of CG and CSR (CG as a pillar of CSR, CSR dimensions of CG, and the corporate-CSR relationship as a continuum).

The results showed that most managers conceived CG as a necessary pillar of sustainable CSR. This finding is significant and interesting, implying that recent preoccupation with CG in developing countries is starting to be counterbalanced by attention to CSR. Moreover, CG is more broadly recognised, and the need to move beyond CG conformance toward voluntary CSR performance has also increased. The study makes the case for considering them jointly and systematically. Hence, it contributes to the salient two-way relationship and increasing overlap between CG and CSR. It also outlines a number of theoretical propositions that can serve as inputs for future study on CG and CSR, particularly in developing countries. The study's limitations are also suggestions for future research. The first limitation is that the findings stem from a single-country investigation. Secondly, the sample is small, suggesting a lack of generalisation, although the findings are likely to have wider relevance and applicability, particularly in developing countries. Third, the study was from self-reported data, raising the possibility of response bias.

Surroca and Tribó (2008) investigate the relationship between managerial entrenchment practices and financial performance, and the moderating role of CG on this relationship. CSP was measured by SiRi PRO's ratings and financial performance by ROA, Tobin's Q and abnormal return. Then, managerial entrenchment was measured by five indicators: internal CG mechanism (specifically audit committee, nomination audit committee, remuneration

committee, non-dual CEO), board independence, performance evaluation, state ownership and ownership concentration. Their study also used control variables such as financial structure (gearing ratio), dividends (pay-out ratio), size (value of fixed assets), firm's age, performance (ROA), investment (fixed asset to total asset), growth opportunity (dummy increasing sales), intangibility (intangible asset to fixed asset), industry, country and year. Financial data were extracted from the OSIRIS database and Bloomberg on the MSCI word index. The final sample was 358 industrial companies and 448 observations from 22 different countries, all included at least once during 2002-2005.

Using the panel data technique, Surroca and Tribó (2008) determined that the relationship between managerial entrenchment and CSP was positive and significant, especially in those firms with an efficient internal CG mechanism. This result was more pronounced in countries with less efficient financial markets (civil law countries) and more developed internal corporate control. They also found that the employee is a powerful stakeholder, and entrenched managers should pay particular attention to employees' interest. Even though their study has contributed to connecting the CG literature and stakeholder theory, future research is needed to investigate the different effects of the relationship over time and to consider differentiation of the institutional contexts that may influence top management's orientation across countries.

Chakrabarti *et al.* (2007) analysed the impact of diversification strategy on the performance of the organisations operating in different institutional environments both during a relatively stable period and during a major economy-wide shock. They conducted their study in six East Asian countries: Indonesia, Japan, Malaysia, Singapore, South Korea and Thailand. They argued that the

less institutionally developed the economy, the greater the benefit of diversification for a company's performance. However, diversified businesses suffered from a greater decline in performance during economy-wide shock, particularly in less developed environments. Their argument was developed from the internal market hypothesis. Diversification was measured using entropy and HI, and performance by ROA. The institutional environment was measured by the EIU indicator, Euromoney, country's creditworthiness, composite ICRG risk rating, and GNI per capita. Economy-wide shock was measured by industry average market capitalisation, ROA and per capita GNI per industry in each country. Control variables included company size, current ratio, debt ratio and age. Data for all variables was collected from the Osiris database. Their sample consisted of 3,117 firms and 49,033 observations from 1998-2003. To test the hypothesis, the study applied OLS with a fixed-effect model. Diversification was found to increase performance in less developed institutional environments but to decrease it in more developed environments. Moreover, diversification did not alleviate the impact of economy-wide shock on performance. Furthermore, variation between business group affiliations affected the outcomes of diversification. The study was limited by the absence of an empirically validated measure of institutional environment.

Chang and Wang (2007) investigated the effect of product and international diversification on performance in US firms, extending previous work by investigating the differential impact of product diversification strategies on the link between international diversification and performance. They argued that interaction between product and international diversification is stronger than with unrelated diversification. Their arguments were developed from the benefit and

cost of each type of diversification; the industrial organisation view, RBV and the role of finance were used to explain benefit and cost. Their sample consisted of 936 firms in the service sector and 1,380 manufacturing firms in the period 1996-2002, a total of 2,402 firms and 8,047 observations. The dependent variable was corporate performance measured by Tobin's Q, and independent variables were product diversification and international diversification. Product diversification consists of three variables: total, related diversification and unrelated diversification, all measured by the entropy index. International diversification was measured by the entropy index based on regional markets, due to the unavailability of data on the level of countries in HI. Control variables included company size, leverage, research and development intensity, number of foreign countries in which a firm has an operating subsidiary, and type of industry.

The results of regression analysis indicated that international diversification has a positive relationship with performance, in a linear shape, although it also supports inverted-U and horizontal-S shapes. Product diversification in total and unrelated diversification had a negative effect on performance, while unrelated diversification had a negative not significant effect. The interaction effect of product diversification and international diversification was more favourable under related diversification than unrelated diversification. Hence, the empirical results not only provide valuable support for the hypothesis, but also suggest positive interaction between related product diversification and performance, and negative interaction between unrelated product diversification and performance.

The study has several limitations. First, it assumed that every type of diversification effect occurs independently and contributes equally to

performance. Future research could investigate the magnitude of these factors and their interactions. Second, even though the SIC code had been extensively used in prior studies, it may not have fully captured the fundamental differences in product diversification strategies. Future research could examine the validity of the findings using the resource-based approach to measure relatedness. Third, the empirical approach did not allow for possible changes in the relationships across time. Fourth, their sample was limited to publicly listed firms in the US; it would be interesting to examine these phenomena in other economies or small-to-medium sized businesses. Finally, given the availability of the data, they measured the degree of international diversification by grouping countries into four global regions. This approach, however, may not be satisfactory, and future researchers should be encouraged to investigate detailed country-specific data.

Brammer *et al.* (2006) conducted research into the relationship between CSP and geographical diversification in large businesses in the UK. Their data, from 2002, was acquired from EIRIS and annual reports. Initial samples were derived from the FTSE All-Share Index, market-capitalisation weighted index of the largest companies listed on the London Stock Exchange (LSE). The final sample consisted of 420 companies from various sectors. CSP was measured from scores related to community performance, employee performance and environmental performance dimensions from EIRIS. Geographical diversification was calculated from the total number of countries listed in the annual report of the company's operations, with a binary variable for each operation across the regions of the world: Western Europe, Eastern Europe, North America, Central and South America, Africa, Middle East, Central Asia, East Asia and Australia.

Brammer *et al.* (2006) proposed four hypotheses to describe the CSP-geographical diversification relationship. First, CSP and geographical diversification have a positive relationship, because multinational firms are becoming the subject of various stakeholder pressures to achieve social performance. Second, this positive relationship will be stronger for community and environmental performance than for employee performance, because the former is better regulated rather than the latter, which tends to be determined by the degree of compliance. The remaining two hypotheses were developed to test the variability of CSP based on the pressure of stakeholders' demands, and on strongly focused social issues in each region. All hypotheses were tested using eight models of OLS regression. The result of their research supports the first hypothesis, except for the employee performance dimension, which automatically provides support for the second hypothesis. The third hypothesis was supported for Western Europe, but the last hypothesis was rejected.

These authors recognised that their research had several limitations. For example, it is cross-sectional analysis, social performance measurement is only at the company level and cannot describe any variation between countries or regions, and geographical diversification cannot describe the type of business activity. Suggested future study includes longitudinal analysis to gain a sharper insight, aggregating data concerning CSP, global distribution of firms' activities, extending companies' responses to local stakeholders' and institutional pressure, and using similar analysis in various countries.

Strike *et al.* (2006) investigated the effect of international diversification on CSR. They argued that international diversified firms might create value by acting responsibly or destroying it by acting irresponsibly, based on RBV. The study

sample was 222 US companies, 1993-2003, with 2,442 observations. Dependent variables were CSR and Corporate Social irresponsibility (CSiR). CSR was measured by seven qualitative KLD categories, for both CSR strength and concern; the seven categories became the central core of social issues and were relatively free from industrial bias. Additionally, CSiR was measured by seven categories related to CSR concerns. The independent variable was international diversification measured by using international depth and international breadth components. The international depth component was measured by means of two aspects, foreign market penetration (foreign sales/total sales) and foreign market presence (number of foreign subsidiaries held by a firm). International breadth was defined as the dispersion of a firm's international activities across multiple markets (total number of foreign countries in which the company had a subsidiary). Finally, their study employed control variables, including research and development intensity and advertising intensity, firm risk, firm size, previous financial performance, slack resources, and type of industry.

They used generalised least squares (GLS) on panel data analysis. The result reveals that international diversified firms can be simultaneously socially responsible and socially irresponsible. The authors concluded that CSR and CSiR need to be considered separately in the international diversification context. Limitations include the exclusion of global and multi-domestic strategies, due to the paucity of archival data; failure to explore the possibility of interaction between CSR and CSiR; and using only American companies as a sample. In addressing these issues, future research needs to consider the limitations of the KLD database.

Tongli, Ping and Chiu (2005) examined the impact of product diversification and international diversification on performance. They argued that unrelated diversified firms performed less well than undiversified firms, and that international market diversified companies performed better than undiversified ones, based on the benefit and cost of diversification. Both diversification strategies, product and international, were measured using an entropy measure based on the proportion of developed market revenue to emerging market revenue. Firms' performance was measured by ROA, share price and Tobin's Q. Control variables included firm size, age, leverage, risk, industry, and GNP. The source of data was Worldscope, Datastream, company handbooks, business times-firm classification and the statistical yearbook of Singapore.

Tongli *et al.* (2005) made 626 observations in the period 1995-1999. GLS multiple regression and MANOVA were applied to prove their arguments, that product diversification strategy, particularly unrelated diversification, negatively affects performance; and that international diversification has a positive impact on performance. Their research was a pioneer in international diversification studies in Singapore. However, they failed to investigate the joint effect of diversification strategy on performance, the study was only conducted in Singapore, and it was only undertaken over a short time period.

Christmann (2004) analysed the determinants of global standardisation of environmental policies in multinational companies (MNCs). Based on stakeholder theory, environmental policies are part of CSR and relate to CSP. He argued that external stakeholders, such as government, industry and customer pressure, have a positive impact on global standardisation of environmental policies in MNCs. He also asserted that MNC's characteristics affect environmental policy

standardisation, and to test this argument he collected primary data through a mail questionnaire from MNCs in the US chemical industry. The respondents were the head of business units of MNCs and the CEOs of single divisions. The first sample consisted of 512 business units or headquarters, whereas the final sample comprised 87 respondents from 72 different companies.

To test his hypothesis, Christmann (2004) applied OLS regression. The results showed that the pressure from different external stakeholders contributed to the global standardisation of different dimensions of MNCs' environmental policies. Internal company characteristics were also important determinants of MNCs' global environmental policy standardisation. However, his study used only the chemical industry in the US, and ignored reverse causality between stakeholder pressure and policy.

Capar and Kotabe (2003) highlighted the relationship between international diversification and performance in service industries in Germany. They proposed a hypothesis that the relationship between international diversification and performance would be a curvilinear U-shape, due to the combination of the benefit and cost of diversification and the unique characteristics of service firms. Their study employed ROS and ROA as the performance measurement. International diversification as the independent variable was measured by the ratio of foreign sales to total sales, and control variables included firm size and type of industry. Their data sources for all variables were collected from Die Welt's annual survey, directories and annual reports.

To test their hypothesis, Capar and Kotabe (2003) used regression analysis with linear and curvilinear models. The result supported the hypothesis. For example, internal diversification will reduce performance up to a certain point, then the higher level of diversification will increase it. Their study provided evidence that the relationship between international diversification and performance is a curvilinear U-shape. Limitations included measuring international diversification only by the ratio of foreign sales to total sales, which cannot capture the international activities of firms comprehensively; given that they studied only the service industry in Germany, the results are not widely generalisable.

Wan and Hoskisson (2003) investigated the relationship between corporate diversification strategy and performance based on the home country's environment. They argued that the relationship between product diversification and inbound international diversification and performance would be negative in a more generous environment, the direction of this relationship being positive in a less charitable domestic environment. Conversely, the relationship between outbound international diversification and performance would be positive in more magnanimous domestic environments, and negative in less generous ones. They further argued that interaction between product diversification and outbound international diversification was negatively related to performance, while interaction between product diversification and inbound international diversification would be positively related to performance. The country environmental variable was measured by means of six indicators: endowed, advanced, human, political institutions, legal and societal, with data collected from the World Competitive Report. Performance was measured by ROA and

Earnings before interest and tax divided by asset (EBITOA). Product diversification was measured by a weighted measure. Outbound diversification was measured by the number of foreign countries in which the company had subsidiary or cooperative ventures. Inbound diversification was measured by the number of the domestic company's foreign partners in cooperative ventures with the local business. Control variables included firm size, leverage, sales growth and block holders. Financial information was collected from the Worldscope database.

In this case, 722 companies from 16 Western European countries were the sample. The results of OLS analysis demonstrated that relationship between product diversification and performance was negative in more liberal home country environments, and positive in less generous societies. The relationship between outbound international diversification and performance was positive in more magnanimous home country environments. For future research, they suggested using additional classification of countries' environment and investigating the possibility of the CG structure affecting the relationship.

Denis, Denis and Yost (2002) highlighted the relationship between global and industrial diversification and the relationship between diversification and firms' value. The latter was developed from the benefit and cost of diversification. Industrial diversification was measured by using the proportion of firm-years industrially diversified, the number of segments and HI, and global diversification by the proportion of firm-years globally diversified and of foreign sales. Firms' value was measured by excess value. Data for all the variables was collected from the Compustat database.

Therefore, 7,520 US firms were covered and 44,288 observations from 1984 to 1997 were used. To test their argument, they applied correlation and univariate and multivariate analysis, particularly t test and OLS. The results showed that there is a relationship between global diversification and industrial diversification. Furthermore, globally or industrially diversified companies experienced downward revisions in their excess value, while companies that ceased to be either globally or industrially diversified experienced an increase in excess value. The study was limited by being conducted only in the US.

Alesón and Escuer (2001) explored the relationship between international diversification and performance in Spanish companies. They argued that international diversification positively affects performance in terms of accounting and market performance, and is negatively related to performance in terms of economic risk. Moreover, when international diversification is divided into related and unrelated, they contended that an unrelated international diversified firm had better accounting and market performance than a related international diversified firm. Alternatively, the unrelated international diversified firm had the lower economic risk.

Here, 103 firms from 1991-1995 were the sample, with data collected from annual auditors' reports. International diversification was measured by HI and categorical measure: low international diversification, related international diversification, unrelated international diversification and high international diversification. ROA (accounting performance), Tobin's Q (market performance) and standard deviation of ROA (economic risk) were the indicators of performance. Their research has no control variable. The results of GLS analysis indicated that a positive relationship between international diversification and

economic performance only occurred when performance was measured by Tobin's Q. Furthermore, there was no difference between performance of unrelated international diversification and related international diversification. However, their research was subject to sample selection bias.

Dooley and Fryxell (1999) examined the relationship between corporate diversification strategy and corporate environmental performance within the US chemical industry. They argued that subsidiaries of unrelated diversified companies had lower environmental performance than subsidiaries of related diversified firms. Furthermore, they contended that variance of environmental performance among subsidiaries of unrelated diversified firms was higher than the variance of environmental performance among subsidiaries of related diversified companies. Their argument was developed from synergy and financial control between the two types of diversification. Diversification strategy was measured by two-dimensional categorical measures of diversity developed by Varadarajan and Ramanujam. Environmental performance was measured by direct release of toxic substances, with data collected from the TRI database.

Their sample consisted of 555 diversified parent companies operating 2,952 facilities in the US. To test their argument, they employed two-way and one-way ANOVA, and their argument was supported. The subsidiaries of unrelated diversified companies showed poorer environmental performance than subsidiaries of related diversified firms, and variance of environmental performance among subsidiaries of unrelated diversified firms was higher than among those of related diversified firms. Their study suffers from limitations, however, such as inability to generalise the results to other industries and other countries, no weighting scheme to determine the relative levels of toxicity in the

database, and a lack of control for production processes and products across firms.

Delios and Beamish (1999) investigated the relationship between geographic scope, product diversification and performance in Japanese MNEs. They argued that product diversification has a negative relationship with corporate performance, and geographic scope has a positive relationship with corporate performance. Diversification in their study was measured by entropy based on the 3-digit SIC classification, and geographic scope by the amount of Foreign Direct Investment (FDI) and number of FDI countries. Their sample consisted of 399 Japanese MNEs. Data for all variables was collected from the Directory of Japanese firms' overseas operation. Partial Least Square (PLS) was applied to test their argument. The results revealed that product diversification has no significant relationship with corporate performance and geographic scope has a positive and significant impact on corporate performance. However, this applies only in high-product diversification companies. Accordingly, their study has several limitations, for instance the generalisability issue given that the sample was limited to MNEs and PLS in Japan, and cannot capture the non-linear relationship.

Wan (1998) investigated the relationship between international diversification, industrial diversification and MNEs' performance in Hong Kong. He argued that international diversification has a negative relationship with company performance and industrial diversification has a positive relationship with it, based on the benefit and cost of diversification in emerging countries. International diversification and industry diversification were measured by an entropy index, and performance by ROE, standard deviation of ROE and sales

growth. Data was collected from annual reports and the Pacific-Basin Capital Market Database (PACAP) for 81 Hong Kong MNCs over the period 1990-1991. By applying t test and hierarchical regression, the results showed that only industrial diversification has a significant relationship on corporate performance, and in a negative way. The study was limited to MNEs in Hong Kong and collected over a short time horizon.

Simerly (1997) investigated the relationship between a business's diversification and CSP. He used the term firm's diversification to describe product diversification. His research was conducted with regards to US firms which had adopted a conglomerate diversification strategy in the past, specifically 157 firms from 20 industries in 1994. CSP as the dependent variable was measured by the multiplied scores of five dimensions of CSP from the KLD social rating database: community relations, employee relations, environment, product quality and liability. The independent variable, product diversification, was measured by sales HI. The researcher hypothesised a negative relationship between a company's diversification and its CSP, based on the traditional view of objective and specific asset consideration. Firms only pursue the maximum stakeholders' wealth if they choose unrelated diversification, which cannot share specific assets, and tends to overlook other social issues. The result of one model of multiple regression was that the level of product diversification had a negative relationship with CSP, meaning that the more related activities in the firm, the higher the CSP. Based on his research limitations, Simerly (1997) suggested not only using product diversification but also market (geographical) diversification for future research. He also suggested investigating the role of institutional investors on CSP.

Finally, Servaes (1996) examined the value of corporate diversification during the wave of US conglomerate mergers in the period 1961-1976. He argued that the value of diversification was related to the benefit and cost of diversification and the motive of diversification itself. Diversification was measured by using categorical measurement: single segment and multi-segment. Firm value was measured by the Q ratio. He used secondary data from Compustat and Dun & Bradstreet's Million Dollar Directory, for 266 companies in the period 1961-1976. Using pair-wise comparison and regression analysis, he established that diversified businesses were more likely to be valued at a discount than single segment firms during the 1960s, although the diversification discount decreased in the early and mid-1970s and reached the level of zero. Firms with high insider ownership remained focused in the diversification discount period (1961-1970) but diversified as the discount declined (1973-1976). Diversified firms did not reduce their diversification level in the earlier period. Further research is required to investigate the reason behind the change in diversification value over time, and why the results of diversification studies are different for different firms.

4.3 Key themes and Potential Areas for Contribution

A review of 68 studies on corporate diversification, corporate governance and CSP from 1995 to 2016 provides information on four themes. **First**, as illustrated in the analysis of variables, which is shown in Figure 4.1, 45 studies investigated the association between corporate diversification and organisational performance (Aguilera-Caracuel *et al.*, 2015; Gao and Chou, 2015; Hashai, 2015; Su and Tsang, 2015; Kang, 2013). More specifically, 35 studies investigated the effect of corporate diversification on financial performance and 10 explored the

relationship between corporate diversification and CSP. For example, Aguilera-Caracuel *et al.* (2015) examined the relationship between international diversification and CSP, and Oh *et al.* (2015) addressed the link between corporate diversification and financial performance. Figure 3.1 also indicates that 19 studies examined the relationship between CG and organisational performance, mostly in CSP (Cuadrado-Ballesteros *et al.*, 2015; Li, K. *et al.*, 2015; Jizi *et al.*, 2014; Mason and Simmons, 2014). Only three studies investigated corporate diversification, corporate governance and financial performance. (Lien and Li, 2013; George and Kabir, 2012; Chen and Ho, 2000; Lins and Servaes, 1999). However, there is no single study which examines corporate diversification, corporate governance and CSP.

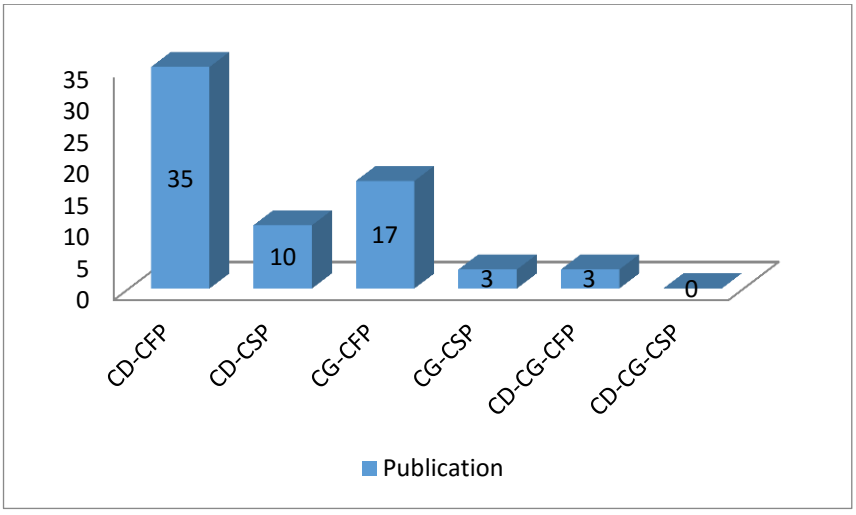

Figure 4.1 Number of studies relating to the link between corporate diversification, corporate performance and corporate governance

Second, Figure 4.2 provides the number of key contributors by the country in which the study was conducted. The largest group, 30, were conducted in the US (e.g. Aguilera-Caracuel *et al.*, 2015; Gao and Chou, 2015; Su and Tsang, 2015; Hafsi and Turgut, 2013; Park and Jang, 2013b), and 11 in

other developed countries, such as the UK, Germany, Canada, Australia and Israel (Brammer *et al.*, 2006; Fauver, Houston and Naranjo, 2004; Li and Greenwood, 2004). Only 19 studies were conducted in emerging countries, such as China, Taiwan, other Asian countries (Chen and Yu, 2012; Chiao *et al.*, 2008; Lins and Servaes, 2002) and Africa. Hence, it may be argued that studies of corporate diversification, CG and CSP have been largely neglected in emerging countries.

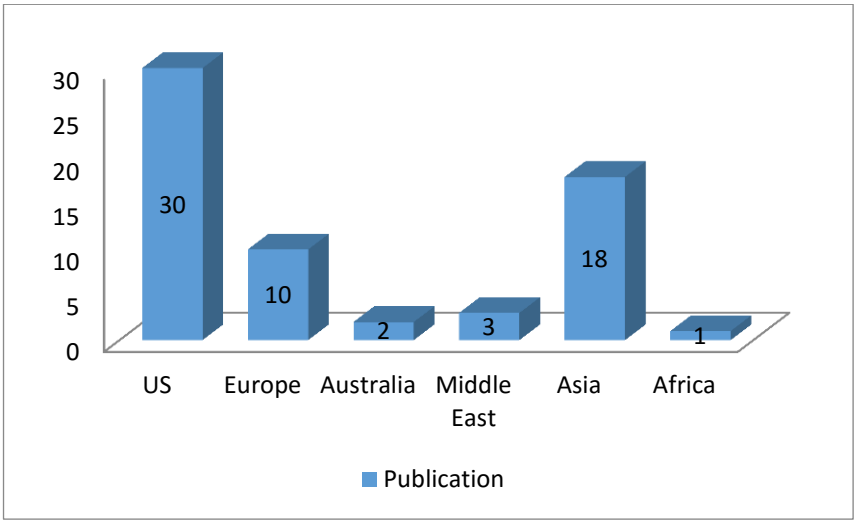

Figure 4.2 Number of Studies by Country

Third, Figure 4.3 provides the number of key contributors based on CSR and CSP indicators. In line with a number studies in developed countries, 19 of 27 studies on CSP used CSP indicators from agencies, such as KLD (Aguilera-Caracuel *et al.*, 2015; Jizi *et al.*, 2014), EIRIS (Dam and Scholtens, 2013; Brammer *et al.*, 2006), IVA (Ho and Wang, 2012), and SIRI (Surroca and Tribó, 2008). The most popular agency is KLD (9 studies), followed by EIRIS (2 studies). Availability data of CSP value in agency database make most of these studies use CSP value which is measured by agency. Only Cuadrado-Ballesteros

et al. (2015) use disclosure analysis obtained from a company's annual report to measure CSP value. Furthermore, eight of 27 studies used CSP indicators from previous studies. Three of eight studies use disclosure analysis taken from a company's annual report to measure CSP value (Ma *et al.*, 2016; Jizi *et al.*, 2014; Khan *et al.*, 2013) and others use a survey method to measure CSP.

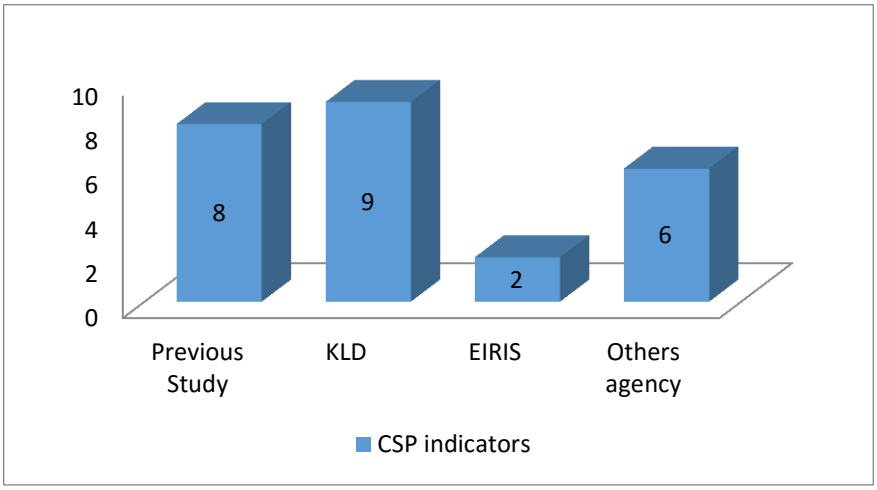

Figure 4.3 Number of studies by CSP Indicators

Based on four key themes related to reviewing previous studies, the researcher highlighted four academic gaps that can be address as contributions to this study.

First, studies on corporate diversification and CSP relationship are still limited and tend to neglect the industrial diversification. From 45 studies which investigated the relationship between corporate diversification and corporate performance, only 10 studies investigated the relationship between corporate diversification and CSP. Of 10 studies, 9 of these were empirical studies. Only Sharfman, Shaft and Tihanyi (2004) proposed a preposition. More detail

concerning 9 empirical studies on the corporate diversification-CSP relationship are described in Table 4.1. Table 4.1 reveals that most of the studies on the corporate diversification-CSP relationship focused on the relationship between international diversification and CSP.

Only three studies, Kang (2013); Dooley and Fryxell (1999); Simerly (1997), investigated the relationship between product diversification and CSP. However, Simerly (1997) did not differentiate between product diversification in related and unrelated diversification. Conversely, Dooley and Fryxell (1999) used related and unrelated diversification to reflect specific types of industry diversification, although, they only used environmental performance as a CSP measurement and applied uni-dimensional indicators. Only Kang (2013) applied related and unrelated types of industry diversification and used multi-dimensional indicators to measure CSP. Therefore, it may be concluded that research on the relationship between corporate diversification and CSP remains limited, particularly regarding product diversification and CSP. This study contributes to addressing this gap by investigating the relationship between corporate diversification and CSP, both industrial diversification and international diversification.

Secondly, to the best of the researcher's knowledge, there is no single study which investigates the role of corporate governance as moderating variable in studies on the relationship between corporate diversification and CSP, particularly by using board composition and ownership structure. Several authors explored the role of corporate governance as a moderating variable on corporate diversification-CFP relationship (Lien and Li, 2013; George and Kabir, 2012;

Chen and Ho, 2000; Lins and Servaes, 1999). However, investigation of the moderating effect of CG on the corporate diversification-CSP relationship is still missing.

Several authors investigated the direct impact of CG mechanisms such as ownership and board of directors on CSP (Cuadrado-Ballesteros *et al.*, 2015; Jizi *et al.*, 2014; Lahouel *et al.*, 2014; Dam and Scholtens, 2013; Hafsi and Turgut, 2013; Khan *et al.*, 2013; Ntim and Soobaroyen, 2013; Dam and Scholtens, 2012; Walls *et al.*, 2012; Zhang, 2012). Several also considered the CG mechanism as a moderating effect on the relationship between CSP and other variables, for instance managerial entrenchment, earnings management, and family firm (Cuadrado-Ballesteros *et al.*, 2015; Choi *et al.*, 2013; McGuire *et al.*, 2012; Surroca and Tribó, 2008). However, the effect of board structure and ownership structure, such as independent directors and ownership concentration, continues to be debated. More details of empirical studies that investigate role of between corporate governance CG as antecedent of CSP and moderating variables on the relationship of CSP and other variables are presented in Table 4.2. However, examination of the moderating effect of CG on the corporate diversification-CSP relationship is still missing. Furthermore, according to Cuadrado-Ballesteros *et al.* (2015); Ntim and Soobaroyen (2013) specific board composition and ownership concentration, for example board independence and ownership concentration could improve company's commitment on CSP. Therefore, the researcher argues that board composition and ownership concentration in a diversified company can moderate the corporate diversification-CSP relationship, as in the corporate diversification-CFP relationship. Accordingly, this study will contribute to the role

of CG as a moderating variable, particularly board dependency and ownership concentration, on the corporate diversification-CSP relationship.

Thirdly, studies on the corporate diversification-CSP relationship in developing economic setting are inadequate. In terms of country, most of the studies on the corporate diversification-CSP relationship were conducted in developed countries (e.g. seven in the US and one in the UK). Only one study by Ma *et al.* (2016), conducted the research in a developing economy (see Table4.1). According to Reimann *et al.* (2015), every country has differences in local rules, regulations, and governmental control which lead to different CSR requirements. Most emerging economies countries suffer from these weak institutions (Ma *et al.*, 2016), for example low local labour rights or poor working standards. This condition leads to lower requirements for CSR in developing economies than in developed economies (Reimann *et al.*, 2015) (Yang and Rivers, 2009). Therefore, the result of a study on the relationship between corporate diversification and CSP in a developing economy could differ from that of a developed economy. Moreover, the unique characteristics of a company in emerging developing economies, such as family dominance, could result in the failure of corporate governance mechanisms increasing CSR (Khan *et al.*, 2013). Moreover, Purkayastha *et al.* (2012) suggested that research of corporate diversification in emerging economies needed to broaden the scope outside China, Korea and East European countries. Indonesia meets this requirement. Accordingly, the researcher argues that an opportunity to investigate the relationship between corporate diversification, corporate governance and CSP is wide open in emerging economies such as Indonesia.

Fourthly, only limited studies apply GRI guidelines for CSP indicators. According to Cuadrado-Ballesteros *et al.* (2015); Bouten *et al.* (2011), GRI guidelines could be an adequate standard for CSR achievement which reflect the CSP, particularly performance indicators of GRI. Therefore, Cuadrado-Ballesteros *et al.* (2015) admitted that using GRI as a measurement of CSP would be appropriate in future studies. However, most previous studies on CSP and CSR use KLD indicators to measure CSP (see Figure 4.3) and no study on the corporate diversification-CSP relationship (see Table 4.1). Of nine studies, only Ma *et al.* (2016); Brammer *et al.* (2006) employed other indicators regarding CSP, such as EIRIS. Therefore, the researcher argues that this is an opportunity to contribute to the corporate diversification-CSP relationship by using GRI indicators on CSP measurement.

Table 4.1 Studies on corporate diversification and CSP

Diversification	**CSR**		**CSP**		**CEP**	
	Author, (relationship), Country	**Measurement /indicators**	**Author, (relationship), Country**	**Measurement / indicators**	**Author, (relationship), Country**	**Measurement /indicators**
Industry						
Total			1. Simerly (1997), (-), US	1. Ethical rating/ KLD		
Related			1. Kang (2013), (no), US	1. Ethical rating/ KLD	1. Dooley and Fryxell (1999) (UD<RD), US	1. Uni-dimensional/ TRI
Unrelated			1. Kang (2013) (+ and UD>RD), US	1. Ethical rating / KLD	1. Dooley and Fryxell (1999) (UD<RD), US	1. Uni-dimensional/ TRI
International	1. Attig *et al.* (2016), (+), US 2. Ma *et al.* (2016), (+), China 3. Strike *et al.* (2006) (+ and -), US	1. Ethical rating / KLD 2. Disclosure Analysis 3. Ethical rating / KLD	1. Aguilera-Caracuel *et al.* (2015), (+), US 2. Kang (2013), (+), US 3. Brammer *et al.* (2006), (+), UK	- Ethical rating / KLD - Ethical rating /KLD - Ethical rating /EIRIS	1. Christmann (2004) (+), US	1. Survey

Source: Adapted from several studies

Table 4.2 Studies on Corporate Governance and CSP

	CSR		CSP		CEP	
Corporate Governance	**Author/Country**	**Result**	**Author/Country**	**Result**	**Author/Country**	**Result**
A. Direct Relationship						
- Board structure	1. Cuadrado-Ballesteros *et al.* (2015)/ Europe, UK, US	- Independent Director (+)	1. Hafsi and Turgut (2013)/ US	- Board size (no) - Outside director (no) - Age (-)	1. Walls *et al.* (2012)/ US	- Board Independent (no) on CEP strength and (+) on CEP concern - Board size (no) on CEP strength and (+) on CEP concern - Board diversity (no) on CEP strength and (-) on CEP concern - Environmental committee (+)
	2. Jizi *et al.* (2014)/ US	- Independent Director (+) - Board size (+) - CEO duality (+)				
	3. Khan *et al.* (2013)/ Bangladesh	- Independent Director (+) - CEO duality (no)				
	4. Ntim and Soobaroyen (2013)/South Africa	- Independent director (+) - Board size (+) - Board diversity (+)			2. Post, Rahman and Rubow (2011)/ US	- CEO duality (no) - Outside director (+) - Female Director (no) - Board age
	5. Jo and Harjoto (2011)/ Several	- Outside independence director (+) - CEO duality (+)				

- Ownership structure	1. Dam and Scholtens (2013)/ Europe 2. Khan *et al.* (2013)/ Bangladesh 3. Ntim and Soobaroyen (2013)/ South Africa 4. Jo and Harjoto (2011)/ Several	- Ownership concentration (-) - Managerial ownership (-) - Public ownership (+) - Foreign ownership (+) - Government ownership (+) - Block ownership (-) - Institutional ownership (-) - Managerial ownership (no) - Institutional ownership (+) - Ownership concentration (-)	1. Hafsi and Turgut (2013)/ US	- Outside directors ownership (no)	1. Walls *et al.* (2012)/US	- Institutional ownership (no) - Investment turnover (no) - Shareholder activism (-) on CEP strength and (+) on CEP concern - Shareholder concentration (-) on CEP strength and (no) on CEP concern
B. Moderation						
- Board structure	1. Cuadrado-Ballesteros *et al.* (2015)/ Europe, UK, US 2. Ntim and Soobaroyen (2013)/ South	- Independent Director* Family firm (-) - Independent director*CSR (+) FP	1. Surroca and Tribó (2008)/ 22 countries	- Board Independence* Managerial entrenchment (no) - Non dual CEO* Managerial entrenchment (+)	1. Walls *et al.* (2012)/ US	- Board Independence * Investor turn over (-) - Board Independence * CEO salary and bonus (+)

	Africa	- Board size* CSR (no) to FP - Board diversity* CSR (+) to FP				- Board Independence * CEO duality (-)
- Ownership structure	1. Choi *et al.* (2013)/ Korea	- Ownership concentration* earning management (+) - Institutional Ownership* earning management (-) - Foreign ownership* earning management (no) - Government ownership*CSR (+) to FP - Block ownership* CSR (no) to FP - Institutional ownership* CSR (no) to FP	1. Peng and Yang (2014)/Taiwan 2. Surroca and Tribó (2008)/ 22 countries	- Ownership concentration*CSP (-) to financial performance - Ownership concentration* managerial entrenchment (no) - State ownership* managerial entrenchment (no)	1. Walls *et al.* (2012)/ US	- Shareholder concentration* managerial control (-)
	2. Ntim and Soobaroyen (2013)/ South Africa					

Source: Adapted from several studies

4.4 Hypothesis Development

According to a variety of previous studies on corporate diversification, corporate governance and CSP, this part describes the relationship of all the variables to develop four hypotheses. The relationship between corporate diversification and CSP is discussed first, and subsequently it is followed by the moderating effect of CG on the corporate diversification-CSP relationship, particularly via independent commissioners and ownership concentration.

4.4.1 Relationship between Corporate Diversification and CSP

Corporate diversification may influence CSP (Aguilera-Caracuel *et al.*, 2015; Kang, 2013), but empirical evidence for the relationship is remains inadequate (except for international diversification (Kang, 2013), particularly in emerging countries. The relationship between corporate diversification and CSP relates to stakeholder theory. A positive relationship between the level of diversification and the range of social issues is inferred from the fact that stakeholders in different industries and geographic markets attach different levels of significance to different social issues (Kang, 2013; Brammer and Millington, 2008). For example, business will be conducted smoothly only when the needs and desires of customers, suppliers, employees, communities and financiers are satisfied over time. Hence, to survive, a company must satisfy all stakeholders, including customers, shareholders and employees. Stakeholder theory gives an insight into why firms respond to the demands of stakeholders (Kang, 2013). According to Kacperczyk (2009), CSP might reflect the company's response to these demands and to social issues. Therefore, stakeholder theory contributes to the concept of CSP.

The relationship between diversification and CSP is not necessarily positive (Kang, 2013). For example, when a diversified firm ignores the stakeholders' demands and social issues, the level of diversification might be negatively related to CSP. However, according to the literatures, a diversified firm is more likely to pay attention to stakeholder demands and social issues for several reasons. First, diversification strategy relates to managerial risk aversion, a major issue in stakeholder demands and social issues (Deckop, Merriman and Gupta, 2006; McGuire, Dow and Argheyd, 2003). Second, diversification strategy may reduce managerial employment risk (Kacperczyk, 2009). Third, a diversified business can distribute the costs and benefits of CSP-related investments across its subsidiaries. Hence, a diversified firm will have a stronger economic incentive to invest in social issues than a focused firm (McWilliams and Siegel, 2001). Accordingly, this study concentrates on two types of diversification, industrial diversification (related and unrelated) and international diversification. The next section starts with the association between related diversification and CSP.

4.4.1.1 Related Diversification and CSP

Several studies have considered the relationship between related diversification and organisational performance (Su and Tsang, 2015; Park and Jang, 2013a; Miller, 2006; Gary, 2005), most authors arguing that related diversification relates positively to performance (Park and Jang, 2012; Miller, 2006; Palich, Cardinal*, et al.*, 2000; Markides and Williamson, 1994). Miller (2006), for example, noted that related diversification has a significantly positive impact on company performance, employing market-based measures of performance. Although there is a broader agreement that related diversification increases a company's performance, the empirical results are inconsistent (Park

and Jang, 2013b). For example, Su and Tsang (2015) concluded that product diversification relates to financial performance, following investigation of 391 Fortune 500 firms from 1996 to 2003 with 2,364 firm-year observations. They also determined that related diversification has no impact on financial performance. In contrast, Gary (2005) revealed that a stronger related diversification strategy might lead to poorer performance, arguing that the diversification-performance relationship depends on complex interactions among variables. Hence, a potential synergy effect might need more investment in common resources and will affect organisational performance. Even though none of the studies conducted by Su and Tsang (2015); and Miller (2006) employed CSP as an organisational performance measurement, they argue that related diversification has an impact on organisational performance. Consequently, it might be assumed that related diversification is related to CSP as part of organisational performance.

Kang (2013) asserted that related diversification is an antecedent of CSP, arguing for a positive relationship based on the KLD database as a source of CSP indicators. However, his findings confirmed no significant relationship between related diversification and CSP. He accepted that the relationship between the level of diversification and CSP does not necessarily have to be positive. If an unrelated diversified company cannot maintain a good relationship under pressure from increasing stakeholder demands and social issues, an increasing level of diversification might affect CSP negatively (Kang, 2013). The argument of Su and Tsang (2015) also implies that related diversification leads to lower CSP. Su and Tsang (2015); Kang (2013) believed that related diversified companies face a less narrow range of stakeholders, given the similarity of

stakeholder demands and social issues. Narrow range stakeholder demand may not encourage a company to extend its social responsibility to other areas. However, similarity in stakeholder demands and social issues enables companies to identify their stakeholders accurately and manage them effectively (Su and Tsang, 2015; Post, Preston and Sachs, 2002). Therefore, related diversified companies may have less difficulty in maintaining the relationship with their stakeholders, particularly secondary stakeholders, avoiding a waste of resources (Su and Tsang, 2015).

Although there is disagreement vis-à-vis this relationship, the researcher concludes that related diversification is an antecedent of CSP. Hence, this study proposes a hypothesis that:

H1a: There is a significant relationship between related diversification and corporate social performance.

4.4.1.2 Unrelated Diversification and Corporate Social Performance

Previous researchers have argued that related and unrelated diversification have a correlation with organisational performance (Su and Tsang, 2015; Kang, 2013; Park and Jang, 2013a; Park, 2002; Chatterjee and Wernerfelt, 1991; Kim, 1989b; Palepu, 1985). For example, Kim *et al.* (1989) investigated the relationship between global diversification strategy (related, unrelated and international diversification) on performance. They studied 62 multinational companies randomly selected from Dun and Bradstreet's America's Corporate Families and International Affiliates database, and discovered that unrelated diversification strategy might be associated with organisational performance when companies are well diversified globally. In contrast, Park (2002) examined

the reverse relationship between diversification strategy and organisational performance. He asserts that there are systematic *ex ante* performance differences between firms diversifying into related business and those diversifying into unrelated business (p.1003). This means that performance will lead to the decision of the organisation to diversify (related or unrelated). The debate takes place in this context: although there are two views regarding the relationship between organisational performance and diversification strategy, most researchers argue that diversification strategy, related or unrelated, is an antecedent of organisational performance (Su and Tsang, 2015; Kang, 2013).

Purkayastha (2013) argued that there are very few studies that address the impact of diversification strategy (related and unrelated) on business performance. He noted that unrelated diversification has a negative and significant relationship with ROA as one of the indicators of organisational performance. Conversely, Su and Tsang (2015) stressed that product diversification (related and unrelated) has a relationship with financial performance. They also suggested that the moderating effect of secondary stakeholders will be stronger in unrelated than related diversification. Hence, from the discussion above, the researcher argues that unrelated diversification relates to organisational performance. Moreover, given that one of the organisational performance dimensions is CSP, the researcher assumes that unrelated diversification strategy has a relationship with CSP.

However, to the best of this researcher's knowledge, studies on the link between diversification and CSP have been neglected (Kang, 2013; Brammer *et al.*, 2006; Simerly, 1997). For example, although Brammer *et al.* (2006) examined the association they only addressed geographical/international diversification.

Simerly (1997) only investigated the link between total diversification and CSP. Only Kang (2013) observed the relationship between unrelated diversification strategy and CSP, while Su and Tsang (2015) argued that unrelated diversified companies faced more diversified stakeholders, both primary and secondary, than did related diversified company, concluding that the former need to maintain good relationships with their stakeholders to gain legitimacy and enhance company reputation. These arguments imply a positive relationship between unrelated diversification and CSP. However, according to Kang (2013), the relationship between the level of diversification and CSP does not necessarily have to be positive. If an unrelated diversified company cannot maintain good relationships with stakeholders, an increasing level of diversification may impact on CSP negatively (Kang, 2013). In accordance with the above discussion, it can be argued that unrelated diversification is an antecedent of CSP, although research on this relationship remains limited and requires further study. The direction of the relationship depends on the ability of unrelated diversified companies to accommodate all their stakeholder demands and social issues. Taken together, the researcher posits a hypothesis that:

H1b: There is a significant relationship between unrelated diversification and corporate social performance.

4.4.1.3 Related diversification, unrelated diversification and Corporate Social Performance

Different industries and geographic markets affect social issues to various extents (Brammer and Millington, 2008). Firms which adopt an unrelated diversification strategy have a presence across industries that are widely different. Accordingly, these firms should deal with a wider range of stakeholders'

demands and social issues (Kang, 2013). Conversely, companies which adopt a related diversification strategy are faced with more consistent coherent stakeholder demands, and can focus on a relatively narrow range of social concerns (Kang, 2013). A diversified firm is more likely to pay attention to stakeholders' demands and social issues due to increased managerial risk aversion (Deckop *et al.*, 2006; McGuire *et al.*, 2003), reduced managerial unemployment risk (Kacperczyk, 2009), and increased ability to distribute the costs and benefits of CSP-related investments across subsidiaries. Furthermore, according to Kang (2013); Hoskisson and Hitt (1988) the increased managerial risk aversion will be higher in unrelated than in related diversified companies, and the managerial unemployment risk will be reduced more effectively (Kang, 2013; Kacperczyk, 2009). Moreover, the incentive of brand transfer and the insurance effect are stronger in the unrelated diversified companies (Kang, 2013). Therefore, unrelated diversified companies are predicted to have a higher CSP than related diversified companies.

However, in contrast to the arguments of Kang (2013); Kacperczyk (2009); Hoskisson and Hitt (1988), Simerly (1997) asserted that companies which adopt a diversification strategy distant from their core business interests are motivated by traditional or stakeholder perspectives that only pursue financial objectives. Therefore, the CSP of the business would be lower for unrelated diversification than for related diversification. Dooley and Fryxell (1999) argued that the intention of spreading environmental risk and concern with building reputational capital for environmental performance could lead to board spectrum diversification, including unrelated diversification. Accordingly, this demonstrates

lower environmental performance than related diversification. Hence, in regard to the first argument, the researcher proposes the hypothesis that:

H1c: The relationship between unrelated diversification and CSP is more positive than the relationship between related diversification and CSP.

4.4.1.4 International diversification and Corporate Social Performance

Some previous researchers, such as Attig *et al.* (2016); Ma *et al.* (2016); Aguilera-Caracuel *et al.* (2015); Kang (2013); Brammer *et al.* (2006); Christmann (2004); Sharfman *et al.* (2004), have argued that international diversification has a positive relationship with CSP. In contrast, according to Strike *et al.* (2006), international diversification can be simultaneously socially responsible and irresponsible. Only Aguilera-Caracuel *et al.* (2015); Kang (2013); Brammer *et al.* (2006) have investigated the effect of international diversification on CSP. Specific authors, such as Christmann (2004), Sharfman *et al.* (2004), only employed some of the CSP indicators, for instance environmental performance, while others focused on CSR rather than CSP. Moreover, there were several reasons for the positive relationship between international diversification and CSP, as follows.

First, international diversification increases the number and variety of stakeholder pressures derived from the different legal, regulatory, economic, cultural and social circumstances in each country (Ma *et al.*, 2016; Aguilera-Caracuel *et al.*, 2015; Park *et al.*, 2014; Kang, 2013; Brammer *et al.*, 2006; Gardberg and Fombrun, 2006; Christmann, 2004; Sharfman *et al.*, 2004). As stakeholders in various groups and countries have different priorities, international diversified companies must deal with a wider range of demands and

social issues (Kang, 2013). Thus, pressure from stakeholders will drive an international diversified company to adopt a higher standard of performance in order to deal with a wider range of demands (Aguilera-Caracuel *et al.*, 2015; Brammer *et al.*, 2006; Sharfman *et al.*, 2004). For example, Japanese and Korean electronics companies in Indonesia have adopted and developed various strategies to link their CSR with specific Indonesian social issues (Park *et al.*, 2015). Moreover, businesses from developing economies face a higher level of requirements of social behaviour in host countries (Ma *et al.*, 2016). Therefore, international diversified firms tend to respond well to stakeholder demands and social issues.

Secondly, international diversified firms have a greater opportunity for organisational learning, as they receive new and valuable ideas from the more diverse context (Ma *et al.*, 2016; Aguilera-Caracuel *et al.*, 2015). By creating mutual learning with their stakeholders and using these ideas and resources, firms can communicate effectively with different stakeholders concerning their expectations, manage complex regulations in different countries, and negotiate with governments to influence regulations to improve CSP (Ma *et al.*, 2016; Aguilera-Caracuel *et al.*, 2015; Strike *et al.*, 2006)

Thirdly, international diversification increases managerial incentive to respond to stakeholders' demands and social issues (Aguilera-Caracuel *et al.*, 2015; Kang, 2013). It can mitigate managerial employment risk by lessening the risk of bankruptcy and augmenting management entrenchment (Attig *et al.*, 2016; Aguilera-Caracuel *et al.*, 2015; Kang, 2013; Montgomery, 1994; Shleifer and Vinishny, 1989; Fatemi, 1984). As a result, management in international diversified firms tend to take notice of stakeholders' demands and social issues.

Fourthly, international diversification provides economic incentives for a company to respond to its stakeholders' demand and social issues. These rise from the ability of the company to spread the cost and benefit of CSP investment among their subsidiaries (Aguilera-Caracuel *et al.*, 2015; Kang, 2013; McWilliams and Siegel, 2001). For instance, a positive brand image generated from investment in social issues can be efficiently used across a company's global market (Aguilera-Caracuel *et al.*, 2015); Kang (2013); (Lichtenstein, Drumwright and Braig, 2004).

Alternatively, there might be a negative relationship between international diversification and CSP (Brammer and Millington, 2008). Internationally diversified companies or MNEs may select a country in such a way as to minimise stakeholder pressure (Brammer *et al.*, 2006), and transfer corporate socially irresponsible practice to their subsidiary (Surroca, Tribó and Zahra, 2013). In line with this, Muller and Kolk (2009) argue that developed countries' traditional beliefs regarding CSR implementation are left behind in emerging economies. Ho and Wang (2012) assert that emerging countries tend to have lower CSP than developed nations, in Europe, North America and the Asia-Pacific region. This is because emerging countries have a different culture (Ho and Wang, 2012), less social regulation (Reimann *et al.*, 2012), or endure ineffective control and enforcement mechanism in social regulation (Sharfman *et al.*, 2004). Therefore, according to Reimann *et al.* (2015), an international diversified company tends to exploit the emerging economies' conditions. For example, it will permit low local labour rights or poor working standards. However, governments in emerging economies are beginning to insist on CSR as part of MNEs' development objectives (Reimann *et al.*, 2012). Hence, with regards to

strong pressure from various stakeholders and motivated by managerial and economic incentives, a more internationally diversified company may have higher CSP. Therefore, the researcher proposes the hypothesis that:

H2: The relationship between international diversification and corporate social performance is positive.

4.4.2 Moderating Effects of Corporate Governance on the Relationship between Corporate Diversification and CSP

Several studies have argued that CG dimensions, such as an independent commissioner or ownership concentration, have an impact on CSP (Mason and Simmons, 2014; Young and Thyil, 2014; Choi *et al.*, 2013; Khan *et al.*, 2013; Ntim and Soobaroyen, 2013; Neubaum and Zahra, 2006). For example, Khan *et al.* (2013) asserted that CG mechanisms, for example ownership structure and board composition may influence CSR disclosure. They argued that CSR disclosure is affected by the motives and values of those involved in decision-making processes in the organisation. Hence, the board of directors, as part of CG, may have an impact on CSR decisions.

According to Claessens and Yurtoglu (2013), good CG promotes a better relationship between a company and its stakeholders, such as shareholders, bond holders, consumers, labourers, community and society. Therefore, they argued, good CG leads to improved CSP. In addition, Jamali *et al.* (2008) emphasise the importance of CG in ensuring that stakeholder and management interests are reconciled. Accordingly, a company with high CG will lead to a better relationship with stakeholders, which is important in implementing corporate diversification strategy. Hence, the author argues that the impact of

diversification strategy on CSP may be greater in a company which practises a better CG. Although, several studies have addressed the direct relationship between CG and CSP (Cuadrado-Ballesteros *et al.*, 2015; Li, Song and Wu, 2015; Hafsi and Turgut, 2013; Ntim and Soobaroyen, 2013), this researcher argues that CG may also have an impact on corporate diversification-CSP relationship and proposing a moderating effect of CG dimensions, specifically independent commissioner and ownership concentration on the relationship between corporate diversification and CSP.

4.4.2.1 Moderating effect of independent commissioners on the corporate diversification-CSP relationship

As explained in Chapter 3, Indonesian companies have a two-tier board or dual system (Nur'ainy *et al.*, 2013). The dual system has unique supervisory and executive management bodies (Utama and Utama, 2014), respectively the board of commissioners and board of directors. The former is responsible for supervising management policy and its implementation, and advising the board of directors (Nur'ainy *et al.*, 2013). The board of commissioners consists of independent and delegated commissioners (Waagstein, 2011), the former being similar to independent or non-executive directors in the US and UK systems.

Three dominant theories explain the relationship between board independence and CSP: agency theory, stakeholder theory and resources dependent theory (Cuadrado-Ballesteros *et al.*, 2015; Majocchi and Strange, 2012; Zhang, 2012; Hillman and Dalziel, 2003; Jensen and Meckling, 1976). First, from the agency theory perspective, separation of control and ownership in modern companies could generate agency conflict if the managers' interest is not aligned with the stakeholders' (Zhang, 2012; Fama and Jensen, 1983; Jensen

and Meckling, 1976). The role of the board of directors from the agency perspective covers, *inter alia*, approving strategic initiatives recommended by the senior management team and monitoring their implementation, along with preserving the interests of stakeholders (Majocchi and Strange, 2012; Fama and Jensen, 1983). The board of directors consists of internal and outside directors. The outside directors are not closely tied to the senior management and have no claim on the company's earnings (Zhang, 2012), and consequently, reflect the independence of the board (Hafsi and Turgut, 2013; Zhang, 2012); their judgments should be free of bias and more objective (Cuadrado-Ballesteros *et al.*, 2015). Their decisions are more likely to be driven by non-profit goals rather than being profit orientated, so they are more capable of representing not only shareholders' interests, but also those of other important stakeholders (Cuadrado-Ballesteros *et al.*, 2015; Zhang, 2012; Ibrahim, Howard and Angelidis, 2003). The presence of an independent director in a company should increase the open governance process which is critical in developing the firm's commitment to CSP; reflect the strong willingness of the firm to monitor any opportunistic behaviour by senior management and to promotion of stakeholders' benefit (Cuadrado-Ballesteros *et al.*, 2015; Khan *et al.*, 2013; Chang *et al.*, 2012).

Second, stakeholder theory criticises those management models that focus on the maximisation of shareholder value. Stakeholder theory views a business as a system of primary stakeholder groups (Clarkson (1995) or a set of relationships between groups of stakeholders in the activities that make up the business (Freeman, 2010; Freeman, Harrison and Wicks, 2008). Shareholders are only one group of stakeholders, and a business cannot survive if the interests of other primary stakeholders are neglected. Business is about value creation

and the interaction among stakeholders: manager, customer, supplier, employee, financier and community. Dissatisfaction among any of the primary stakeholder groups will make them withdrawn from the corporate system and disrupts the continuity of the firm as a going concern (Freeman, 2010; Clarkson, 1995). Therefore, a manager's task is how to manage the relationship between stakeholders so as to create as much value as possible for them without resorting to a trade-off and distributing the value (Freeman, 2010; Parmar *et al.*, 2010; Freeman *et al.*, 2008). The board of directors serves as a representative and safeguard for a wide range of stakeholders (Wang and Dewhirst, 1992) and has to make sure that the managers are undertaking their tasks correctly. The independence of the outside director enables the board to represent all other important stakeholders' interests (Cuadrado-Ballesteros *et al.*, 2015; Zhang, 2012; Ibrahim *et al.*, 2003; Wang and Dewhirst, 1992). Their strong knowledge and relationship with different groups of stakeholders beyond a company's boundary can enable them to bring more stakeholders' interests into the boardroom and eventually satisfy their demands (Chang *et al.*, 2012).

Finally, in line with stakeholder theory, resource dependence theory views organisations as consisting of external and internal coalitions in order to survive in an environment with limited valuable resources. Hence, an organisation needs to gain external resources rather than depend on them (Chang *et al.*, 2012; Pfeffer and Salancik, 2003; Wang and Dewhirst, 1992). From this theory, it is the duty of the board of directors to link the firm to its external environment and obtain critical resources (Cuadrado-Ballesteros *et al.*, 2015; Chang *et al.*, 2012; Zhang, 2012; Pfeffer and Salancik, 2003). A valuable contribution of the board is its social network, used to build and extend the firm's external legitimacy and to

improve its relationship with relevant stakeholders (Zhang, 2012). Independent directors can cross boundaries, providing critical tangible and intangible resources for managers and protecting them from outsiders (Chang *et al.*, 2012; Zhang, 2012; Pfeffer and Salancik, 2003). Independent directors are themselves a valuable resource because of their knowledge, experience and networks (Hafsi and Turgut, 2013). They can improve the quality of an organisation's strategic decision making by providing expert advice and counselling executives, enhancing stakeholder expectations and acquiring external resources (Chang *et al.*, 2012; Zhang, 2012).

Agency, stakeholder and resource dependence theories suggest a positive relationship between independent directors and CSP. Hence, the existence of an independent commissioner in a company may increase CSP. Authors who support the positive relationship between independent commissioners and CSR include Cuadrado-Ballesteros *et al.* (2015); Jizi *et al.* (2014); Hafsi and Turgut (2013); Ntim and Soobaroyen (2013); Jo and Harjoto (2011). Walls *et al.* (2012) ascertained that board independence could strengthen the positive relationship between CEO's salary/bonus, and CEP. However, the effectiveness of independent directors in increasing CSP is influenced by the legal environment, their own expertise/experience, and their degree of independence (Ntim and Soobaroyen, 2013). In line with this argument, Hafsi and Turgut (2013) established that outside directors may have no effect on CSP, and according to Surroca and Tribó (2008) they cannot strengthen the positive effect of managerial entrenchment on CSP. However, Walls *et al.* (2012) demonstrated that independent commissioners contributed to CEP, while Cuadrado-Ballesteros *et al.* (2015) found that they may weaken CSR disclosure in family firms. As the

unique characteristics of a company in emerging economies, such as family dominance, could result in the failure of corporate governance mechanism to increase CSP (Khan *et al.*, 2013).

However, to the best of this researcher's knowledge, no single study has addressed the role of the independent commissioner in increasing the positive effect of corporate diversification and CSP, or weakening its negative effect. With regard to the agency, stakeholder and resource dependence theories in the Indonesian context, the researcher proposes that the presence of an independent commissioner as an internal controlling and monitoring mechanism in diversified firms is expected to eliminate managers' opportunistic behaviour and to represent all stakeholders' interests in the board room. Moreover, with their outside contacts, independent commissioners can improve strategic decision making in diversified firms by their knowledge and use of networks to obtain valuable resources resulting in higher value for all stakeholders. Hence, this study proposes the following hypotheses:

H3a: The relationship between related diversification and CSP is moderated by independent commissioners.
H3b: The relationship between unrelated diversification and CSP is moderated by independent commissioners.
H3c: The relationship between international diversification and CSP is moderated by independent commissioners.

4.4.2.2 Moderating Effect of Ownership Concentration on Corporate Diversification-CSP Relationship

Agency theory is dominant in explaining the relationship between ownership concentration and CSP (Ducassy and Montandrau, 2015; Peng and Yang, 2014; Dam and Scholtens, 2013), although institutional and stakeholder

theories have some relevance (Khan *et al.*, 2013; Ntim and Soobaroyen, 2013). According to agency theory, agency conflict arises because of a lack of control by the owners of a firm. Major shareholders can eliminate agency problems between owner and agent due to their stronger incentive or more effective monitoring than those of minority shareholders (Dam and Scholtens, 2013; Ntim and Soobaroyen, 2013; Jo and Harjoto, 2011). However, the interests of concentrated ownership as majority shareholders may differ from those of minority shareholders, in which case they may pursue their own interest resulting in expropriation of the minority shareholders' interest (Surroca and Tribó, 2008). That is, ownership concentration can reduce investor protection for small or diversified groups of shareholders (Dam and Scholtens, 2013).

In line with the negative relationship between ownership concentration and CSP in agency theory explanation, there is a legitimation perspective: due to their limited and less powerful outside interests of companies with a high ownership concentration, the institutional pressure to adopt CSR is low (Ntim and Soobaroyen, 2013). Dam and Scholtens (2013); Ntim and Soobaroyen (2013) argued that majority shareholders may support social initiatives as long as the cost is not more than the benefit that might be received. Similarly, Khan *et al.* (2013) suggest that, from the stakeholder perspective, a company with dispersed ownership and a large number of stakeholders may face increased pressure for voluntary disclosure including CSR activity.

Several studies have examined the correlation between ownership concentration and CSP and other related terms, such as CSR and CEP (Choi *et al.*, 2013; Dam and Scholtens, 2013; Khan *et al.*, 2013; Ntim and Soobaroyen, 2013; Jo and Harjoto, 2011). With respect to agency, institutional and stakeholder

theory, empirical studies have determined a negative effect of ownership concentration on CSP. For instance, Dam and Scholtens (2013) found that the more concentrated the ownership, the poorer the CSR policies in a company because the majority shareholder group tended to disagree with the CSR activities if the cost outweighed the benefit. Similarly, according to Choi *et al.* (2013), the ownership structure of a company has a significant effect on its motivation to promote CSR activities which are in line with its interests. Khan *et al.* (2013) noted that public ownership has a positive impact on CSR disclosures, and Ntim and Soobaroyen (2013) that block ownership correspondingly has a strong negative pressure on CSR. Whether positive or negative, ownership concentration as part of CG is an influential factor on CSP.

However, although most of the CSP studies addressed ownership concentration as an antecedent of CSP, few saw ownership concentration as a moderating variable on CSP. For instance, Choi *et al.* (2013) argued that CSR can be used by managers or controlling shareholders to cover their opportunistic behaviour, such as earnings management. They proposed that CSR manipulation would be more common in a company with greater agency conflict, such as a company with highly concentrated ownership. They ascertained that a positive association between the extent of earnings management and CSR was strengthened by ownership concentration. Walls *et al.* (2012) similarly found that the interaction of ownership concentration and managerial control produced a negative effect on CEP. Hence, it may be argued that ownership concentration moderates the relationship between corporate diversification and CSP in a negative way.

Summarising the above discussion, a positive relationship between corporate diversification and CSP will be weakened under a higher concentration of ownership. In other words, a positive relationship with corporate diversification will be strengthened by dispersed ownership. This study proposes the following hypotheses:

H4a: The relationship between related diversification and CSP is moderated by ownership concentration.

H4b: The relationship between unrelated diversification and CSP is moderated by ownership concentration.

H4c: The relationship between international diversification and CSP is moderated by ownership concentration.

4.5 Summary

This chapter reviewed the literature on the relationship between corporate diversification, CG and CSP (see Appendices 1 and 2). Potential areas for future research were identified, for instance investigating the role of CG on the corporate diversification-CSP relationship, including product and international diversification in an emerging country setting. This chapter also describes the theories that explain the relationship between corporate diversification and CSP. These theories are used to develop the argument for each hypothesis on the relationship between corporate diversification and CSP, and the role of independent commissioner and ownership concentration as a moderating variable on this relationship. Accordingly, four principal hypotheses are proposed. Furthermore, the next chapter describes the methodology of this study

CHAPTER 5 METHODOLOGY

5.1 Introduction

The chapter which refers to the methodology, discusses the use of an alternative research method, which would generally answer the research question(s). The first part is research philosophy, which describes the philosophical position of this research. The first part is followed by the research approach, research design, population and sample, variable, data collection, variable definition and data analysis.

5.2 Research Philosophy

Research philosophy deals with knowledge development and the nature of knowledge (Saunders, Lewis and Thornhill, 2012). Research philosophy helps the researcher to gain insight and choose the appropriate research approach and research design. Research philosophy is a multi-dimensional concept. According to Saunders *et al.* (2012), research philosophy can be divided into three concepts, including ontology, epistemology and axiology. However, philosophers have different point of views in understanding ontology and epistemology (Easterby-Smith, Thorpe and Jackson, 2012). Ontology deals with the nature of reality and existence (Easterby-Smith *et al.*, 2012; Saunders *et al.*, 2012; Holden and Lynch, 2004; Hay, 2002). Accordingly, the researcher's ontological position helps to answer questions regarding the nature of social reality, phenomena or object to be investigated (Hay, 2002). Moreover, epistemology refers to a common set of assumptions which focus on the most appropriate ways of enquiring into the nature of the world (Easterby-Smith *et al.*, 2012; Hay, 2002). In

a simple way, epistemology refers to theory of knowledge, including the principles and rules to determine the social phenomena and how to apply knowledge (Mason, 2002). Axiology is based on assumptions or the researcher's view about the value role in undertaking research (Saunders *et al.*, 2012), such as free, laden or bond.

There are two continuums regarding research philosophy, including positivism and interpretivism. However, certain researchers define another term in between two continuums. Saunders *et al.* (2012) termed it 'realism' and Easterby-Smith *et al.* (2012) defined it as relativism. Positivism assumes that the social world exists externally and an objective method must be used to measure its elements (Easterby-Smith *et al.*, 2012). This suggests that an objective reality exists that is free from human behaviour (Crossan, 2003). Interpretivism refers to a research philosophy which assumes reality does not exist (ontology), phenomena have a subjective meaning and focus on detailed situations (epistemology), and it is not value free, seeing as the researcher is a part of what is being researched (axiology). Finally, realism is a research philosophy which refers to a point of view that reality exists but is obscured (ontology), observable phenomena give credible evidences (epistemology) and the study is value laden (axiology). This study employed positivism research philosophy.

This research used an objective method to measure the link between corporate diversification, corporate governance and CSP. Accordingly, this study deployed an objective measurement to measure each variable. The ontology of this research assumes the reality exists in an objective way. Additionally, this paper also investigates causality in the relationship between corporate diversification, corporate governance and CSP. Hence, it is the epistemology of

this study. Finally, from an axiological point of view, this study is a value free study. Hence, the researcher is independent to interpret the findings in objective way.

5.3 Research Approach

Research approach deals with the role of theory in research (Bryman and Bell, 2011). There are three types of research approach: deduction, induction and abduction (Saunders *et al.*, 2012). The deductive approach begins with theory, and subsequently tests theory by using research strategy (Saunders *et al.*, 2012; Bryman and Bell, 2011). In contrast, the inductive approach deals with creating a conclusion based on observation of phenomena. Accordingly, the inductive approach begins with data collection to explore a phenomenon which is valuable with regards to building or generating theory (Saunders *et al.*, 2012; Bryman and Bell, 2011). A comparison of research approaches is shown in Table 5.1:

Table 5.1 Research Approach Comparison

	Deduction	Induction	Abduction
Logic	In a deductive inference, when the premise is true, the conclusion must also be true	In a deductive inference, known premises are used to generated an untested conclusion	In a deductive inference, known premises are used to generate a testable conclusion
Generalisability	Generalising from the general to the specific	Generalising from the specific to the general	Generalising from interaction between the specific to the general
Use of Data	Data collection is used to evaluate a proposition or hypotheses related to existing theory	Data collection is used to explore a phenomenon, identify the themes and patterns and create a conceptual frame work	Data collection is used to explore a phenomenon, identify the themes and patterns, locate these in a conceptual framework and test this through sub sequent data collection, so on and so forth
Theory	Theory falsification or verification	Theory generation and building	Theory generation or modification; incorporating existing theory where appropriate, to build new theory or modify existing theory.

Sources: Adapt from Saunders *et al.* (2012)

The research approach pertaining to this study is the deductive approach. This research used positivism research philosophy, which has several characteristics, such as logic, generalisability, use of data and moreover, it fits the deductive approach.

5.4 Research Design

The research design should match the research philosophy and relate its methods and technique to data collection and data analysis (Easterby-Smith *et al.*, 2012; Saunders *et al.*, 2012; Bryman and Bell, 2011; Grix, 2002). According to Saunders *et al.* (2012), research design consists of research method (quantitative, qualitative, mix method and multi method), research strategy which

can be divided into several forms (e.g., experiment, survey, archival, case study, ethnography, research action, grounded theory and narrative inquiry) and time horizon (e.g., cross sectional and longitudinal).

The researcher can choose the appropriate research method which is suitable with their research philosophy and approach. According to Saunders *et al.* (2012), the researcher can choose the mono method, which consists of quantitative and qualitative studies, or a multiple method which comprises multi methods and mixed methods. In a specific way, differentiating between quantitative research from qualitative research relies on type of data and data analysis (Saunders *et al.*, 2012). Quantitative method research design is a research method that employs numerical data (numbers) generated from certain data collection techniques, such as questionnaires (Saunders *et al.*, 2012). In contrast, qualitative method research design is a research method that applies non-numerical data (words, images, video clips and others) produced from certain data collection techniques, such as an interviews (Saunders *et al.*, 2012). Furthermore, Saunders *et al.* (2012); Bryman and Bell (2011) compare the differences between these methods, which are outlined in the table 5.2

Table 5.2 Fundamental differences between quantitative and qualitative research

	Quantitative Research	Qualitative Research
Research Philosophy	Associated with positivism	Interpretivism/ constructivism
Research approach	Associated with Deductive	Associated with Inductive
Characteristic - Type of study - Type of data - Data collection - Sampling techniques - Data analysis techniques	- Examines relationship between variables - numerical data - Standardised - Usually use probability sampling - Statistical techniques	- Studies participants' meaning and relationship between them - non-numerical data - Non-standardised - Typically use non-probability sampling - Categorising data

Sources: adapted from Bryman (2012); Saunders *et al.* (2012)

This research applies positivist research which uses the deductive research approach. Moreover, this study aims to investigate the relationship between Corporate Diversification and CSP and to investigate the role of corporate governance on the corporate diversification-CSP relationship. In addition, this study also used numerical data and statistical analysis. Accordingly, the research methodological choice in relation to this study is quantitative.

According to Saunders *et al.* (2012), research strategy consists of experiment, survey, archival research, case study, ethnography, action research, grounded theory and narrative inquiry. Experiment and survey are associated with quantitative research, while archival research and case study could fit both quantitative and qualitative research. Other strategies are associated with qualitative research. Survey strategy is a form of research that collects data from a range of respondents by asking numerous questions (Bryman and Bell, 2011)

and archival research strategy is a form of research that gathers data from administrative records and documents, both historical and recent, as the foremost sources of data (Saunders *et al.*, 2012). It should be noted that both strategies were applied in previous research in corporate diversification, corporate governance and CSP.

Even though survey and archival fit with this research, most previous studies on CSP prefer to use archival research. For example, Ma *et al.* (2016); Dam and Scholtens (2013); Kang (2013); Walls *et al.* (2012); Bouten *et al.* (2011) have employed archival as the research strategy. Only a small number of studies concerning the CSP relationship, such as Park *et al.* (2014); Christmann (2004) used a questionnaire survey strategy in CSP studies. However, according to Ma *et al.* (2016) many authors contend that self-information disclosure vis-à-vis CSP, largely reflects companies' social performance and most third parties (e.g. KLD, CASS, SNAI, etc.) believe that companies' self-reports are significant evidence in relation to corporate social performance.

A cross sectional research time horizon has been applied to this study. This design requires collecting data on more than one case and at a single point in time (Bryman, 2012). Data was collected from numerous companies which were listed on the Indonesia Capital Market (IDX) in 2012 and 2013. All data for independent variables were collected from year 2012 databases, whereas data for dependent variables were gathered from year 2013 reports. The difference in the data collection period happened because the effect of the independent variables on the dependent variable did not occur in the same period but in the next period. This study used a cross sectional research time horizon owing to government regulations in corporate social responsibility pertaining to Indonesian

limited companies. Although Indonesian company law states that social and environmental responsibility is obligatory for companies that have activities in natural resources and/or related to that (Indonesia Company Law no.40 of 2007, article 74(1)), government regulation for implementation of this law was issued on 4 April 2012. Therefore, 2013 is chosen as the basis of measurement for CSP.

5.5 Population and Sample

The population in relation to this study is public companies listed on the Indonesia Stock Exchange (IDX). The reason for choosing public companies was the accessibility of data, particularly from annual reports. This study used a purposive sampling method. According to Saunders *et al.* (2012) purposive sampling allows the researcher to use judgement in selecting specific cases that are particularly informative with respect to answering the research question. Therefore, to secure the best result, this sampling method has been used based on several sample criteria. There are four criteria of sampling in this study, which are as follows.

First, the company must have been listed on the IDX in 2012 and 2013. This criterion has been chosen because this study employed a one-year lag regression model as the data analysis. According to several previous studies on CSP, the impact of antecedents on CSP might not occur at the same time (Fischer and Sawczyn, 2013; Neubaum and Zahra, 2006). Hence, one-year lag regression is suitable for this study. Moreover, this study used listed companies taken from 2012-2013 because the Indonesian government's regulations on corporate social and environmental responsibility applying to limited companies (Indonesia Government Regulation no 47 of 2012) did not come into effect until

2012. To make sure of a company's adoption of this law, this study utilised annual reports from 2013 as the source of data.

The second criterion was a non-financial company. This criterion was applied as financial companies are subject to different regulatory oversight and capital structure restrictions (Cuadrado-Ballesteros *et al.*, 2015; Ntim and Soobaroyen, 2013); hence, corporate financial performance, CSR and CG in financial companies are different with companies in other sectors (Lahouel *et al.*, 2014; Li, Luo, Wang and Wu, 2013; Lien and Li, 2013; Ntim and Soobaroyen, 2013).

The third criterion was that the company belongs to an industry which has a history of diversification, both industry diversification and international diversification. This criterion was utilised to capture the effect of different types of diversification on CSP in every industry (Simerly (1997). The final criterion was that the company had published its annual report for 2013 and the report should contain all data required for this research.

Furthermore, Table 5.3 has summarised the number of samples. First, this study used 459 companies listed in 2012, as the population. Based on the first criterion, the number of companies was reduced to 450 companies. The second criterion eliminated 83 companies, while the third criterion reduced the number of samples to 277 companies. Finally, the fourth exclusion criterion lowered the number of samples to 234 listed companies. Furthermore, many data outliers will be excluded as a requirement of multiple regression analysis. The process of verifying the outliers and the result are present in the data analysis and finding, particularly in the descriptive statistics part.

Table 5.3 Sample Based on Selection Process

Description	Number of Companies
Company listed on IDX at 2012	459
Not listed on IDX at 2013	(9)
Company listed on IDX from 2012-2013	450
Financial company	(83)
Non-financial company	367
No diversification history in 2-digit ISIC	(90)
Has diversification history in 2-digit ISIC	277
No annual report 2013 or incomplete data	(43)
Final sample for analysis	234

Source: Author, based on IDX figures from 2012-2013

5.6 Data collection

Data collection in this study can be divided into two parts, including data source and data gathering processes. This study applied secondary data as a source of data. According to Saunders *et al.* (2012) secondary data is acceptable as long as the data enables the research questions to be answered and meets the research objectives. Additionally, the benefits associated with their use will be greater than the costs, plus the data are accessible to the researcher. All research questions in this study can be answered by using secondary data, such as annual reports as sources of information for self-information disclosure about CSP and corporate diversification, Indonesia Capital Market Directory (ICMD) and Osiris data based on corporate governance and financial information. Annual reports and ICMD are already exist on the IDX website and can be accessed easily by the researcher. Moreover, according to (Jizi *et al.*, 2014) the reliability of the information in annual reports is high as a result of audited reports. Moreover,

having a number of possible secondary data sources benefits the validity and reliability aspect.

Several previous studies, for instance Ma *et al.* (2016); Dam and Scholtens (2013); Kang (2013); Walls *et al.* (2012); Bouten *et al.* (2011) also employed secondary data, such as annual reports and specific data bases. Therefore, this study used secondary data as sources of data. The sources of data were the 2013 annual reports of the companies on the IDX website; the 2013 Indonesia Capital Market Directory (ICMD), which summarised key financial information from 2012 and the previous two years, in addition to the Osiris database. All variables in this study, excluding CSP, used two sources of data, such as annual reports and ICMD, annual reports and Osiris, and furthermore, the ICMD and Osiris. Table 5.4 describes sources of data in more detail.

Table 5.4 Sources of Data

Source of Data	Variables
Annual Report (2013)	Corporate Social Performance - Disclosure index derived from content analysis - CSP industry
Annual Report (2013) and Osiris Database	Related Diversification - Entropy Measure by sales based on two and four digit ISIC Unrelated Diversification - Entropy Measure by sales based on two digit ISIC International Diversification - Proportion of foreign sales to total Sales Independent commissioners - Number of independent commissioners in the company Company Size - Number of Employees Company age - Number of years' business establish
ICMD (2013) and Osiris Database	Firm Profitability - Return on Asset Liquidity - Current Ratio Financial Leverage - Debt to Total Asset Intangible asset - Market to Book Ratio Ownership concentration - % public ownership

Source: compiled by Author

The data gathering process consists of four stages. **First**, the researcher determined the type of corporate diversification, product and international diversification. This stage was associated with the second selection criterion; the companies in an industry which have a history of both product and international diversification were included in the study. For product diversification, this study collected data from the company's sales for every industry based on four- and two-digit ISIC codes. For international diversification, this study employed data from company's sales based on geography areas, including Indonesia and foreign countries. However, the company's classification in terms of industry is not always the same as ISIC. Consequently, every segment in the annual report had to be reclassified based on ISIC codes to measure product diversification.

T**he second** stage concerning data collection was determining CSP by means of content analysis. The data were collected from 2013 annual reports. The content analysis, which used CSP indicators, is adapted from the Global Reporting Initiative (GRI). The GRI disclosure items consist of economic, environmental and social performance indicators. Companies which have not published their annual report, automatically have no CSP data and were excluded from the list. **The third** stage was collecting data pertaining to type of industry variable. It was conducted by means of grouping each company's CSP based on the two-digit ISIC into its industry, and subsequently measuring the average CSP for each industry.

The final stage was data collection of other variables. Data for independent commissioners and companies' ages was gathered from annual reports. Additionally, this study also verified the data accuracy by using Osiris. Conversely, data concerning company size (number of employees) was collected

from Osiris and confirmed with the annual report. Other variables, such as profitability, financial leverage, intangible assets and public ownership were collected from ICMD, whilst, other sources were used only for confirmation.

5.7 Definition of variables and their measurements

The four types of variables are dependent, independent, moderating and control variable. The dependent variable is CSP. The independent variables are total corporate diversification, related diversification, unrelated diversification and geographical diversification. The moderating variable is the independent commissioner. To control other variables which are predicted to have an influence on the dependent variable, this research applied company size, profitability, liquidity, financial leverage, intangible assets, company's age, type of industry and ownership concentration as the control variables.

5.7.1 Dependent variable: Corporate Social Performance

CSP is a company's performance in response to stakeholder's demands and social issues based on multi-dimensional indicators of GRI. It was measured by way of occurrence disclosure analysis, as part of content analysis and presented in the quantity disclosure index. In line with the definition of occurrence disclosure by (Bouten *et al.*, 2011; Hooks and Van Staden, 2011; Joseph and Taplin, 2011), this occurrence disclosure analysis was compiled by counting the number of CSP items disclosed in companies' annual reports against a checklist, without considering the amount of disclosure in each item. The checklist of disclosure items for CSP indicators was adapted from the Global Reporting Initiative (GRI). However, this study was conducted in the transition period

between GRI versions 3 (G3) and (G4); therefore, the checklist adopted relevant indicators from both versions.

In total, there are 80 indicators in the disclosure checklist. Nine indicators related to economic performance dimension, 30 indicators used for environmental performance dimensions and the remaining 41 indicators for social performance dimension, which consists of human rights (11), labour practices and decent working conditions (13), product responsibility (9) and society (8). The result of the CSP disclosure was presented as a percentage. All indicators are shown in Table 5.5.

Table 5.5 CSP Indicators in this research

No	GRI		Indicators
	G3	**G4**	
			1. Economic
			a. Economic Performance
1	EC1	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments
2	EC2	EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change
3	EC3	EC3	Coverage of the organisation's defined benefit plan obligations.
4	EC4	EC4	Significant financial assistance received from government.
			b. Market Present
5	EC5	EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.
6	EC7	EC6	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.

No	GRI		Indicators
	G3	G4	
			c. Indirect Economic Impact
7	EC8	EC7	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.
8	EC9	EC8	Understanding and describing significant indirect economic impacts, including the extent of impacts.
			d. Procurement Practice
9	EC6	EC9	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
			2. Environmental
			a. Materials
10	EN1	EN1	Materials used by weight or volume.
11	EN2	EN2	Percentage of materials used that are recycled input materials.
			b. Energy
12	EN3	EN3	Direct energy consumption by primary energy source.
13	EN4	EN3	Indirect energy consumption by primary source.
14	EN5	EN6	Energy saved due to conservation and efficiency improvements.
15	EN6	EN7	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.
16	EN7	EN6	Initiatives to reduce indirect energy consumption and reductions achieved.
			c. Water
17	EN8	EN8	Total water withdrawal by source.
18	EN9	EN9	Water sources significantly affected by withdrawal of water.
19	EN10	EN10	Percentage and total volume of water recycled and reused.
			d. Biodiversity
20	EN11	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

No	GRI		Indicators
	G3	G4	
21	EN12	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.
22	EN13	EN13	Habitats protected or restored.
23	EN15	EN14	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.
			e. Emission, effluents and waste
24	EN16	EN15	Total direct and indirect greenhouse gas emissions by weight.
25	EN16	EN16	Total direct and indirect greenhouse gas emissions by weight.
26	EN17	EN17	Other relevant indirect greenhouse gas emissions by weight.
27	EN18	EN19	Initiatives to reduce greenhouse gas emissions and reductions achieved.
28	EN19	EN20	Emissions of ozone-depleting substances by weight.
29	EN20	EN21	NOx, SOx, and other significant air emissions by type and weight.
30	EN21	EN22	Total water discharge by quality and destination.
31	EN22	EN23	Total weight of waste by type and disposal method.
32	EN23	EN24	Total number and volume of significant spills.
33	EN24	EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.
34	EN25	EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff
			f. Product and service
35	EN26	EN27	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.
36	EN27	EN28	Percentage of products sold and their packaging materials that are reclaimed by category.

No	GRI		Indicators
	G3	G4	
			g. Compliance
37	EN28	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.
			h. Transport
38	EN29	EN30	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.
			i. Overall
39	EN30	EN31	Total environmental protection expenditures and investments by type.
			3. Social: Labour practice and decent work
			a. Employment
40	LA2	LA1	Total number and rate of new employee hires and employee turnover by age group, gender, and region.
41	LA3	LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.
42	LA15	LA3	Return to work and retention rates after parental leave, by gender.
			b. Labour/Management relation
43	LA5	LA4	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.
			c. Occupational Health and safety
44	LA6	LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programmes.
45	LA7	LA6	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender.
46	LA8	LA7	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.

No	GRI		Indicators
	G3	**G4**	
47	LA9	LA8	Health and safety topics covered in formal agreements with trade unions.
			d. Training and Education
48	LA10	LA9	Average hours of training per year per employee by gender and by employee category.
49	LA11	LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.
50	LA12	LA11	Percentage of employees receiving regular performance and career development reviews by gender.
			e. Diversity and equal opportunity
51	LA13	LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.
			f. Equal remuneration for women and men
52	LA14	LA13	Ratio of basic salary of men to women by employee category.
			3 Social: Human Right
			a. Investment and procurement practices
53	HR1	RH1	Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening.
54	HR2	RH10	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening and actions taken.
55	HR3	RH2	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.
			b. Non discrimination
56	HR4	RH3	Total number of incidents of discrimination and corrective actions taken.

No	GRI		Indicators
	G3	G4	
			c. Freedom of association and collective bargaining
57	HR5	RH4	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.
			d. Child labour
58	HR6	RH5	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.
			e. Prevention of forced and compulsory labour
59	HR7	RH6	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.
			f. Security practice
60	HR8	RH7	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.
			g. Indigenous practice
61	HR9	RH8	Total number of incidents of violations involving rights of indigenous people and actions taken.
			h. Assessment
62	HR10	RH9	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.
			i. Remediation
63	HR11	RH12	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.
			3 Social: Society
			a. Local communities
64	SO1	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.

No	GRI		Indicators
	G3	**G4**	
65	SO9	SO2	Operations with significant potential or actual negative impacts on local communities
			b. Corruption
66	SO2	SO3	Percentage and total number of business units analysed for risks related to corruption.
67	SO3	SO4	Percentage of employees trained in organisation's anti-corruption policies and procedures.
68	SO4	SO5	Actions taken in response to incidents of corruption.
			c. Public Policy
69	SO6	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.
			d. Anti-competitive behaviour
70	SO7	SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.
			e. Compliance
71	SO8	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.
			3 Social: Product responsibility
			a. Customer health and safety
72	PR1	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.
73	PR2	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.
			b. Product and service labelling
74	PR3	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.
75	PR4	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.

No	GRI		Indicators
	G3	G4	
76	PR5	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.
			c. Marketing communication
77	PR6	PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.
78	PR7	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.
			d. Customer policy
79	PR8	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.
			e. Compliance
80	PR9	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

Source: adapted from Global Reporting Initiative (2013, 2011)

To measure the quantity of the disclosure index concerning CSP, a binary coding system is used. All CSP indicators in Table 6.1 score 1 if disclosed and 0 if not disclosed. The CSP indices in this research will have 0 for a minimum score in the index and 100 for a maximum score. The higher score reflects the greater extent and quality of the disclosure, which denotes that the company has a higher CSP level.

Equation 5.1 CSP measurement

$$CSP = \frac{Total\ score\ of\ CSP\ disclosure}{80} x100\% \quad (5.1)$$

Furthermore, the complete information vis-à-vis disclosure analysis in this study is described in the data analysis, particularly in the content analysis section.

5.7.2 Independent variable

The independent variable in this study is corporate diversification, including product and international diversification. As stated in Chapter 2, corporate diversification is a company strategy related to operating in multiple businesses or different businesses, in terms of product or industry, market or resources. The differentiation in business is only represented by various products and markets. In terms of product, corporate diversification is divided into related and unrelated diversification; whilst in terms of market, this study employed international diversification.

Related diversification is defined as corporate strategy to operate in a related business in the same industry group, which is reflected in the same two-digit ISIC code, although they have a different industry segment under four-digit ISIC codes. Unrelated diversification is corporate strategy, which operates the business in a different business or industry group based on two-digit ISIC codes. These definitions are strongly associated with the business count approach. This approach is suitable for measuring diversification variables in this study. The advantages of the business count approach are objectivity, reliability, availability of information, ease of calculation and it is less time consuming (Martin and Sayrak, 2003; Sambharya, 2000; Montgomery, 1982; Pitts and Hopkins, 1982). The business count approach has several measurement approaches, including number of segments, HI and entropy measures. However, only the entropy measure can capture the distribution of a company's involvement in each business and simultaneously measure the relatedness of the business based on industry. Therefore, this study applies this method to measure corporate diversification, as do several previous studies (Ataullah *et al.*, 2014; Erdorf *et al.*,

2013; Kang, 2013; Lien and Li, 2013; Park and Jang, 2013b, 2013a; Chen and Yu, 2012; Park and Jang, 2012).

Entropy measurement needs an established product classification system code to identify product or industry diversification. This study uses the new version of the ISIC All Economic Activities, ISIC Rev.4 (Nation, 2009). ISIC is a coherent and consistent classification based on international agreement about concepts, definitions, principles and classification rules, adopted internationally and used by the majority of countries, including Indonesia, to develop a national classification (Nation, 2009). The last revision of this classification is ISIC Rev 4, used to develop *Klasifikasi Baku Lapangan Usaha Indonesia* (KBLI) or the Indonesian standard Industry classification of all economic activities (BPS (2009). The ISIC data consists of a two- to four-digit schema to define business or industry affiliation.

Entropy measure, which was adopted from a study by Palepu (1985), is applied for both related and unrelated diversification. The entropy measure for related diversification consists of two formulas. The first measures the relatedness between segment industries based on four-digit ISIC codes, within a group industry based on 2-digit codes. As a company can operate in several industry groups, the second formula is applied to measure the total related diversification. The formulas for related diversification are as follows:

Equation 5.2 Related Diversification in several segments

$$DR_j = \sum_{i \varepsilon j} P_i^j \; ln \frac{1}{P_i^j} \tag{5.2}$$

Equation 5.3 Total Related Diversification

$$DR = \sum_{j=1}^{m} DR_j \; x \; p_j \tag{5.3}$$

Where:

DR_j = The related diversification in several segments within an industry group
P_i^j = The share of the segment *i* of group *j* in the total sales of the group
DR = The weighted average of total related diversification within the entire group share
p_j = The share of *j*th group sales in the total sales of the company

The entropy measure for unrelated diversification is calculated by means of the following formula:

Equation 5.4 Total Unrelated Diversification

$$DU = \sum_{j=1}^{m} P^j ln \frac{1}{p_i} \quad (5.4)$$

Where:

DU = The weighted average of unrelated diversification in all entire group shares.

As the total product or industry-based corporate diversification is the sum of related diversification and unrelated diversification, related diversification can be measured by applying the following formula:

Equation 5.5 Total Related Diversification

$$DR = TD - DU \quad (5.5)$$

Equation 5.6 Total Diversification

$$TD = \sum_{i=1}^{n} p_i ln \frac{1}{p_i} \quad (5.6)$$

Where:

TD = Total diversification
Pi = The share of *i*th segment sales in the total sales of the company

A few examples of entropy measure related to total, related and unrelated diversification in this research can be seen in Table 5.6.

Table 5.6 Diversification with Entropy Measure

Firm code	Proportion Sales				Proportion Sales			Proportion Sales	Total Proportion Sales	Diversification		
	Group 1				Group 2			Group 3		Total	Related	Unrelated
	Segment 1	2	3	Total	1	2	Total	Total				
DVLA	1.00			1.00			0.00		1.00	0.00	0.00	0.00
INKP	0.83	0.17		1.00			0.00		1.00	0.46	0.46	0.00
SSTM	0.83	0.15	0.02	1.00			0.00		1.00	0.52	0.52	0.00
CPIN	0.75	0.08	0.04	0.87	0.13		0.13		1.00	0.81	0.42	0.39
MAIN	0.68			0.68	0.32		0.32		1.00	0.63	0.00	0.63
PTRO	0.93			0.93	0.07	0.01	0.07		1.00	0.29	0.02	0.27
SMAR	0.91			0.91	0.06		0.06	0.03	1.00	0.37	0.00	0.37
SMSM	0.70	0.11		0.81	0.10		0.10	0.09	1.00	0.93	0.32	0.62

Source: Author

An additional independent variable in this study is international diversification. International diversification is a strategy employed by Indonesian companies which operate not only in Indonesia but also in other countries. Hence, they have foreign and domestic sales. This variable is measured by using the uni-dimensional measure, ratio of foreign sales to total sales (Kang, 2013; Majocchi and Strange, 2012). This measure was used because of the availability of data. Data related to company's sales based on geographical segments in audited financial reports are not uniform. Some companies, for instance Ekadharma International Ltd, Unggul Indah Cahaya Ltd and Trias Sentosa Ltd, report their sales in detail by country. Others, for instance Intikeramik Alamasri Ltd, PT Mulia Industrindo Ltd, and Alumindo Light Metal Industry Ltd, report their sales by region, e.g. the Middle East, Asia, South Africa and Europe. Other companies, such as PT. Surya Toto, Citra Turbindo, and Tembaga Mulia Semanan Ltd, only stated their sales as Indonesian or foreign. Therefore, a multi-dimensional measure, such as Kim's entropy index (Kim, 1989a) cannot be applied in this research.

5.7.3 Moderating Variable: independent commissioner and ownership concentration

The moderating variables in this research are independent commissioner and ownership concentration. The definition of independent commissioner is derived from Indonesian Company Law no.40 of 2007, Articles 120(1`) and (2): a member of the Board of Commissioners, who has no affiliation either directly and indirectly to controlling shareholders, shareholders, management, and/or other members of the board, or has no business relationship with business activities of the company. This definition is similar to those for outside and non-executive

directors in Europe and other Asian countries. The independent commissioner in this research was measured by the number in a company.

Ownership concentration is the mirror image of ownership dispersion or ownership diffusion in other studies (Kiliç, Kuzey and Uyar, 2015; Khan *et al.*, 2013; Jacoby and Zheng, 2010). Ownership concentration in this study is measured by the total share owned by shareholders who own less than 5%. In other words, the proportion of shares owned by the public or unknown. Based on this definition, a lower value reflects more concentrated ownership in a company. From the ownership dispersion or diffusion point of view, the higher the value of this variable, the greater the ownership dispersion. This measurement is in line with studies, such as Kiliç *et al.* (2015); Khan *et al.* (2013). The cut-off of 5% follows previous studies for example (Nguyen *et al.*, 2015; Jacoby and Zheng, 2010) to differentiate majority ownership from public ownership.

5.7.4 Control Variables

To control other variables which are predicted to have an effect on CSP, this study applies a number of control variables, based on previous studies: T company size, profitability, liquidity, financial leverage, intangible assets, company age, type of industry, in addition to ownership concentration. Company size is the number of employees, presented in logarithmic form. The measurement is generally used in CSP and CSR research area, such as Fischer and Sawczyn (2013); Kang (2013); Ho and Wang (2012); Zhang (2012). Neubaum and Zahra (2006) ascertained a strong correlation between the number of employees and other proxies of company size (e.g. natural log of total assets and total sales). Profitability in this research is measured by ROA, as in other studies, for instance Ntim and Soobaroyen (2013); McGuire *et al.* (2012); Walls *et*

al. (2012). ROA defines a company's ability to generate profit from company assets. It is expressed as a percentage of earnings before tax to total assets.

Company liquidity is measured by using current ratio, a comparison between current assets and short-term liabilities (Neubaum and Zahra (2006). Regarding the financial leverage, debt to total asset ratio captures the proportion of debt in company financing as the measurement, as used by Li, S. *et al.* (2015); Lahouel *et al.* (2014); Kang (2013); Li *et al.* (2013); Ho and Wang (2012); McGuire *et al.* (2012); Brammer *et al.* (2006). The intangible asset is captured by using the market to book value ratio, as used by Kang (2013); Ho and Wang (2012). Company's age reflects the number of years since the company's establishment, represented as a logarithm, and employed by Li, S. *et al.* (2015); Surroca and Tribó (2008). Finally, type of industry is based on the two-digit ISIC code and measured by the average of CSP in the industry (Kang, 2013). This measurement is in line with prior studies, such as Kiliç *et al.* (2015); Khan *et al.* (2013).

5.7.5 Summary of definition of variable and their measurement

A summary of definitions, measurements and sources for every variable is given in Table 5.7.

Table 5.7 Operationalisation of Variables

Variables	Definitions	Measurements	Sources
Dependent Variable			
Corporate Social Performance	Company performance in response to stakeholder demand and social issues based on GRI indicators	Disclosure index derived from content analysis by using 80 social performance indicators of GRI	Fischer and Sawczyn (2013); Haji (2013); Kang (2013); Bouten et al. (2011); Hooks and Van Staden (2011)
Independent Variables			
Related Diversification	Corporate strategy to operate in related business which is reflected in the same two digits ISIC, but is different regarding four digit ISIC	Entropy Measure Based on four digit ISIC $DR_j = \sum_{i\varepsilon j} P_i^j \, ln \frac{1}{P_i^j}$ $DR = \sum_{j=1}^{m} DR_j \; x \; p_j$	Kang (2013); Park and Jang (2013a); Chen and Yu (2012); Kranenburg *et al.* (2004); Palepu (1985); Jacquemin and Berry (1979)
Unrelated Diversification	Corporate strategy to operate in different business or industry based on two-digit ISIC	Entropy Measure Based on two-digit ISIC $DU = \sum_{j=1}^{m} P^j ln \frac{1}{p_i}$	Kang (2013); Park and Jang (2013a); Chen and Yu (2012); Kranenburg *et al.* (2004); Palepu (1985); Jacquemin and Berry (1979)
International Diversification	Corporate strategy of Indonesian company to operate in different countries	Proportion of foreign sales to total sales	Krapl (2015); Kang (2013)
Independent commissioner or independent director	Independent commissioner is a member of the board of commissioners which is not affiliated with the directors, other commissioners and controlling	Number of independent commissioners in the company	Ducassy and Montandrau (2015); Zhang (2012

	stockholders, as well as free from the business relationship or other relationships that may affect its ability to act independently or act solely for the benefit of the company.		
Ownership Concentration	Share portion which is owned by the largest shareholder in a company	Percentage of Stock held by publict	Kiliç *et al.* (2015); Khan *et al.* (2013)
Control Variables			
Company size	Company size based on total number of employees	Natural Log of number of employees	Kang (2013); Ho and Wang (2012); Zhang (2012) Fischer and Sawczyn (2013); Brammer *et al.* (2006); Neubaum and Zahra (2006)
Profitability	Company ability to generate profit based on company's asset.	Return on Asset (ROA): Earning before tax to Total Asset	Ducassy and Montandrau (2015); Ho and Wang (2012); J. McGuire et al. (2012); Zhang (2012); Surroca and Tribó (2008); Neubaum and Zahra (2006)
Liquidity		Current Ratio: current asset to Short term liabilities	Neubaum and Zahra (2006)
Financial Leverage	The proportion of debt on company's financing	Debt to Total Asset	Li, S. *et al.* (2015); Lahouel *et al.* (2014); (Peng and Yang, 2014); Kang (2013); Li *et al.* (2013); Ho and Wang (2012);

			McGuire *et al.* (2012); Brammer *et al.* (2006)
Intangible asset	Company's intangible asset which is reflected in market to book value	Market to Book Ratio	Ho and Wang (2012) Kang (2013)
Company's age	Number of years company established	Number of years company established	Li, S. *et al.* (2015); Surroca and Tribó (2008)
Type of industry	Type of industry based on two digit ISIC	CSP industry based on two digit ISIC	Kang (2013); Ho and Wang (2012); McGuire *et al.* (2012); Neubaum and Zahra (2006)

Source: Adapted from several studies

5.8 Data analysis

This section explains the descriptive statistical analysis used to verify the data prior to the main analysis by way of multiple regression.

5.8.1 Descriptive Statistical Analysis

Five descriptive statistical analyses checked the compatibility of the data set with the multiple regression analysis. The first was the outlier test, conducted to avoid serious distortion in statistical test results (Hair, Black, Babin and Anderson, 2010). This study used a univariate perspective with a cut-off standard score (ZScore) of 4 as the outlier test. Outliers which appear because of extraordinary events or with no explanation are eliminated. The second was the normality test of the error term, using the Kolmogorov-Smirnov test. It was also employed to remedy any violation in the normality assumption, to increase confidence in interpretation and prediction in multiple regression, as suggested by Hair *et al.* (2010). The remedy was conducted via transformation of data

based on a normal probability model and distribution. The values related to dependent variables were transformed by using inverse density function normal (IDF Normal) (Weinberg and Abramowitz, 2008).

The third was the multicollinearity test, conducted to ensure the reliability of the regression coefficient (Pallant (2013), to avoid the coefficient being imprecise, not significant, having an opposite sign and changing the number of observations (Asteriou and Hall, 2011). This study utilised two types of multicollinearity test. The first was the correlation matrix of independent variables using a correlation value below 0.90, as the cut-off (Hair *et al.*, 2010). To produce robust findings, this study applied Pearson's parametric and Spearman's non-parametric coefficients in the correlation matrix, as conduct by (Ntim and Soobaroyen, 2013). The second test for multicollinearity was tolerance value and its inverse, as well as the variance inflation factors (VIF). Non-essential multicollinearity was established in five regression models: 6, 7, 8, 9 and 14. The non-essential multicollinearity is due purely to scaling of the interaction effect, which algebraically originated from multiplication of two of the predictors: diversification and independent commissioner variables. Therefore, as suggested by Cohen (2003), this research applied centred regression to eliminate the non-essential muticollinearity. Centred regression was used in similar studies, such as Aguilera-Caracuel *et al.* (2015); Kang (2013). To discover the best centred regression model, this study compared three different models. The first model used only one centred variable, independent commissioner; the second model used diversification variables, the independent commissioner variable and interaction variables; and the third model centred all explanatory variables. Furthermore, to choose the best model, the value of tolerance, FIV and ease of interpretation were considered.

The fourth test was heteroscedasticity. The purpose of this test is to make certain the estimators of the regression efficient, and both F statistic and t statistic, are reliable for hypothesis testing (Asteriou and Hall, 2011). The heretoscedasticity test in this study was the Breusch-Pagan Lagrange Multiplier (LM) test. The final test was linearity of model regression to make sure that the model is linear (Asteriou and Hall, 2011) and used the residual plot to test the linearity. All the tests and results met the requirements; therefore, multiple regression as the principal form of analysis was performed.

5.8.2 Content Analysis

CSP is defined as a company's performance in response to stakeholder demands and social issues based on multi-dimensional indicators of GRI and measured by content analysis. In CSP context, some authors agree that content analysis describe as quantifying the extent or quality of CSP disclosure in the published company documents, printed and/or online (Cuadrado-Ballesteros *et al.*, 2015; Jizi *et al.*, 2014; Khan *et al.*, 2013; Bouten *et al.*, 2011; Hooks and Van Staden, 2011; Joseph and Taplin, 2011). The definition of content analysis is relates with disclosure, therefore these authors refers content analysis as disclosure analysis. CSP disclosure was used to measure CSP because the assumption that the more information a company discloses its CSP activities, the greater its CSP (Fischer and Sawczyn (2013); Clarkson *et al.* (2008).

Content analysis also relates to company's channel of information. In this research the annual report was chosen for CSP disclosure as publication of the report is a legal obligation, and CSP information is part of the report. According to Indonesia Company Law no.40 of 2007, article 66(2), all limited companies have to report the implementation of social and environmental responsibility in their

annual report. This is supported by Indonesia's financial accounting standard, Pernyataan Standar Akuntansi Keuangan (PSAK) No 1 of 2009, on social and environmental responsibility disclosure. Moreover, according to (Jizi *et al.*, 2014) the reliability of the information in annual report is high as the result of audited report.

The type of disclosure analysis in this study is occurrence disclosure. An occurrence disclosure was compiled by counting the number of CSP items disclosed against a checklist, without taking into account the amount of disclosure in each item (Bouten *et al.*, 2011; Hooks and Van Staden, 2011; Joseph and Taplin, 2011). This measurement is suitable for emerging countries, as Joseph and Taplin (2011) suggest that the extent of disclosure in such economies is low. It is, in any case, considered as a practical and valid research tool (Hooks and Van Staden, 2011), used extensively, e.g. by Haji (2013); Hooks and Van Staden (2011); Joseph and Taplin (2011); Clarkson *et al.* (2008); Al-Tuwaijri *et al.* (2004).

In line with previous study that used disclosure occurrence such (Jizi *et al.*, 2014; Haji, 2013; Hooks and Van Staden, 2011), the disclosure occurrence in this study as consists of three steps. First, a checklist of disclosure items is compiled and validated. The checklist of disclosure items for CSP was adapted from Global Reporting Initiative (GRI) indicators, with guidelines readily available on GRI's website. The reasons for using uses GRI as reference for CSP indicators are, first, that GRI is the most relevant organisation in economic, environmental and social performance disclosure or CSR disclosure (Gamerschlag, Möller and Verbeeten, 2011). Second, it has been drafted by a wide variety of experts based on stakeholder consultation (Bouten *et al.*, 2011), reflecting stakeholder demands. Third, GRI is accepted internationally (Bouten *et*

al., 2011; Gamerschlag *et al.*, 2011; Farneti and Guthrie, 2009). Fourth, GRI indicators are intended for all types of company, allowing for a derived coding structure to be used for different industries (Bouten *et al.*, 2011; Willis, 2003). Therefore, the disclosure index in this study can be considered as valid.

This study was conducted in the transition period between GRI versions 3 (G3) and (G4), and it adopted relevant indicators from each version. There are six categories of change to standard disclosure from G3 to G4: no change to standard disclosure, new standard, data points added, content reduced, content from standard disclosure moved to guidance, and standard disclosure deleted. Indicators which have not changed are used, but those which are new or move to guidance or deleted were removed. Indicators with data points added in G4 continued to use G3 as standard, but indicators which were reduced in G4 now used G4 as standard. After these adjustments had been made, all indicators were suitable for companies which still used G3 or which had adopted G4. In relation to numbers and numbering, there are cases where two indicators in G3 were combined as one indicator in G4 and, one indicator in G3 was split to become two indicators in G4. In this case, complete number and numbering indicators are used as guidance in measuring CSP.

80 indicators remained for use in this study. Nine indicators were for economic performance dimension, 30 for environmental performance dimension consists, and the remaining 41 for social performance divided into human rights dimension (11), labour practices and decent working conditions dimension (13), product responsibility dimension (9) and society dimension (8). For example, the development and impact of infrastructure investments and services supporting on communities and the local economy come under economic performance; the percentage of recycled material used under environmental performance;

programmes for skills management and lifelong learning that support continued employability and assist employees in managing their career endings, and operations with significant potential or actual negative impacts on local communities and practices related to customer satisfaction under social performance.

The second step in disclosure occurrence determines the scoring and presentation of the disclosure index. Every item in the disclosure list was weighted equally to avoided subjectivity (Joseph and Taplin, 2011): an unweighted disclosure index. This study applied a binary coding system, each item scoring 1 if disclosed and 0 if undisclosed, whether stated in terms of quality or quantity. According to Hooks and Van Staden (2011), there is a debate related to the binary coding system and quality disclosure. Al-Tuwaijri *et al.* (2004) argue that quality disclosure may provide a better and more objective measure of disclosure, while Botosan (2004, 1997) argues binary coding is more objective than a quality index. Botosan (2004) also argued that no universally accepted point of view of quality exists. To test this argument, Hooks and Van Staden (2011) conducted a correlation test on both in evaluating environmental disclosure. They found their measurements were very highly correlated with R 0.929 and $p<0.001$, and concluded that using either of them in future analysis would not result in any major difference.

This study therefore uses quantity disclosure with binary coding, 1 for the presence of a CSP indicator and 0 otherwise. After scoring the information, all scores were summed arithmetically. The minimum score was zero and the maximum the same as the number of indicators or items, 79. The total score was divided by the sum of the maximum score for all items in the disclosure index, as a percentage, used in previous studies, e.g. Haji (2013); Khan *et al.* (2013).

The third step is the quantified process of compiling a disclosure index for CSP involved reading the annual reports and highlighting relevant sentences relating to CSP, and coding them in accordance with the items in the list: 1 for every disclose CSP is defined as a company's performance in response to stakeholder demands and social issues based on multi-dimensional indicators of GRI and measured by content analysis. From the context of CSP, specific authors agree that content analysis is described as quantifying the extent or quality of CSP disclosure in published company documents, printed and/or online (Cuadrado-Ballesteros *et al.*, 2015; Jizi *et al.*, 2014; Khan *et al.*, 2013; Bouten *et al.*, 2011; Hooks and Van Staden, 2011; Joseph and Taplin, 2011). The definition of content analysis is related to disclosure; therefore, these authors refer to content analysis as disclosure analysis. CSP disclosure was used to measure CSP because the assumption that the more information a company discloses with respect to its CSP activities, the greater its CSP (Fischer and Sawczyn (2013); Clarkson *et al.* (2008).

Content analysis also relates to a company's channel of information. In this research, the annual report was chosen concerning CSP disclosure as publication of the report is a legal obligation, and CSP information is part of the report. According to Indonesia Company Law no.40 of 2007, Article 66(2), all limited companies have to report the implementation of social and environmental responsibility in their annual report. This is supported by Indonesia's financial accounting standard, Pernyataan Standar Akuntansi Keuangan (PSAK) No 1 of 2009, on social and environmental responsibility disclosure. Moreover, according to (Jizi *et al.*, 2014) the reliability of the information in an annual report is high, seeing as it is the result of the audited report.

The type of disclosure analysis in this study is occurrence disclosure. An occurrence disclosure was compiled by counting the number of CSP items disclosed against a checklist, without considering the amount of disclosure in each item (Bouten *et al.*, 2011; Hooks and Van Staden, 2011; Joseph and Taplin, 2011). This measurement is suitable for emerging countries, as Joseph and Taplin (2011) suggest that the extent of disclosure in such economies is low. It is, in any case, considered as a practical and valid research tool (Hooks and Van Staden, 2011), used extensively by Haji (2013); Hooks and Van Staden (2011); Joseph and Taplin (2011); Clarkson *et al.* (2008); Al-Tuwaijri *et al.* (2004).

In line with previous studies that used disclosure occurrence such as (Jizi *et al.*, 2014; Haji, 2013; Hooks and Van Staden, 2011), the disclosure occurrence in this study consists of three steps. First, a checklist of disclosure items is compiled and validated. The checklist of disclosure items for CSP was adapted from Global Reporting Initiative (GRI) indicators, with guidelines readily available on GRI's website. The reasons for using GRI as a reference for the CSP indicators are first that GRI is the most relevant organisation in economic, environmental and social performance disclosure or CSR disclosure (Gamerschlag *et al.*, 2011). Second, it was drafted by a variety of experts based on stakeholder consultation (Bouten *et al.*, 2011), reflecting stakeholder demands. Third, GRI is accepted internationally (Bouten *et al.*, 2011; Gamerschlag *et al.*, 2011; Farneti and Guthrie, 2009). Fourth, GRI indicators are intended for all types of companies, allowing for a derived coding structure to be used for different industries (Bouten *et al.*, 2011; Willis, 2003). Therefore, the disclosure index in this study can be considered as valid.

This study was conducted in the transition period between GRI versions 3 (G3) and (G4), and it adopted relevant indicators from each version. There are

six categories of change regarding standard disclosure from G3 to G4: no change to standard disclosure, new standard, data points added, content reduced, content from standard disclosure moved to guidance and standard disclosure deleted. Indicators which have not changed are used; nevertheless, those which are new or move to guidance, or deleted were removed. Indicators with data points added in G4 continued to use G3 as standard, although indicators reduced in G4 now used G4 as standard. After these adjustments had been made, all indicators were suitable for companies which still used G3 or which had adopted G4. In relation to numbers and numbering, there are cases where two indicators in G3 were combined as one indicator in G4 and, one indicator in G3 was divided to become two indicators in G4. In this case, complete number and numbering indicators are used as guidance in measuring CSP.

It is worth mentioning that 80 indicators remained for use in this study. Nine indicators were related to economic performance dimension, 30 indicators for environmental performance dimension and the remaining 40 indicators for social performance dimension, which are divided into human rights dimension (11), labour practices and decent working conditions dimension (13), product responsibility dimension (9) and society dimension (8). For example, the development and impact of infrastructure investments and services supporting communities and the local economy come under economic performance; the percentage of recycled material used under environmental performance; programmes for skills management and lifelong learning that support continued employability and assist employees in managing their career endings, and moreover, operations with significant potential or actual negative impacts on local communities and practices related to customer satisfaction under social performance.

The second step in disclosure occurrence determines the scoring and presentation of the disclosure index. Every item in the disclosure list was weighted equally to avoided subjectivity (Joseph and Taplin, 2011): an unweighted disclosure index. This study applied a binary coding system, each item scoring 1 if disclosed and 0 if undisclosed, whether stated in terms of quality or quantity. According to Hooks and Van Staden (2011), there is a debate related to the binary coding system and quality disclosure. Al-Tuwaijri *et al.* (2004) argue that quality disclosure may provide an enhanced and more objective measure of disclosure, while Botosan (2004, 1997) argues binary coding is more objective than a quality index. Botosan (2004) also argued that no universally accepted point of view exists regarding quality. To test this argument, Hooks and Van Staden (2011) conducted a correlation test on both in evaluating environmental disclosure. They noticed their measurements were very highly correlated with R 0.929 and $p<0.001$, and concluded that using either of them in future analysis would not result in any major difference.

This study therefore uses quantity disclosure with binary coding, 1 for the presence of a CSP indicator and 0 otherwise. After scoring the information, all scores were summed arithmetically. The minimum score was zero and the maximum the same as the number of indicators or items, 79. The total score was divided by the sum of the maximum score for all items in the disclosure index, as a percentage, used in previous studies, e.g. Haji (2013); Khan *et al.* (2013).

The third step is the quantified process of compiling a disclosure index for CSP that involved reading the annual reports and highlighting relevant sentences relating to CSP, and coding them in accordance with the items in the list: 1 for every disclosed indicator that was on the CSP checklist, otherwise 0. The researcher also recorded the page numbers on which the CSP indicators were

disclosed, to check for reliability. The scores were summed arithmetically, divided by 80 and multiplied by 100 to present the information as a percentage. In this step, the researcher read all the annual reports twice, as recommended by Haji (2013), and Mohd Ghazali and Weetman (2006) to guarantee the reliability and consistency. The second reading was conducted two weeks after the first, to avoid any influence the first scoring might have on the second. Where differences occurred between the first and second scores, the annual report was read again.d indicator that was on the CSP checklist, otherwise 0. The researcher also recorded the page numbers on which the CSP indicators were disclosed, to check for reliability. The scores were summed arithmetically, divided by 80 and multiplied by 100 to present the information as a percentage. In this step, researcher read all the annual reports twice, as recommended by Haji (2013) and Mohd Ghazali and Weetman (2006) to make sure the reliability and consistency. The second reading was done two weeks after the first, to avoid any influence the first scoring might have on the second. Where differences occurred between the first and second scores, the annual report was read again.

5.8.3 Multiple Regression

This study used multiple regression analysis, specifically multiple regression with one-year lag dependent variables, as the primary form of data analysis. Multiple regression was used because, according to Hair *et al.* (2010), it is a statistical technique that can be applied to investigate the relationship between a dependent variable and independent variables. The technique is appropriate to address two types of research problem: prediction and explanation. This study investigates the relationship between corporate diversification (related, unrelated and international) and CSP. Thus, multiple regression is suitable to explain these relationships.

However, in regression, not all the relationships between the dependent and independent variables are “instantaneous” in nature (Studenmund, 2014). Studenmund argues that in such cases, there is the possibility that the economic or business situation requires time to change the dependent variables. Several studies in CSP have employed 1- or 2-year lag regressions (Fischer and Sawczyn, 2013; Neubaum and Zahra, 2006). For example, Fischer and Sawczyn (2013) consider CSP as a long-term orientated indicator that is not expected to undergo a significant change over a short time. Therefore, to accommodate the effect of independent variables on CSP that do not occur immediately or in the same period, multiple regression analysis with one-year lagged dependent variables was employed in this study. The lagged effect of independent variables toward CSP was also suggested by Walls *et al.* (2012), who investigated the effect of CG on CSP, and applied by Kang (2013) who investigated the relationship between corporate diversification and CSP.

Fourteen multiple regression models were used to explain the relationships between corporate diversification and CSP. The first five were multiple regression without interaction, used to test hypotheses 1 and 2. The next eight models were multiple regression models with interaction, to test hypotheses 3 and 4. Model 14 was the complete model regression. Model 1 only captured control variables as explanatory variables. Model 2 used one independent variable, related diversification and control variables as explanatory variables. Model 3 used one independent variable, unrelated diversification and control variables as explanatory variables. Similarly, model 4 used international diversification as the independent variable and control variables to explain CSP. Model 5 was a combination of models 2, 3 and 4.

Interaction variables between corporate diversification and independent commissioner were added one by one from model 5 to models 6, 7 and 8. Model 6 added the interaction variable between related diversification and independent commissioner, model 7 the same for unrelated diversification and model 8 for international diversification. Model 9 was the complete model for interaction between corporate diversification and independent commissioner. As with models 6 to 9, interaction variables between the several types of corporate diversification and ownership concentration were added one by one from model 5 respectively to models 10, 11 and 12. Model 10 added interaction variable between related diversification and ownership concentration. Model 11 added unrelated diversification and ownership concentration, and Model 12 added interaction variable between international diversification and ownership concentration. Model 13 was the complete model for interaction between corporate diversification and independent commissioner. Finally, model 14 consisted of all the independent and interaction variables with control variables as explanatory variables. All of these models contributed to a single complete model as follows:

Equation 5.7 Model Regression

$$CSP = \alpha_{0+}\, \beta_1\, DR + \beta_2\, DU + \beta_3\, DI + \beta_4\, ICxDR + \beta_5\, ICxDR + \beta_6\, ICxDR +$$
$$\beta_7\, OwCxDR + \beta_8\, OwCxDR + \beta_9\, OwCxDR + \beta_{10}\, IC + \beta_{10}\, OwC + \beta_{12}\, Size +$$
$$\beta_{13}\, Profitability + \beta_{14}\, Liquidity + \beta_{15}\, Leverage +$$
$$\beta_{16} Intangible\ Asset + \beta_{17}\, Age + \beta_{18}\, Type\ of\ Industry + \varepsilon \quad (5.7)$$

The technique of entering independent variables and the interaction variable separately in different models and subsequently combining them in one model is termed hierarchical multiple regression or sequential regression (Pallant, 2013; Tabachnick and Fidell, 2013). It is a technique that enters variables in steps or blocks in the order specified by the researcher based on logical or

theoretical consideration. Its purpose was to learn the effect of each type of corporate diversification toward CSP and each interaction variable one at a time and in accumulation. Other researchers have used this technique, such as Hafsi and Turgut (2013); (Kang, 2013); Khan *et al.* (2013). The individual effect and total effect of corporate diversification toward CSP were shown by R square change and its significance value between model 1 and models 2, 3, 4 and 5. Furthermore, the individual and total effect of interaction were reflected in the R square change and its significance between model 5 and the remaining models. The R square changes and significance were obtained by way of hierarchical regression.

5.8.4 Additional Analysis

A robustness test was conducted as additional analysis, changing the variable measurements and adding new variables to ascertain that the regression coefficients were not fragile. This test was conducted by Ducassy and Montandrau (2015); Ntim and Soobaroyen (2013); Dam and Scholtens (2012); Walls *et al.* (2012); Brammer *et al.* (2006). The robustness check was only applied to models 5 and 14, the complete regression models without and with interaction. There were three robustness tests. The first replicated the CSP measurement by using a quantitative and qualitative disclosure index based on quality of disclosure. The second replaced ownership concentration by largest ownership. The third added the institutional ownership variable argued to have an impact on CSP.

5.9 Summary

This chapter discussed the selection of Indonesian listed companies as the study sample, followed by the process of data collection, including disclosure

analysis for CSP measurement and using audited financial and corporate sustainability reports as sources of data. It explained the operationalisation of variables and their measurement. Finally, the data analysis was discussed in detail, including descriptive statistical analysis to screen the data and multiple regression as the principal analysis. The research methodology is summarised in Table 5.8. Summary

Table 5.8 Summary of Research Methodology

Research aims	**Research Questions**	**Hypothesis**	**Model regression**
To investigate the relationship between corporate diversification and CSP	What is the relationship between product diversification and CSP?	H1a: There is a significant relationship between related diversification and corporate social performance	Model 2 Model 5
		H1b: There is a significant relationship between unrelated diversification and corporate social performance	Model 3 Model 5
		H1c: The relationship between unrelated diversification and CSP is more positive than the relationship between related diversification and CSP	Model 5
	What is the relationship between international diversification and CSP?	H2: The relationship between international diversification and corporate social performance is positive	Model 4 Model 5
To examine the role of corporate governance on the relationship between corporate diversification and CSP	What is the relationship between corporate diversification and CSP via an independent commissioner as a moderating variable?	H3a: The relationship between related diversification and CSP is moderated by an independent commissioner	Model 6 Model 9 Model 14

Research aims	Research Questions	Hypothesis	Model regression
		H3b: The relationship between unrelated diversification and CSP is moderated by an independent commissioner	Model 7 Model 9 Model 14
		H3c: The relationship between international diversification and CSP is moderated by an independent commissioner	Model 8 Model 9 Model 14
	What is the relationship between corporate diversification and CSP by means of ownership concentration as a moderating variable?	H4a: The relationship between related diversification and CSP is moderated by ownership concentration	Model 10 Model 13 Model 14
		H4b: The relationship between unrelated diversification and CSP is moderated by ownership concentration	Model 11 Model 13 Model 14
		H4c: The relationship between international diversification and CSP is moderated by ownership concentration	Model 12 Model 13 Model 14

Source: Author

CHAPTER 6 FINDINGS AND DISCUSSION

6.1 Introduction

This chapter reports the empirical results and discusses the relationship between corporate diversification and CSP in the context of the research objectives. The research findings start with descriptive statistical analysis which describes the data screening and tests for multiple regression assumptions; it is followed by summary statistics for every variable in the research, and ends with the results of multiple regression analysis. Discussion of the findings are organised in accordance with the two principal research questions, the relationship between corporate diversification and CSP and the effect of CG, by means of an independent commissioner and ownership concentration, on the corporate diversification-CSP relationship.

6.2 Descriptive Statistical Analysis

The descriptive statistical analysis involved outlier, normality, multicollinearity, heteroscedasticity and linearity tests to ensure the data set was compatible with the multiple regressions analysis.

Derived from the first round of univariate outlier checking, original data and Z score values for all companies in the sample are presented in Table 6.1.

Table 6.1 Table Initial descriptive statistics for original and Z score values

		Original Value		Z Score	
Variable	N	Minimum	Maximum	Minimum	Maximum
CSP	234	3.75	95.00	-1.375	5.803
Related Diversification	234	0.00	.81	-0.467	3.658
Unrelated Diversification	234	0.00	1.07	-0.765	2.686
International Diversification	234	0.00	100.00	-0.633	2.900
Size	234	.69	13.44	-3.305	3.432
Profitability	234	-173.83	72.92	-9.205	3.386
Liquidity	234	.02	1004.82	-0.146	12.224
Financial Leverage	234	.03	8.25	-0.874	12.204
Intangible Asset	234	-33.32	47.27	-6.815	8.569
Age	234	0.00	4.71	-4.847	2.200
CSP Industry	234	12.50	40.00	-1.439	3.094
Ownership Concentration	234	1.00	89.00	-1.469	3.603
Independent Commissioner	234	1.00	4.00	-0.856	2.922

Source: Author

CSP, profitability, liquidity, financial leverage, intangible asset and company's age with a minimum Z score under -4 or a maximum Z score above 4 were detected as outliers and excluded from the sample to avoid serious distortion of the statistical test results. This process was repeated four times (see Appendix 3). In total, 31 observations are omitted. The final sample to analyse consists of 203 observations, free from the outlier problem, as described in Table 6.2.

Table 6.2 Final descriptive statistics for original and Z score values

		Original Value		Z Score	
Variable	N	Minimum	Maximum	Minimum	Maximum
CSP	203	3.75	53.75	-1.767	3.597
Related Diversification	203	0.00	.81	-0.439	3.733
Unrelated Diversification	203	0.00	1.07	-0.799	2.585
International Diversification	203	0.00	100.00	-0.650	2.971
Size	203	2.48	11.22	-2.634	2.520
Profitability	203	-25.38	45.55	-3.128	3.726
Liquidity	203	.23	7.73	-1.234	3.992
Financial Leverage	203	.04	1.32	-2.144	3.769
Intangible Asset	203	-3.16	9.65	-2.685	3.875
Age	203	1.10	4.71	-3.355	2.318
CSP Industry	203	12.50	40.00	-1.469	3.355
Ownership Concentration	203	1.00	83.46	-1.463	3.350
Independent Commissioner	203	1.00	4.00	-0.836	3.049

Source: Author

In the normality test, the first results for all models had a Kolmogorov-Smirnov's significant value of less than 0.05, signifying that the data was not normally distributed. After applying the remedy for violation of the normality assumption, all the models became normal (see Appendix 4).

Two types of tests were conducted in relation to multicollinearity to ensure the reliability of the regression coefficient. Table 6.3 is the correlation matrix for both Pearson's parametric and Spearman's non-parametric coefficients as the first test of multicollinearity. Pearson's correlation values ranged between 0.64 and 0.01 and Spearman's between 0.66 and 0.00. On average, the correlation

coefficients between variables are relatively low, with a few variables correlated moderately (> 0.25), such as independent commissioner and size, financial leverage and profitability, liquidity and profitability and financial leverage and liquidity. Overall, there is no correlation value greater than 0.90 for either Pearson's parametric or Spearman's non-parametric coefficients. The magnitude and direction of both coefficients are basically similar. Hence, these results indicate that there is no major multicollinearity issue and that the results are robust.

Table 6.3 Pearson's and Spearman's Correlation Matrices of the Variables

	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13
1	CSP		-.052	.188**	.247**	.346**	.117	-.116	-.006	.064	.063	.396**	.243**	.333**
2	Related Diversification	-.031		-.054	.046	.238**	.028	.050	.046	-.177	.060	.020	.128	.109
3	Unrelated Diversification	.166**	-.051		.033	.248**	.194**	.061	-.004	-.014	.146*	-.085	.075	-.049
4	International Diversification	.208**	.040	-.055		.177*	-.017	-.002	.033	-.172*	.184**	.216*	-.040	.151*
5	Size	.389**	.240**	.241**	.104		.116	-.032*	.099	.056	.242**	.058	.143*	.401**
6	Profitability	.107	.033	.145*	-.060	.127*		.411**	-.496**	.388**	.060	-.009	-.019	.118
7	Liquidity	-.167**	-.010	-.044	-.055	-.124*	.325**		-.664**	.123	.124	-.063	.021	.046
8	Financial Leverage	-.022	.041	-.018	.111	.076	-.477**	-.643**		-.118	.026	-.074	-.027	.038
9	Intangible Asset	.020	-.103	-.021	-.146*	.010	.327**	.125*	-.131*		-.131	.003	-.181**	.168*
10	Age	.078	.041	.126*	.046	.164**	.022	.106	.028	-.117*		.001	-.045	.121
11	CSP Industry	.333**	.077	-.108	.138*	.094	.022	-.026	-.120*	.014	.019		.098	.153*
12	Ownership Concentration	.251**	.160*	.049	-.043	.098	-.027	-.015	-.013	-.143*	.016	.078		.031
13	Independent Commissioner	.322**	.118*	-.070	.125*	.413**	.085	.009	.039	.153*	.041	.136*	.064	

Notes: Pearson's parametric correlation coefficients are show in the bottom left half of the table and Spearman's non-parametric correlation coefficients in the upper right half. ***,**, and * denote correlation is significant at the ≤1%, 5%, 10% respectively

However, the second multicollinearity test with VIF value indicates a few multicollinearity problems in five regression models: models 6, 7, 8 and 9 for the moderating effect of independent commissioner and model 14 for the full model. The results for models 5 and 14 are shown in Table 6.4. Model 5 represents the regression model without interaction and free from the multicollinearity problem, while model 14 represents the regression model with interaction and at the same time with a multicollinearity problem.

Table 6.4 Tolerance and VIF values of regression models 5 and 14

	Model 5			Model 14		
	B	Tolerance	VIF	B	Tolerance	VIF
(Constant)	-.966			1.902		
Size	1.262	.673	1.485	1.254	.659	1.517
Profitability	.055	.657	1.522	.066	.656	1.525
Liquidity	-1.551	.537	1.863	-1.243	.525	1.904
Financial Leverage	-6.280	.463	2.159	-4.842	.440	2.272
Intangible Asset	.109	.800	1.249	.026	.768	1.302
Age	.598	.912	1.097	.729	.878	1.139
CSP Industry	.401	.901	1.110	.407	.883	1.133
Ownership Concentration	.121	.936	1.068	.058	.383	2.612
Independent Commissioner	2.210	.756	1.323	.458	.411	2.433
Related Diversification	-7.706	.894	1.119	-7.304	.114	8.797
Unrelated Diversification	3.308	.851	1.175	-7.928	.112	8.944
International Diversification	.053	.918	1.089	-.093	.119	8.437
Independent Commissioner * Related Diversification				-4.249	.105	9.493
Independent Commissioner * Unrelated Diversification				5.626	.152	6.598
Independent Commissioner * International Diversification				.072	.124	8.044
Ownership concentration * Related Diversification				.254	.210	4.768
Ownership concentration * Unrelated Diversification				.060	.218	4.588
Ownership concentration * International Diversification				.000	.298	3.356

Source: Author

As revealed in Table 6.4, the highest value of VIF in model 5 is 2.159 and the lowest score of tolerance is 0.463. In model 14, the VIF values for independent and moderating variables range from 3.356 to 9.493. In line with VIF, tolerance values are between 0.298 and 0.105. Based on a cut-off level for tolerance below 0.1 and for VIF below 10, all the regression models are free from the multicollinearity problem. However, the direction of unrelated diversification and international diversification coefficients in model 5 change from a positive to a negative sign in model 14 (this also occurs in models 7, 8 and 9). This condition indicates that the data has a non-essential multicollinearity problem. To eliminate this problem and achieve an accurate explanation and estimation of regression analysis, centred regression was applied. All the explanatory variables were centred using a standardised value and the results for models 5 and 14 are presented in Table 6.5.

Table 6.5 Tolerance and VIF values of centered regression for models 5 and 14

	Model 5			Model 14		
	B	Tolerance	VIF	B	Tolerance	VIF
(Constant)	20.370			20.214		
Size	2.139	.673	1.485	2.192	.659	1.517
Profitability	.567	.657	1.522	.660	.656	1.525
Liquidity	-2.224	.537	1.863	-2.143	.525	1.904
Financial Leverage	-1.361	.463	2.159	-1.291	.440	2.272
Intangible Asset	.213	.800	1.249	.054	.768	1.302
Age	.381	.912	1.097	.263	.878	1.139
CSP Industry	2.286	.901	1.110	2.123	.883	1.133
Ownership Concentration	2.073	.936	1.068	1.929	.878	1.139
Independent Commissioner	1.707	.756	1.323	1.795	.741	1.350
Related Diversification	-1.490	.894	1.119	-1.604	.822	1.217
Unrelated Diversification	1.046	.851	1.175	.939	.829	1.207
International Diversification	1.468	.918	1.089	1.201	.868	1.153
Independent Commissioner* Related Diversification				-.939	.790	1.266
Independent Commissioner * Unrelated Diversification				.968	.930	1.075
Independent Commissioner * International Diversification				1.225	.915	1.092
Ownership concentration * Related Diversification				1.046	.768	1.301
Ownership concentration * Unrelated Diversification				.218	.948	1.055
Ownership concentration * International Diversification				-.081	.900	1.111

Source: Author

The tolerance value and VIF remain the same for model 5; however, change significantly in model 14, ranging from 0.440 to 0.948 for tolerance and from 1.055 to 2.272 for VIF. The signs of the coefficients unrelated diversification and international diversification in model 5 are the same as in model 14. Thus, all of the regression models are free from the multicollinearity problem (see

Appendix 9 for all model regressions). Hence, after this stage, every test employs variables with centred values.

The third descriptive statistical test is for heteroscedasticity. The Breusch-Pagan LM ensures the efficiency of the estimators and reliability of both F statistic and t statistic for hypothesis testing. The results demonstrate that there is no heteroscedasticity in any of the regression models (see Appendix 5). The final descriptive statistical analysis is for linearity, using residual plot. The residual plot of each model shows that all have a linear relationship (see Appendix 6). Consequently, the results of all descriptive statistics confirm that the data set is compatible with the multiple regressions analysis. Prior to discussion of the multiple regression findings, a summary of the variables' statistics is given.

Table 6.6 presents a summary of the descriptive statistics for variables with respect to the 203 companies.

Table 6.6 Descriptive statistics for variables

Variables	N	Minimum	Maximum	Mean	Std. Deviation
CSP	203	3.75	53.75	20.222	9.322
Related Diversification	203	0.00	0.81	0.085	0.193
Unrelated Diversification	203	0.00	1.07	0.253	0.316
International Diversification	203	0.00	100.00	17.943	27.622
Size	203	2.48	11.22	6.950	1.695
Profitability	203	-25.38	45.55	6.991	10.348
Liquidity	203	0.23	7.73	2.003	1.434
Financial Leverage	203	0.04	1.32	0.504	0.217
Intangible Asset	203	-3.16	9.65	2.082	1.953
Age	203	1.10	4.71	3.234	0.637
CSP Industry	203	12.50	40.00	20.874	5.701
Ownership concentration	203	1.00	83.46	26.067	17.130
Independent Commissioner	203	1.00	4.00	1.645	0.772

Source: Author

In general, the values of every variable varied, as shown by maximum, minimum, mean and standard deviation. CSP captures the company performance in response to stakeholder demands and social issues based on 79 GRI indicators, as a percentage. The minimum score for CSP is 3.75%, whilst the maximum 53.75%. Thus, the company with the lowest CSP score disclosed only 3 out of 80 indicators. Conversely, the company with the highest CSP score disclosed 42 of the 80 indicators. On average, companies disclosed 16 indicators. This indicates that the CSP index in the sample is low.

Industry diversification strategy, as reflected in related and unrelated diversification has a minimum entropy measure value of zero, indicating those firms which have not adopted a diversification strategy. The maximum value of related diversification is 0.81 with an average of 0.08, maximum and mean values of 1.07 and 0.25 respectively for unrelated diversification. The unrelated diversification value is therefore higher than the related diversification value, suggesting a higher level of unrelated diversification.

In contrast, market diversification (international diversification), has a minimum value of 0 and a maximum of 100. Zero denotes that the company has no market diversification strategy, and 100 that all the company's sales are from foreign markets. However, the mean is 17.94%, representing the average of foreign sales as a percentage of total sales for all companies. In terms of company size, the minimum number of employees is 12 and the maximum 74,686, giving an average of 3,808. The company profitability value, measured by return on total assets (earnings before tax to total assets) ranges from -25.38% to 45.55%, average 6.99%. The negative sign in the minimum value

means the company lost 25.38% of total assets, while the maximum value, indicated profitability of 45.55% of total assets.

This study employs current ratio as the liquidity measurement. This not only captures the ability of a company to meet its short-term liability but also reflects slack resources. The lowest liquidity value is 0.23, indicating that the company's current assets are insufficient enough to pay its short-term liability. The highest liquidity is 7.07, that is current assets are 7.07 times greater than the short-term liability. Thus, with a rule-of-thumb assumption of a ratio equal to two, several of the companies have slack resources up to 5.07 times the liability.

The total debt to total asset ratio is used as the financial leverage indicator. The minimum financial leverage is 0.04 and the maximum 1.32. A company with the minimum leverage utilised only 4% of debt to cover its assets, indicating minimal risk. In contrast, the company with the highest level of leverage used debt funding 1.32 times greater than its assets, showing that the firm has negative equity and a higher debt risk. On average, 50% of company assets are funded by debt.

For tangible assets, measured by market to book value ratio, the minimum value is -3.16, indicating negative equity. The maximum market to book value ratio is 9.65 and the average 2.08. Age of company is measured by the logarithm of the number of years since the company was established. The minimum age of company is 1.10 and the maximum is 4.71, with a mean of 3.23. The lowest average CSP in a given industry was 12.5% (10 indicators out of 79) and the highest was 40% (32 indicators).

The ownership concentration, measured by public ownership as a percentage, is relatively high. The company with the most concentrated ownership has only 1% regarding public ownership (ownership by public less than 5% of company shares). At the other extreme, in the lowest ownership concentration, 83.46% of the company's shares were owned by the public. The average is 26.07% in public ownership. For independent commissioners, every company has at least one; the most in any one company is four, and the average is fewer than two (1.45).

6.3 Content Analysis

This part describes the application of the occurrence disclosure analysis of CSP as a CSP measurement in this research. Table 6.7 shows an example of content analysis and the summary of the number of companies that disclose and do not disclose CSP indicators based on 80 indicators of GRI.

Table 6.7 The example and main characteristics of CSP disclosure

	CSP Dimension and Indicators		Example		Number of disclosing companies		Number of non-disclosing companies		Total Number of Companies	
	A. Economic Dimension		**FPNI**	**UNSP**	**Total**	**%**	**Total**	**%**	**Total**	**%**
	Economic performance									
1	EC1	G4 EC1	1	1	203	100,00	0	0,00	203	100
2	EC2	G4 EC2	0	1	51	25,12	152	74,88	203	100
3	EC3	G4 EC3	1	1	200	98,52	3	1,48	203	100
4	EC4	G4 EC4	0	0	3	1,48	200	98,52	203	100
	Market presence									
5	EC5	G4 EC5	0	1	82	40,39	121	59,61	203	100
6	EC7	G4 EC6	0	0	52	25,62	151	74,38	203	100
	Indirect economic impacts									
7	EC8	G4 EC7	0	1	178	87,68	25	12,32	203	100
8	EC9	G4 EC8	0	1	113	55,67	90	44,33	203	100
	Procurement Practice									
9	EC6	G4 EC9	0	1	30	14,78	173	85,22	203	100
	Total Indicators in economic		2	7						
	B. Environmental Dimension		**FPNI**	**UNSP**	**Total**	**%**	**Total**	**%**	**Total**	**%**
	Materials									
1	EN1	G4 EN1	0	1	38	18,72	165	81,28	203	100
2	EN2	G4 EN2	0	0	21	10,34	182	89,66	203	100
	Energy									
3	EN3	G4 EN3	0	1	11	5,42	192	94,58	203	100
4	EN4	G4 EN3	0	0	2	0,99	201	99,01	203	100

No	Indicators		Example		Number of disclosing companies		Number of non-disclosing companies		Total Number of Companies	
	B. Environmental Dimension		**FPNI**	**UNSP**	**Total**	**%**	**Total**	**%**	**Total**	**%**
5	EN5	G4 EN6	0	1	36	17,73	167	82,27	203	100
6	EN6	G4 EN7	0	1	39	19,21	164	80,79	203	100
7	EN7	G4 EN6	0	0	15	7,39	188	92,61	203	100
	Water									
8	EN8	G4 EN8	0	1	7	3,45	196	96,55	203	100
9	EN9	G4 EN9	0	1	12	5,91	191	94,09	203	100
10	EN10	G4 EN10	0	1	22	10,84	181	89,16	203	100
	Biodiversity									
11	EN11	G4 EN11	0	1	11	5,42	192	94,58	203	100
12	EN12	G4 EN12	0	1	12	5,91	191	94,09	203	100
13	EN13	G4 EN13	0	1	39	19,21	164	80,79	203	100
14	EN15	G4 EN14	0	0	9	4,43	194	95,57	203	100
	Emissions, effluents and waste									
15	EN16	G4 EN15	0	0	13	6,40	190	93,60	203	100
16	EN16	G4 EN16	0	0	0	0,00	203	100,00	203	100
17	EN17	G4 EN17	0	0	1	0,49	202	99,51	203	100
18	EN18	G4 EN19	0	1	37	18,23	166	81,77	203	100
19	EN19	G4 EN20	0	0	2	0,99	201	99,01	203	100
20	EN20	G4 EN21	0	0	3	1,48	200	98,52	203	100
21	EN21	G4 EN22	0	1	10	4,93	193	95,07	203	100
22	EN22	G4 EN23	0	1	63	31,03	140	68,97	203	100
23	EN23	G4 EN24	0	1	5	2,46	198	97,54	203	100
24	EN24	G4 EN25	0	1	14	6,90	189	93,10	203	100

No	Indicators		Example		Number of disclosing companies		Number of non-disclosing companies		Total Number of Companies	
	B. Environmental Dimension		**FPNI**	**UNSP**	**Total**	**%**	**Total**	**%**	**Total**	**%**
25	EN25	G4 EN26	0	0	2	0,99	201	99,01	203	100
	Products and services									
26	G4 EN27	G4 EN27	0	1	140	68,97	63	31,03	203	100
27	EN27	G4 EN28	0	0	2	0,99	201	99,01	203	100
	Compliance									
28	EN28	G4 EN29	0	0	10	4,93	193	95,07	203	100
	Transport									
29	EN29	G4 EN30	0	0	5	2,46	198	97,54	203	100
	Overall									
30	EN30	G4 EN31	0	1	33	16,26	170	83,74	203	100
	Total Indicators in Environmental		**0**	**17**						
	C. Social: Labor Practices and Decent Work Dimension		**FPNI**	**UNSP**	**Total**	**%**	**Total**	**%**	**Total**	**%**
	Employment									
1	LA2	G4 LA1	0	1	112	55,17	91	44,83	203	100
2	LA3	G4 LA2	1	1	195	96,06	8	3,94	203	100
3	LA15	G4 LA3	0	0	3	1,48	200	98,52	203	100
	Labor/management relations									
4	LA5	G4 LA4	0	0	2	0,99	201	99,01	203	100
	Occupational health and safety									
5	LA6	G4 LA5	0	1	29	14,29	174	85,71	203	100
6	LA7	G4 LA6	0	1	45	22,17	158	77,83	203	100

No	Indicators		Example		Number of disclosing companies		Number of non-disclosing companies		Total Number of Companies	
	C. Social: Labor Practices and Decent Work Dimension		**FPNI**	**UNSP**	**Total**	**%**	**Total**	**%**	**Total**	**%**
	Training and education									
7	LA8	G4 LA7	0	1	118	58,13	85	41,87	203	100
8	LA9	G4 LA8	0	0	22	10,84	181	89,16	203	100
9	LA10	G4 LA9	0	1	179	88,18	24	11,82	203	100
10	LA11	G4 LA10	0	0	9	4,43	194	95,57	203	100
11	LA12	G4 LA11	0	0	54	26,60	149	73,40	203	100
	Diversity and equal opportunity									
12	LA13	G4 LA12	0	1	133	65,52	70	34,48	203	100
	Equal remuneration									
13	LA14	G4 LA13	0	1	59	29,06	144	70,94	203	100
	Total Indicators in Labor practice and decent work		1	8						
	C. Social: Human Rights Dimension		**FPNI**	**UNSP**	**Total**	**%**	**Total**	**%**	**Total**	**%**
	Investment and procurement practices									
1	HR1	G4 RH1	0	0	0	0,00	203	100,00	203	100
2	HR2	G4 RH10	0	0	1	0,49	202	99,51	203	100
3	HR3	G4 RH2	0	0	0	0,00	203	100,00	203	100
	Non-discrimination									
4	HR4	G4 RH3	0	0	7	3,45	196	96,55	203	100

No	Indicators		Example		Number of disclosing companies		Number of non-disclosing companies		Total Number of Companies	
	C. Social: Human Rights Dimension		**FPNI**	**UNSP**	**Total**	**%**	**Total**	**%**	**Total**	**%**
	Freedom of association and collective bargaining									
5	HR5	G4 RH4	0	0	17	8,37	186	91,63	203	100
6	HR6	G4 RH5	0	0	5	2,46	198	97,54	203	100
	Prevention of forced and compulsory labor									
7	HR7	G4 RH6	0	0	4	1,97	199	98,03	203	100
	Security practices									
8	HR8	G4 RH7	0	0	0	0,00	203	100,00	203	100
	Indigenous rights									
9	HR9	G4 RH8	0	0	1	0,49	202	99,51	203	100
	Assessment									
10	HR10	G4 RH9	0	0	2	0,99	201	99,01	203	100
	Remediation									
11	HR11	G4 RH12	0	0	1	0,49	202	99,51	203	100
	Total Indicators in Human Rights		0	0						
	C. Social: Society Dimension		**FPNI**	**UNSP**	**Total**	**%**	**Total**	**%**	**Total**	**%**
	Local communities									
1	SO1	G4 SO1	0	1	180	88,67	23	11,33	203	100
2	SO9	G4 SO2	0	1	29	14,29	174	85,71	203	100

No	Indicators		Example		Number of disclosing companies		Number of non-disclosing companies		Total Number of Companies	
	C. Social: Society	**FPNI**	**UNSP**	**Total**	**%**	**Total**	**%**	**Total**	**%**	
	Corruption									
3	SO2	G4 SO3	0	1	32	15,76	171	84,24	203	100
4	SO3	G4 SO4	0	0	1	0,49	202	99,51	203	100
5	SO4	G4 SO5	0	0	8	3,94	195	96,06	203	100
6	SO6	G4 SO6	0	0	6	2,96	197	97,04	203	100
	Anti-competitive behavior									
7	SO7	G4 SO7	0	1	14	6,90	189	93,10	203	100
	Compliance									
8	SO8	G4 SO8	0	1	51	25,12	152	74,88	203	100
	Total Indicators in society		0	5						
	C. Social: Product responsibility Dimension		**FPNI**	**UNSP**	**Total**	**%**	**Total**	**%**	**Total**	**%**
	Customer health and safety									
1	PR1	G4 PR1	0	1	80	39,41	123	60,59	203	100
2	PR2	G4 PR2	0	1	72	35,47	131	64,53	203	100
	Product and service labelling									
3	PR3	G4 PR3	0	1	42	20,69	161	79,31	203	100
4	PR4	G4 PR4	0	1	76	37,44	127	62,56	203	100
5	PR5	G4 PR5	0	1	100	49,26	103	50,74	203	100
	Marketing communications									
6	PR6	G4 PR6	0	0	12	5,91	191	94,09	203	100
7	PR7	G4 PR7	0	1	74	36,45	129	63,55	203	100

No	Indicators		Example		Number of disclosing companies		Number of non-disclosing companies		Total Number of Companies	
			FPNI	UNSP	Total	%	Total	%	Total	%
	Customer privacy									
8	PR8	G4 PR8	0	0	0	0,00	203	100,00	203	100
	Compliance									
9	PR9	G4 PR9	0	0	2	0,99	201	99,01	203	100
	Total indicators in product responsibility		0	6						
80	**Total All Indicators**		3	43						
	%		3,75	53,75						

Source: Author

Disclosure analysis of two companies, FPNI and UNSP are used as an example of how to measure CSP disclosure. FPNI has the lowest CSP disclosure in the sample. Its only discloses 3 CSP indicators, 2 in economic indicators and 1 in labour practice and decent work indicator, out of 80 indicators, while the disclosure index of FPNI is only 3.75%. Conversely, UNSP discloses 43 out of 80 indicators or it specifies that the UNSP disclosure index is 53.75. UNSP has the highest disclosure index in the research sample. Based on the number of disclosing companies, most of the Indonesian listed companies in this sample reveal economic indicators related to CSP, especially regarding economic performance. For example, every company in the sample (203 firms or 100%) disclose direct economic value generated and distributed to capital providers and governments (EC1 or G4 EC1) and 200 companies, or 98.52% of the total sample divulge coverage of the organisation's defined benefit plan obligations (EC3, G4 EC3).

A insignificant number companies reveal environmental indicators, except the indicator for Initiatives to mitigate environmental impacts of products and services, and the extent of impact mitigation (EN26 or G4 EN27). This indicator was divulged by 140 companies or 68.97% sample. Additionally, other indicators reveal less than 50% of companies in the sample. Five indicators from 13 indicators in relation to labour practice and decent work were disclosed by more than 50% of companies. They are total number and rate of new employees hired and employee turnover by age group, gender and region (LA2 or G4 LA1), benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations (LA3 or G4 LA2), education, training, counselling, prevention and risk-control programmes in place to assist workforce

members, their families or community members regarding serious diseases (LA8 or G4 LA7), average hours of training per year per employee by gender and by employee category (LA10 or G4 LA9), and the composition of governance bodies and breakdown of employees per employee category, according to gender, age group, minority group membership, and other indicators concerning diversity (LA13 or G4 LA12).

It is worth noting that only a very small number of companies disclosed human rights indicators (11 indicators). The highest indicators, RH5 or G4 RH4, pertaining to operations and significant suppliers identified, where the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights, are only divulged by 17 companies. Three indicators are undisclosed by all companies. These entail the percentage and total number of significant investment agreements and contracts that include human rights clauses, or that have undergone human rights screening (RH1 or G4 RH1), total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained (RH3 or G4 RH2) and percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations (RH8 or G4 RH7).

Virtually all indicators regarding society are disclosed by less than 50% of companies, except the indicator for percentage of operations with implemented local community engagement, impact assessments and development programmes (SO1 or G4 SO1). This indicator is revealed by 180 companies or 88.67% of the sample.

Regarding the product responsibility indicators (9 indicators) less than 50% of companies disclose them. The highest indicators, PR5 or G4 PR5; practices related to customer satisfaction, including results of surveys measuring customer satisfaction, are disclosed by 100 companies.

The numbers of companies that disclose CSP indicators indicates that in general most Indonesian listed companies in this sample reveal a small number of CSP indicators based on 80 indicators related to GRI. It means the CSP index in the sample is low.

6.4 Multiple Regression

The results of the 14 models of multiple regression are presented in two groups. The first is those models investigating the relationship between corporate diversification and CSP, whereas the second is those investigating the moderating effect of CG on the corporate diversification-CSP relationship.

6.4.1 The Relationship between Corporate Diversification and CSP

Five multiple regression models investigate the relationship between corporate diversification and CSP. The baseline model, model 1, consists of nine control variables: size, profitability, liquidity, financial leverage, intangible assets, age, CSP industry, ownership concentration and independent commissioner. Three models follow, introducing each type of diversification individually: model 2 adds the related diversification variable; model 3 the unrelated diversification variable and model 4 the variable for international diversification. Model 5 is a complete model which consists of the control variables and all the corporate diversification variables concurrently. The results of R square, R square change and adjusted R square for the five models are presented in Table 6.8.

Table 6.8 Model summary for models 1-5

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics from Model 1				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.580	.337	.306	7.74478	.337	10.885	9	193	.000
2	.604	.364	.331	7.60197	.028	8.319	1	192	.004
3	.592	.350	.316	7.68618	.013	3.954	1	192	.048
4	.599	.358	.325	7.63619	.022	6.528	1	192	.011
5	.630	.396	.358	7.44548	.060	6.276	3	190	.000

Source: Author

The R square of model 1 is 33.7 %, signifying that all the control variables can explain 33.7% of the variance related to CSP. When related diversification is added in model 2, the R square increases to 36.4% (ΔR^2=2.8%); this is statistically significant ($p<0.01$). Conversely, when unrelated diversification is added as a new variable in model 3, the R square is 35.0% (ΔR^2=1.3%), which is statistically significant to the R square change ($p<0.05$). The R square of model 4, with international diversification, increases to 35.8%, meaning that the R square change is 2.2%, which is statistically significant ($p<0.05$). The full model (model 5) has an R square value of 39.6%, which is an increase of 6.0% from model 1 with a significance of $p<0.001$. Hence, the statistically significant increase of R square in models 2-5 confirms that corporate diversification can explain the variance of CSP.

Regarding the different number of explanatory variables in models 1-5, the value of adjusted R square is applied for a superior estimation. The ability of models 1, 2, 3, 4 and 5 to explain the variance of CSP is respectively 30.6%, 33.3%, 31.6%, 32.5% and 35.8%, denoting that the adjusted R square increased by 3.3% in model 2, 1% in model 3, 1.9% in model 4 and 5.2% in model 5. Furthermore, to illustrate the overall goodness of fit of the models, the F test

values for each model are presented in Table 6.9. Based on this table, the F values for models 1-5 are statistically significant (p<0.001). This means that all these models are eligible to predict the variance regarding CSP.

Table 6.9 Anova for models 1 to 5

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5875.923	9	652.880	10.885	.000[b]
	Residual	11576.460	193	59.982		
	Total	17452.383	202			
2	Regression	6356.699	10	635.670	11.000	.000[b]
	Residual	11095.684	192	57.790		
	Total	17452.383	202			
3	Regression	6109.520	10	610.952	10.342	.000[b]
	Residual	11342.863	192	59.077		
	Total	17452.383	202			
4	Regression	6256.605	10	625.660	10.730	.000[b]
	Residual	11195.779	192	58.311		
	Total	17452.383	202			
5	Regression	6919.691	12	576.641	10.402	.000[b]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			

Source: Author

The unstandardised coefficients and significance values of all variables are presented in Table 6.10, to illustrate individual relationships between the corporate diversification variables and CSP. For comparison of the related diversification-CSP relationship and the unrelated diversification-CSP relationship, a standardised coefficient (Beta) is also provided in model 5. Model 1 indicates that CSP is positively and significantly related to company size (B=2.190, sig<0.01), CSP industry (B=2.282, sig<0.01), ownership concentration (B=1.805, sig<0.01) and independent commissioner (B=1.642, sig<0.01); and negatively and significantly related to liquidity (B=-2.351, sig<0.01) and financial

leverage (B=-1.340, sig<0.10). Models 2, 3 and 4 introduce the effects of several types of corporate diversification. Related diversification is negatively and significantly related to CSP (B=-1.621, sig<0.01) (H1a). However, the relationships between unrelated diversification and CSP (B=1.156, sig<0.05) (H1b) and between international diversification and CSP (B=1.431, sig<0.05) (H2) are positively and significantly related.

Model 5 presents comparable results to models 2, 3 and 4 on the relationship between corporate diversification and CSP. For example, the relationship between related diversification and CSP is negative and significant (B=-1.490, sig<0.01) (H1a). The relationship between unrelated diversification and CSP is positive; nevertheless, the significance level in model 5 is weaker than in model 3 (B=1.046, sig<0.10) (H1b). Lastly, international diversification is positively related to CSP (B=1.448, sig<0.05) (H2). Moreover, the comparison between the standardised coefficient in model 5 reveals that the beta of unrelated diversification is higher than related diversification and has a positive sign (Beta=.113, sig<0.10 > Beta=-.160 sig<0.01) (H1c).

Based on these results, it can be concluded that hypotheses 1a, 1b, 1c and 2 are supported.

Table 6.10 Coefficient and Significance for models 1 to 5

Independent Variable:	CSP										
Dependent Variable:	Model 1		Model 2		Model 3		Model 4		Model 5		
	B	p	B	p	B	p	B	p	B	Beta	p
(Constant)	20.370***	.000	20.370***	.000	20.370***	.000	20.370***	.000	20.370***		.000
	(.544)		(.534)		(.539)		(.536)		(.523)***		
Size	2.190***	.001	2.533***	.000	1.862***	.004	2.122***	.001	2.139	.230***	.001
	(.626)		(.626)		(.643)		(.618)		(.638)	.	
Profitability	.657	.325	.765	.243	.493	.459	.616	.349	.567	.061	.382
	(.665)		(.654)		(.665)		(.656)		(.646)		
Liquidity	-2.351***	.002	-2.222***	.003	-2.243***	.003	-2.438***	.001	-2.224***	-.239***	.002
	(.740)		(.728)		(.736)		(.730)		(.715)		
Financial Leverage	-1.340*	.093	-1.175	.134	-1.288	.104	-1.554*	.050	-1.361*	-.146*	.079
	(.794)		(.781)		(.788)		(.787)		(.770)		
Intangible Asset	.105	.860	-.078	.894	.126	.831	.357	.551	.213	.023	.716
	(.597)		(.589)		(.592)		(.597)		(.586)	.	
Age	.515	.366	.477	.393	.405	.475	.514	.359	.381	.041	.489
	(.568)		(.558)		(.566)		(.560)		(.549)		
CSP Industry	2.282***	.000	2.378***	.000	2.427***	.000	2.071***	.000	2.286***	.246***	.000
	(.563)		(.554)		(.564)		(.561)		(.552)		
Ownership Concentration	1.805***	.001	2.003***	.000	1.758***	.002	1.931***	.001	2.073***	.223***	.000
	(.556)		(.550)		(.552)		(.550)		(.541)		
Independent Commissioner (IC)	1.642***	.008	1.678***	.006	1.854***	.003	1.486**	.016	1.707***	.184***	.005
	(.615)		(.604)		(.619)		(.609)		(.603)		
Related Diversification			-1.621***	.004					-1.490***	-.160***	.008
			(.562)						(.554)		
Unrelated Diversification					1.156**	.048			1.046*	.113*	.067
					(.581)				(.568)		
International Diversification							1.431	.011	1.468***	.158***	.008
							(.560)		(.547)		

Significance level: ***,**, and * is significant at the 1%, 5% and 10% level, respectively. Standard error in parentheses

6.4.2 Moderating Effect of Corporate Governance on Relationship between Corporate Diversification and Corporate Social Performance

The study employs nine multiple regression models (models 6-14) to investigate the moderating effect of the two CG indicators, independent commissioner and ownership concentration, on the corporate diversification-CSP relationship. The results are divided into three groups: the first covers the moderating effect of an independent commissioner (models 6-9); the second ownership concentration (models 10-13); and the third, develops model 14, the complete model, to investigate the effect of the two CG indicators on the corporate diversification-CSP relationship. The following sub-sections describe the regression results for each group.

7.4.2.1 Moderating effect of independent commissioner on the relationship between corporate diversification and CSP

There are four models in this group. The first, model 6, tests the interaction effect between an independent commissioner and related diversification on CSP. Models 7 and 8 investigate the interaction effect for unrelated and international diversification respectively. The last of these models, model 9, includes the interaction effects of an independent commissioner on all the corporate diversification variables.

Table 6.11 summarises the results from models 6 to 9. The R square of model 6 is 39.8%. This is an increase over model 5 of 0.1%, although it is not significant ($p>0.10$). The R square of model 7 increases to 40.7%, a change of 1%, which is significant at $p<0.10$. The R square of model 8 rises 1.2%, again significant ($p<0.05$) to 40.9%. In the last model, R square is 42.2%, an increase of 2.5% from model 5 and significant ($p<0.05$).

Table 6.11 The model summary for models 6 to 9

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics from Model 5				
					R Square Change	F Change	df 1	df2	Sig. F Change
6	.631	.398	.357	7.45611	.001	.459	1	189	.499
7	.638	.407	.366	7.40053	.010	3.315	1	189	.070
8	.639	.409	.368	7.38787	.012	3.975	1	189	.048
9	.650	.422	.375	7.34545	.025	2.737	3	187	.045

Source: Author

Based on the adjusted R square values, the ability of models 6, 7, 8 and 9 to explain the variance of CSP is respectively 35.7%, 36.6%, 36.8% and 37.5%. The R square decreases 0.1% in model 6 from model 5 (35.8%), but increases by 0.8% in model 7, 0.9% in model 8 and 1.7% in model 9. The F test values for models 6-9 based, shown in Table 6.12, are significant at $p<0.01$, denoting that all of these models are eligible to predict the variance of CSP.

Table 6.12 The ANOVA for models 6 to 9

Model		Sum of Squares	df	Mean Square	F	Sig.
6	Regression	6945.184	13	534.245	9.610	.000[b]
	Residual	10507.199	189	55.594		
	Total	17452.383	202			
7	Regression	7101.247	13	546.250	9.974	.000[b]
	Residual	10351.136	189	54.768		
	Total	17452.383	202			
8	Regression	7136.634	13	548.972	10.058	.000[b]
	Residual	10315.749	189	54.581		
	Total	17452.383	202			
9	Regression	7362.683	15	490.846	9.097	.000[b]
	Residual	10089.700	187	53.956		
	Total	17452.383	202			

Source: Author

The coefficient and the significance levels of the moderating effect of the independent commissioner on CSP are presented in Table 6.13. Model 6

explains that an independent commissioner has no significant moderating effect on the related diversification-CSP relationship (B=-.0392, p>0.1) (H3a). Alternatively, models 7 and 8 portray that an independent commissioner has a significant and positive moderating effect on the unrelated diversification-CSP and international-CSP relationships. An independent commissioner can strengthen the unrelated diversification-CSP relationship (B=1.048, p<0.1) (H3b) and the international diversification-CSP relationship (B=1.114, p<0.5 (H3c). These results are relatively similar for model 9, where the moderating effect of an independent commissioner on the related diversification-CSP relationship is not significant (-.557, p>0.1) (H3a). However, the moderating effect on the unrelated diversification-CSP relationship is positive and significant (B=.1.020, p<0.1) (H3b), and on the international diversification-CSP relationship is also positive and significant (B=1.182, p<0.5) (H3c).

These results indicate that hypothesis 3 is partially supported.

Table 6.13 Coefficient and Significance for models 6 to 9

	CSP							
	Model 6		Model 7		Model 8		Model 9	
Dependent Variable:	B	p	B	p	B	p	B	p
(Constant)	20.416***	.000	20.443***	.000	20.231***	.000	20.359***	.000
	(.528)		(.521)		(.523)		(.525)	
Size	2.145***	.001	2.162***	.001	2.211***	.001	2.248***	.000
	(.639)		(.635)		(.635)		(.631)	
Profitability	.573	.377	.610	.344	.592	.357	.644	.314
	(.647)		(.643)		(.641)		(.638)	
Liquidity	-2.214***	.002	-2.058***	.005	-2.266***	.002	-2.092***	.004
	(.716)		(.717)		(.710)		(.712)	
Financial Leverage	-1.344*	.083	-1.116*	.152	-1.411*	.066	-1.153*	.137
	(.771)		(.777)		(.764)		(.772)	
Intangible Asset	.187	.751	.247	.671	.258	.658	.257	.658
	(.588)		(.582)		(.581)		(.580)	
Age	.327	.556	.398	.467	.459	.401	.405	.461
	(.555)		(.545)		(.546)		(.548)	
CSP Industry	2.286***	.000	2.314***	.000	2.237***	.000	2.262***	.000
	(.553)		(.549)		(.548)		(.545)	
Ownership Concentration	2.123***	.000	2.067***	.000	2.028***	.000	2.090***	.000
	(.547)		(.538)		(.538)		(.539)	
Independent Commissioner (IC)	1.686***	.006	1.822***	.003	1.770***	.004	1.855***	.002
	(.604)		(.602)		(.599)		(.599)	
Related Diversification	-1.401**	.015	-1.471**	.008	-1.531**	.006	-1.389**	.014
	(.570)		(.551)		(.550)		(.562)	
Unrelated Diversification	1.036*	.070	1.113*	.050	.952*	.094	.999*	.078
	(.569)		(.566)		(.565)		(.564)	
International Diversification	1.476***	.008	1.390***	.012	1.314***	.017	1.241***	.024
	(.548)		(.545)		(.548)		(.546)	
Independent Commissioner (IC) * Related Diversification	-.392	.499					-.557	.336
	(.579)						(.578)	
Independent Commissioner (IC) * Unrelated Diversification			1.048	.070			1.020	.076
			(.576)				(.572)	
Independent Commissioner (IC) * International Diversification					1.114	.048	1.182	.037
					(.559)		(.562)	

Significance level: ***,**, and * is significant at the 1%, 5% and 10% level, respectively. Standard error in parentheses

7.4.2.2 Moderating effect of Ownership Concentration

This group consists of four models (models 10-13). These models investigate the moderating effect of ownership concentration on the relationship between corporate diversification and CSP, respectively, with related, unrelated and international diversification. Model 10 includes the interaction effect between ownership concentration and unrelated diversification on CSP, whilst, model 11 employs interaction effect between ownership concentration and unrelated diversification on CSP. Subsequently, model 12 uses the interaction effect between ownership concentration and international diversification on CSP. Finally, the last model, model 13 includes every interaction effect regarding ownership concentration on corporate diversification variables. Table 6.14 summarises these four models. R square of model 10 is 40.8 %, an increase of 1.1% over model 5, although it is significantly weak ($p<0.10$). Alternatively, the R square of models 11 and 12 are similar to model 5 and there is no R square change in these two models. Finally, the R square of the full model (model 13) for the moderating effect of ownership concentration is 10.4%; it increases 1.2%; nonetheless, this is not significant ($p<0.10$).

Table 6.14 Summary for models 10 to 13

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics from Model 5				
					R Square Change	F Change	df 1	df2	Sig. F Change
10	.639	.408	.367	7.39522	.011	3.592	1	189	.060
11	.630	.397	.355	7.46235	.000	.142	1	189	.706
12	.630	.396	.355	7.46515	.000	.000	1	189	.990
13	.639	.408	.361	7.43230	.012	1.225	3	187	.302

Source: Author

Based on the adjusted R square values shown in Table 6.14, the ability of models 10, 11, 12 and 13 to explain the variance of CSP is respectively 36.7%, 35.5%, 35.5% and 36.1%. The R square increases by 0.9% in model 10 over model 5 (35.8%), but decreases 0.3% in models 11 and 12. In model 13, the increase of the adjusted R square is 0.3%. The F test values of models 10-13, revealed in Table 6.15 are significant at $p<0.01$. This implies that all these models could be used to predict the variance of CSP.

Table 6.15 The ANOVA for models 10 to 13

Model		Sum of Squares	df	Mean Square	F	Sig.
10	Regression	7116.123	13	547.394	10.009	.000[b]
	Residual	10336.260	189	54.689		
	Total	17452.383	202			
11	Regression	6927.615	13	532.893	9.570	.000[b]
	Residual	10524.768	189	55.687		
	Total	17452.383	202			
12	Regression	6919.700	13	532.285	9.551	.000[b]
	Residual	10532.683	189	55.728		
	Total	17452.383	202			
13	Regression	7122.666	15	474.844	8.596	.000[b]
	Residual	10329.717	187	55.239		
	Total	17452.383	202			

Source: Author

The coefficient and significance levels of the moderating effects of ownership concentration on the corporate diversification-CSP relationships are presented in Table 6.16. Model 10 indicates that ownership concentration can strengthen the related diversification-CSP relationship ($B=0.876$, $p<0.1$) (H4a), while models 11 and 12 reveal that it has no moderating effect on either the unrelated diversification-CSP relationship (H4b) or the international diversification-CSP relationship (H4c). These results are consistent in model 13,

where the moderating effect of ownership concentration on related diversification-CSP is positive and significant (B=0.875, p<0.1) (H4a), although there is no significant moderating effect on the unrelated diversification-CSP (B=0.173, p>0.1) (H4b) and international diversification-CSP relationships (B=-.061, p>0.1) (H4c).

These results indicate that hypothesis 4 is only partially supported.

Table 6.16 Coefficient and Significance for models 10 to 13

Dependent Variable:	CSP							
	Model 10		Model 11		Model 12		Model 13	
	B	p	B	p	B	p	B	p
(Constant)	20.230***	.000	20.360***	.000	20.369***	.000	20.219***	.000
	(.524)		(.524)		(.524)		(.528)	
Size	2.087***	.001	2.126***	.001	2.139***	.001	2.085***	.001
	(.635)		(.641)		(.644)		(.643)	
Profitability	.572	.374	.571)	.380	.567	.383	.575	.374
	(.642)		.648)		(.648)		(.645)	
Liquidity	-2.266***	.002	-2.232***	.002	-2.224***	.002	-2.267***	.002
	(.711)		(.717)		(.718)		(.715)	
Financial Leverage	-1.460*	.058	-1.390*	.075	-1.360*	.080	-1.478*	.058
	(.766)		(.775)		(.774)		(.776)	
Intangible Asset	.068	.908	.201	.733	.214	.717	.065	.913
	(.587)		(.588)		(.590)		(.593)	
Age	.308	.573	.374	.498	.381	.490	.304	.581
	(.546)		(.550)		(.550)		(.549)	
CSP Industry	2.176***	.000	2.286***	.000	2.285***	.000	2.173***	.000
	(.551)		(.553)		(.554)		(.555)	
Ownership Concentration	1.876***	.001	2.088***	.000	2.074***	.000	1.898***	.001
	(.548)		(.544)		(.549)		(.557)	
Independent Commissioner (IC)	1.672***	.006	1.713***	.005	1.707***	.005	1.676***	.006
	(.599)		(.604)		(.604)		(.602)	
Related Diversification	-1.738***	.002	-1.495***	.008	-1.490***	.008	-1.740***	.003
	(.566)		(.556)		(.556)		(.569)	
Unrelated Diversification	1.026*	.071	1.035*	.071	1.045*	.069	1.011*	.078
	(.564)		(.570)		(.571)		(.570)	
International Diversification	1.429***	.009	1.479***	.008	1.467***	.009	1.429***	.011
	(.543)		(.549)		(.555)		(.554)	
Ownership Concentration * Related Diversification	.876*	.060					.875*	.062
	(.462)						(.466)	
Ownership Concentration * Unrelated Diversification			.208	.706			.173	.754
			(.551)				(.550)	
Ownership Concentration * International Diversification					-.006	.990	-.061	.905
					(.510)		(.510)	

Significance level: ***,**, and * is significant at the 1%, 5% and 10% level, respectively. Standard error in parentheses

7.4.2.3 Moderating effect of independent commissioner and ownership concentration

This group consists of a single model, 14, which is the full model in investigating the moderating effect of both CG indicators on the corporate diversification-CSP relationship. Table 6.17 provides information pertaining to R square, adjusted R square and R square change, complete with their significance.

Table 6.17 Model Summary

					Change Statistics from Model 5				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
14	.661	.437	.382	7.30638	.041	2.217	6	184	.043

Source: Author

Model 14 could explain 43.7% of the CSP variance. The R square value increases 4.1 % and is statistically significant ($p<0.05$). The adjusted R square is 38.2%, an increase of 2.4% from model 5. The F test value of model 14 is significant at $p<0.01$ (Table 6.18). This means that the complete model concerning the moderating effect of CG on the corporate diversification-CSP relationship can be used to predict the variance of CSP.

Table 6.18 The ANOVA for model 14

Model		Sum of Squares	df	Mean Square	F	Sig.
14	Regression	7629.883	18	423.882	7.940	.000[b]
	Residual	9822.500	184	53.383		
	Total	17452.383	202			

Source: Author

Based on Table 6.19, the results of the moderating effects of both independent commissioner and ownership concentration resemble those in models 9 and 13. The moderating effect of an independent commissioner on corporate diversification-CSP is only significant for unrelated diversification ($B=.968$, $p<0.10$) (H3b) and international diversification ($B=1.225$, $p<0.05$) (H3c). Conversely, the moderating effect of ownership concentration on the corporate diversification-CSP relationship is significant only in related diversification ($B=1.046$, $p<0.05$) (H4a).

Table 6.19 Coefficient and Significance for model 14

	CSP		
	B		Sig.
(Constant)	20.214	***	.000
	(.527)		
Size	2.192	***	.001
	(.633)		
Profitability	.660		.300
	(.635)		
Liquidity	-2.143	***	.003
	(.709)		
Financial Leverage	-1.291	*	.097
	(.775)		
Intangible Asset	.054		.927
	(.587)		
Age	.263		.632
	(.549)		
CSP Industry	2.123	***	.000
	(.547)		
Ownership Concentration	1.929	***	.001
	(.549)		
Independent Commissioner (IC)	1.795	***	.003
	(.597)		
Related Diversification	-1.604	***	.005
	(.567)		
Unrelated Diversification	.939	*	.098
	(.565)		
International Diversification	1.201	**	.031
	(.552)		
Independent Commissioner (IC) * Related Diversification	-.939		.121
	(.602.)		
Independent Commissioner (IC) * Unrelated Diversification	.968	*	.091
	(.571)		
Independent Commissioner (IC) * International Diversification	1.225	**	.031
	(.564)		
Ownership concentration * Related Diversification	1.046	**	.030
	(.480)		
Ownership concentration * Unrelated Diversification	.218		.688
	(.543)		
Ownership concentration * International Diversification	-.081		.873
	(.505)		

Significance level: ***,**, and * is significant at the 1%, 5% and 10% level, respectively.
Standard error in parentheses

6.4.3 Summary of Multiple Regression Results

The results of the regression analyses, including without and with the moderating effect of CG, are shown in Table 6.20. The results of the hypothesis

testing (supported/not supported) are reported in Table 6.21. The robustness test of the results is discussed in the following section.

Table 6.20 Corporate Diversification, Corporate Governance and CSP

Variable	CSP													
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14
(Constant)	20.370***	20.370***	20.370***	20.370***	20.370***	20.416***	20.443***	20.231***	20.359***	20.230***	20.360***	20.369***	20.219***	20.214***
Size:	2.190***	2.533***	1.862***	2.122***	2.139***	2.145***	2.162***	2.211***	2.248***	2.087***	2.126***	2.139***	2.085***	2.192***
Profitability	.657	.765	.493	.616	.567	.573	.610	.592	.644	.572	.571	.567	.575	.660
Liquidity: Current Ratio	-2.351***	-2.222***	-2.243***	-2.438***	-2.224***	-2.214***	-2.058***	-2.266***	-2.092***	-2.266***	-2.232***	-2.224***	-2.267***	-2.143***
Financial Leverage	-1.340*	-1.175	-1.288	-1.554**	-1.361*	-1.344*	-1.116	-1.411*	-1.153	-1.460*	-1.390*	-1.360*	-1.478*	-1.291*
Intangible Asset	.105	-.078	.126	.357	.213	.187	.247	.258	.257	.068	.201	.214	.065	.054
Age	.515	.477	.405	.514	.381	.327	.398	.459	.405	.308	.374	.381	.304	.263
CSP Industry	2.282***	2.378***	2.427***	2.071***	2.286***	2.286***	2.314***	2.237***	2.262***	2.176***	2.286***	2.285***	2.173***	2.123***
Ownership Concentration	1.805***	2.003***	1.758***	1.931***	2.073***	2.123***	2.067***	2.028***	2.090***	1.876***	2.088***	2.074***	1.898***	1.929***
Independent Commissioner	1.642***	1.678***	1.854***	1.486***	1.707***	1.686***	1.822***	1.770***	1.855***	1.672***	1.713***	1.707***	1.676***	1.795***
Related Diversification		-1.621***			-1.490***	-1.401**	-1.471**	-1.531***	-1.389**	-1.738***	-1.495***	-1.490***	-1.740***	-1.604***
Unrelated Diversification			1.156**		1.046*	1.036*	1.113*	.952*	.999*	1.026*	1.035*	1.045*	1.011*	.939*
International Diversification				1.431***	1.468***	1.476**	1.390**	1.314**	1.241**	1.429***	1.479***	1.467***	1.429**	1.201**
Independent Commissioner * Related Diversification						-.392			-.557					-.939
Independent Commissioner * Unrelated Diversification							1.048*		1.020*					.968*
Independent Commissioner * International Diversification								1.114**	1.182**					1.225**
Ownership Concentration * Related Diversification										.876*			.875*	1.046**
Ownership Concentration * Unrelated Diversification											.208		.173	.218
Ownership Concentration * International Diversification												-.006	-.061	-.081
N Company	203													
Adjusted R-square	.306	.331	.316	.325	.358	.357	.366	.368	.375	.367	.355	.355	.361	.382
F Test	10.885***	11.000***	10.342***	10.730***	10.402***	9.610***	9.974***	10.058***	9.097***	10.009***	9.570***	9.551***	8.596***	7.940***

Significance level: ***,**, and * is significant at the 1%, 5% and 10% level, respectively

Table 6.21 Summary of results

Research question	Hypothesis	Model regression	Result
What is the relationship between product diversification and CSP	H1a: There is a significant relationship between related diversification and corporate social performance	Model 2 Model 5	supported
	H1b: There is a significant relationship between related diversification and corporate social performance	Model 3 Model 5	supported
	H1c: The relationship between unrelated diversification and CSP is more positive than the relationship between related diversification and CSP	Model 5	supported
What is the relationship between international diversification and CSP	H2: The relationship between international diversification and corporate social performance is positive	Model 4 Model 5	supported
What is the relationship between corporate diversification and CSP through independent commissioner as a moderating variable	H3a: The relationship between related diversification and CSP is moderated by independent commissioner	Model 6 Model 9 Model 14	Not supported

Research question	Hypothesis	Model regression	Result
	H3b: The relationship between unrelated diversification and CSP is moderated by independent commissioner	Model 6 Model 9 Model 14	supported
	H3c: The relationship between international diversification and CSP is moderated by independent commissioner	Model 6 Model 9 Model 14	supported
What is the relationship between corporate diversification and CSP through ownership concentration as a moderating variable	H4a: The relationship between related diversification and CSP is moderated by ownership concentration	Model 10 Model 13 Model 14	supported
	H4b: The relationship between unrelated diversification and CSP is moderated by ownership concentration	Model 11 Model 13 Model 14	Not supported
	H4c: The relationship between international diversification and CSP is moderated by ownership concentration	Model 12 Model 13 Model 14	Not supported

Source: Author

6.4.4 Additional analyses

Three additional analyses were performed to confirm the robustness of the multiple regression results, specifically on models 5 and 14. The first

replicates the CSP measurement using a quantitative and qualitative disclosure index based on the quality of disclosure. Hence, of the 79 indicators, 67 scored 2, if disclosed quantitatively and scored 1 if disclosed qualitatively. The second additional analysis applies an alternative measurement concerning ownership concentration: largest ownership. Previous studies, such as Ducassy and Montandrau (2015); Dam and Scholtens (2013) used largest ownership as a measurement of ownership concentration. The final additional analysis introduces institutional ownership as an additional control variable, used by several researchers as explanatory variables, such as Ducassy and Montandrau (2015); Ntim and Soobaroyen (2013); Dam and Scholtens (2012); Walls *et al.* (2012); Brammer *et al.* (2006). The results of the additional analyses are presented in Table 6.22. The sign and magnitude of the coefficients of the explanatory variables are not much different from those in the principal analysis. Therefore, these coefficients are robust.

Table 6.22 Additional analysis

Variable	Model 5			Model 14		
	1	2	3	1	2	3
(Constant)	14.508***	20.370***	20.370***	14.463***	20.266***	20.219***
Size:	1.650***	2.445***	2.113***	1.660***	2.600***	2.153***
Profitability	0.326	0.750	0.577	0.388	0.961	0.669
Liquidity: Current Ratio	-1.450***	-2.211***	-2.238***	-1.391***	-2.029***	-2.165***
Financial Leverage	-1.023*	-1.446*	-1.355*	-0.973*	-1.067	-1.303*
Intangible Asset	0.028	0.156	0.235	-0.105	0.197	0.059
Age	0.257	0.291	0.344	0.137	0.254	0.223
CSP Industry	1.591***	2.310***	2.280***	1.505***	2.182***	2.123***
Ownership Concentration	1.574***	-1.433**	1.590**	1.514***	-1.691***	1.495**
Independent Commissioner	1.134**	1.844***	1.683***	1.177***	1.958***	1.773***
Related Diversification	-1.108***	-1.319**	-1.413**	-1.119***	-1.374**	-1.537***
Unrelated Diversification	0.911**	1.051*	1.015*	0.860**	0.900	0.918
International Diversification	1.125***	1.322**	1.426**	1.003**	1.030*	1.186**
Independent Commissioner * Related Diversification				-0.819*	-0.203	-0.946
Independent Commissioner * Unrelated Diversification				0.643	0.962	0.951*
Independent Commissioner * International Diversification				0.603	1.248**	1.183**
Ownership Concentration * Related Diversification				0.641*	-0.974	1.051**
Ownership Concentration * Unrelated Diversification				0.219	0.390	0.268
Ownership Concentration * International Diversification				0.042	0.360	-0.008
Institutional Ownership			-0.724			-0.641
N Company	203	203	203	203	203	203
Adjusted R-square	0.353	0.331	0.358	0.366	0.356	0.381
F Test	10.203***	9.337***	9.683***	7.472***	7.206***	7.557***

Source: Author

6.5 Discussion

This study investigates the relationship between Corporate Diversification and CSP. There are two research aims: first, to investigate the relationship between corporate diversification and CSP; and second, to examine the role of CG on the relationship between corporate diversification and CSP. Each primary research aim has several hypotheses. The results of the research aims and their hypotheses are discussed below.

6.5.1 The Relationship between Corporate Diversification and Corporate Social Performance

The first aim of this research is to investigate the relationship between corporate diversification and CSP. This aim is followed by two research questions; what is the relationship between product diversification and CSP; and what is the relationship between international diversification and CSP? Corporate diversification in this study consists of product diversification (i.e., related and unrelated diversification) and international diversification. Therefore, the first principal research aim is reflected in four hypotheses: H1a, H1b, H1c and H2.

First, H1a predicted a significant relationship between related diversification and CSP. The related diversification was found to have a negative relationship with CSP, thus supported H1a. This finding is not in line with stakeholder theory, which suggests that as diversification increases, so do the range of stakeholder demands and social issues, and the number and diversity of stakeholders that are pertinent to a company (Kang, 2013). The finding also fails to support Simerly (1997) and interpretation of his research, as he established a negative relationship between total corporate diversification (i.e. related and

unrelated) and CSP; this reflected a decreasing relatedness in industry diversification. Companies with a low level of diversification tend to apply a related diversification strategy, while those with high a level of diversification adopt an unrelated diversification strategy. He concludes that a negative relationship between corporate diversification and CSP reflects results from related diversified companies having a higher CSP by means of pursuing strategic assets specific to their activities and focusing on the industry that they serve in dealing with social and other issues.

Nor does this finding support the study by Kang (2013), who found that related diversification has no significant relationship with CSP, based on stakeholder theory. However, he did explain that the relationship between the level of diversification and CSP does not necessarily have to be positive (Kang, 2013). For example, when a diversified business attempts to disregard stakeholder demands and social issues, the level of diversification could be negatively related to CSP. This statement may also apply to related diversification. Related diversified companies focus on one industry; therefore, the diversity of their stakeholders is relatively low compared with unrelated diversified companies which operate in multiple industries. This suggests that the range of stakeholder demands and social issues is similar to those in undiversified companies. Hence, the pressure from stakeholders in these companies to increase CSP range is lower, consequently, these companies may tend to be better at avoiding the full extent of their social activities.

Unlike CSR in the US and European countries, CSR in Indonesia is predominantly promoted by the government rather than the private sector (Park *et al.*, 2014; Waagstein, 2011). Although CSR Indonesia Company Law no.40 of

2007, article 74(1) stated that social and environmental responsibility is obligatory for a company which has activities in and/or related to natural resources (Indonesia Company Law no.40 of 2007, article 74(1)), this law does not state specific programmes for the company's CSR. Therefore, if a related diversified company operates in a non-natural resources industry, it will not be motivated to implement CSR programmes or be encouraged to increase its CSP. Furthermore, institutional environmental pressures will be different in various industries (Chiu and Sharfman, 2011; Jackson and Apostolakou, 2010). Related diversified companies which operate under low pressure from their institutional environment may not find it necessary to increase their social activities.

Secondly, this study predicted a significant relationship between related diversification and CSP (H1b). The direction of the relationship depends on the ability of unrelated diversified companies to accommodate all their stakeholder demands and social issues. This study has ascertained that unrelated diversification has a positive relationship with CSP. This finding supports the study previously conducted by Kang (2013). He recognised that unrelated diversification has a positive significant relationship with CSP, as suggested by stakeholder theory. According to Kang, increasing CSP is affected by an increasing range of stakeholder demands and social issues related to the diversification strategy. Moreover, he contended that a diversified company responds to these demands and issues better than does a non-diversified company. It is because diversification strategy increases managerial risk aversion and reduces managerial employment risk. A diversified company also has the ability to distribute the relevant investment cost and benefit of CSP across its subsidiaries. However, the result of this study is not aligned with Simerly (1997),

who determined that increasing the level of unrelated diversification relates to decreasing CSP, because the unrelated diversification strategy is associated with maximisation of shareholder wealth. The result of this study supports stakeholder theory, which noted that unrelated diversification is not only associated with maximising shareholder wealth, nevertheless is also related to other stakeholders' interests (Kang, 2013). The increasing pressure of the substantial number and variety of salient stakeholders, including institutional environment pressure from several industries, encourages a company to be interested in stakeholders' demands and social issues. Furthermore, the result supports the proposal that unrelated diversification is effective in increasing managerial risk aversion and reducing managerial employment risk.

Third, this study predicts the relationship between unrelated diversification and CSP is more positive than the relationship between related diversification and CSP (H1c). The result of the regression analysis confirms that the effect of unrelated diversification toward CSP is more positive and significant. This finding supports a previous study from Kang (2013), in which he argued that companies which adopt an unrelated diversification strategy have a presence across extensively different industries. These businesses deal with more diverging stakeholders' demands and social issues. Conversely, firms which adopt a related diversification strategy are dealing with much more coherent stakeholders' demands, and so remain focused on a relatively narrow range of social concerns (Kang, 2013). Therefore, the pressure from stakeholders toward companies' corporate social activities is higher in an unrelated diversified company than in a related diversified company. Furthermore, the effect of diversification is connected to managerial risk aversion, managerial employment

risk and the ability to distribute the cost and benefit of CSP, according to Kang (2013); Hoskisson and Hitt (1988). The increase in a manager's risk aversion will be higher in unrelated diversification than related diversification (Hoskisson and Hitt, 1988), although the managerial employment risk will be reduced (Kang, 2013; Kacperczyk, 2009). The incentive of brand transfer and the insurance effect are also stronger in unrelated diversification (Kang, 2013). Therefore, unrelated diversified companies may have a higher CSP than related diversified companies.

However, this finding differs from Dooley and Fryxell (1999), who reported that unrelated diversified companies have a lower CSP than related diversified companies. They argued that differences in financial control, the intention of spreading environmental risk, and concern with building reputational capital for environmental performance, could lead the board to spectrum diversification, including unrelated diversification, resulting in lower environmental performance than narrow spectrum diversification or related diversification. The result also disagrees with Simerly (1997), who argued that companies which adopt a diversification strategy far from their core business interest are motivated by traditional perspectives, or by the stakeholder perspective that only pursues financial objectives. Therefore, a company's CSP would be lower for unrelated diversification than for related diversification.

Finally, this study predicts a positive relationship between international diversification and CSP in regard to intense pressure from various stakeholders and is motivated by managerial and economic incentives. The result of regression analysis demonstrates that international diversification has a positive and significant impact on CSP (H2). This finding is similar to those of Attig *et al.*

(2016); Ma *et al.* (2016); Aguilera-Caracuel *et al.* (2015); Kang (2013); Brammer *et al.* (2006); Strike *et al.* (2006); Christmann (2004). For example, Attig *et al.* (2016) found a positive relationship between internationalisation and CSR, offering recent evidence that multinational corporations which operate in countries which have well-functioning legal and political institutions have a higher CSP Index. Aguilera-Caracuel *et al.* (2015) noted that international cultural diversification was positively associated with CSP.

Intense pressure from stakeholders is one of the reasons for a positive relationship between international diversification and CSP. International diversification increases the number and variety of stakeholder pressure, derived from the different legal, regulatory, economic, cultural and social attitudes of each country (Ma *et al.*, 2016; Aguilera-Caracuel *et al.*, 2015; Park *et al.*, 2014; Kang, 2013; Brammer *et al.*, 2006; Gardberg and Fombrun, 2006; Christmann, 2004; Sharfman *et al.*, 2004). Stakeholders in diverse groups and countries have different priorities, while international diversified businesses have a greater opportunity for organisational learning (Ma *et al.*, 2016; Aguilera-Caracuel *et al.*, 2015). By creating mutual understanding with their stakeholders and using these ideas and resources, companies can communicate effectively with different stakeholders vis-à-vis their expectations, manage complex regulations in different countries and negotiate with governments to influence regulations which in turn improve CSP (Ma *et al.*, 2016; Aguilera-Caracuel *et al.*, 2015; Strike *et al.*, 2006).

According to Aguilera-Caracuel *et al.* (2015); Kang (2013), international diversification provides incentives to managers and firms to respond to stakeholder demand and socials issues. The managerial incentives emerge because international diversification can reduce managerial employment risk by

lessening the risk of bankruptcy and augmenting management entrenchment (Attig *et al.*, 2016; Aguilera-Caracuel *et al.*, 2015; Kang, 2013; Montgomery, 1994; Shleifer and Vinishny, 1989; Fatemi, 1984). Consequently, management in international diversified organisations will take notice of stakeholder demands and social issues. International diversification also provides economic incentives for a company to respond to stakeholder demand and social issues, seeing that the company can spread the cost and benefit of CSP investment among subsidiaries (Aguilera-Caracuel *et al.*, 2015; Kang, 2013; McWilliams and Siegel, 2001).

The findings refute the argument concerning the practice of social irresponsibility transferred from the home country to subsidiaries, although MNE) may select countries where stakeholder pressure is weak or minimal (Brammer *et al.*, 2006), and transfer the irresponsible corporate social practice to their subsidiary companies in emerging countries (Surroca *et al.*, 2013). However, nowadays, governments in emerging economies are insisting on CSR as part of the development objectives of MNEs (Reimann *et al.*, 2012).

Hence, with regard to intense pressure from various stakeholders and the motivation of managerial and economic incentives, this study supports the proposal that higher internationally diversified companies have higher CSP.

6.5.2 The Relationship between Corporate Diversification and Corporate Social Performance with CG as a moderating variable

The second research aim is investigate the role of corporate governance in corporate diversification-CSP relationship. This aims followed by two research questions, what is the relationship between corporate diversification and CSP

through independent commissioner and ownership concentration as a moderating variable. From the moderating effect of an independent commissioner, this study proposes three hypotheses, H3a, H3b and H3c . This study predicts the relationship between corporate diversification and CSP is moderated by independent commissioner as good CSP is required in a diversified company to achieve better CSP. The finding explains that the direct relationship between an independent commissioner and CSP is positive and significant in regression models 6, 7,8, 9 and 14. This finding also supports the results of a few prior studies (Cuadrado-Ballesteros *et al.*, 2015; Jizi *et al.*, 2014; Khan *et al.*, 2013; Ntim and Soobaroyen, 2013). For example, Khan *et al.* (2013) noted that board independence has a positive and significant impact on CSR disclosure. This finding supports agency theory, stakeholder theory and resources dependent theory, which suggest that the presence of a commissioner, independent of internal controlling and monitoring mechanisms, is expected to eliminate opportunistic managerial behaviour, represent the interest of all stakeholders in the board room, and improve the company's strategic decision making on diversification, via their knowledge and use of networks to obtain resources and create value for all stakeholders.

However, the results for the moderating variables are mixed. For instance, there is no significant moderating impact of independent commissioner on the related diversification-CSP relationship (H3a). This contradicts the finding of Surroca and Tribó (2008), that managerial practice has a positive effect on CSP, and that the effect is stronger in companies with efficient CG mechanisms, such as independent commissioners. However, an independent commissioner did moderate the relationship between unrelated diversification and CSP in a positive

way (H3b) and with international diversification and CSP (H3c). The positive role of an independent commissioner on the corporate diversification-CSP relationship, both unrelated and international diversification, is congruent with the findings of Surroca and Tribó (2008). Conversely, it disagrees with Cuadrado-Ballesteros *et al.* (2015) and Walls *et al.* (2012), who ascertained that the independence of independent directors could disappear for several reasons, such as in family businesses and short-term orientated investor firms.

Not all the studies investigating the moderating effect of independent commissioners on CSP were conducted in diversified companies. However, with similar logic, the researcher argues that the presence of an independent commissioner is expected to eliminate managers' opportunistic behaviour, represent all stakeholder interests in the board room and contribute to the company's strategic decision making on diversification. The researcher also asserts that independent commissioners may use their own networks to bring valuable resources into the firm in order to create higher value for all stakeholders. Hence, in order to increase the effect of corporate diversification on CSP, the company must consider the number of independent commissioners on its board of directors. This relates to the capacity of the independent commissioner, who has no conflict of interest, in giving valuable suggestions to managers, for example when dealing with performance achievement such as CSP. Hence, to increase the effect of diversification strategy on CSP, companies have to pay more attention on their independent commissioners.

The moderating effect of ownership concentration on the corporate diversification-CSP relationship also tested three hypotheses, H4a, H4b and H4c . This study predicts the relationship between corporate diversification and CSP

is moderated by ownership concentration. First, this study determined the significant and negative moderating effect of ownership concentration on the relationship between related diversification and CSP (H4a) is in line with previous research that found a negative relationship between ownership concentration and CSR or CEP (Dam and Scholtens, 2013; Khan *et al.*, 2013; Ntim and Soobaroyen, 2013; Walls *et al.*, 2012; Jo and Harjoto, 2011). For example, Dam and Scholtens (2013) discovered a negative relationship between ownership concentration, measured by block ownership and the CSR policy of European multinational companies. Khan *et al.* (2013) found that public ownership, which reflects ownership dispersion, contributes to an increase in the level of CSR disclosure in Bangladesh. Similarly, Walls *et al.* (2012) noticed that shareholder concentration measured by the percentage of shares held by the top five institutional investors in a company had a negative but not significant impact on CEP.

Therefore, this finding supports agency theory which suggests that majority shareholders in concentrated ownership companies could expropriate minority shareholders' interests (Dam and Scholtens, 2013). In terms of CSP, Ducassy and Montandrau (2015) state that the greater a shareholder's share, the higher the ownership concentration. Thus, they are less likely to encourage CSR programmes that do not provide a clear return on investment, even if they are socially optimal. As they have both the incentives and the power to influence managers, majority shareholders may prevent them from investing in non-shareholder value-maximising activities. Similarly, Brammer and Millington (2005) found that agency conflict plays a role, indicating that there is a significantly lower propensity to become involved in charitable giving programmes among

companies with a highly-concentrated ownership. Furthermore, ownership concentration also weakens the pressure on institutions to adopt CSR, given the limited and less powerful outside interests (Ntim and Soobaroyen, 2013). Khan *et al.* (2013) from the perspective of the stakeholder, argued that companies with ownership dispersion may increase pressure for voluntary disclosure including CSR activities under pressure from a large number of stakeholders.

Although previous studies did not mention ownership concentration or ownership dispersion as a moderating variable on corporate diversification and CSP, the researcher argues that the impact of related corporate diversification on CSP will be lower when this relationship is moderated by ownership concentration. This is based on agency and stakeholder theories, that ownership concentration makes managers focus on central stakeholders, such as block shareholders, ignore other stakeholders who exert less institutional pressure. Therefore, ownership concentration appears to moderate corporate diversification and CSP in a negative way. In contrast, ownership dispersion will help managers to make better decisions for all stakeholders and, it may be argued, affect CSP in diversified companies in a positive way. However, the moderating effect of ownership concentration on the corporate diversification-CSP relationship is only supported partially; significant for the related diversification relationship (H4a), although not for the unrelated diversification (H4b) and international diversification (H4c) relationships. Ownership concentration, such as by majority shareholders, may or may not support social initiative, which is related to CSP, depending on whether the costs of those social activities are higher than the benefits received. Specifically, for unrelated and international diversification, these risks might be higher that the benefits. Accordingly, ownership

concentration may not be significantly related to the unrelated and international diversification-CSP relationships.

6.6 Summary

This chapter has analysed two principal research aims, the relationship between corporate diversification and CSP and the role of CG mechanisms on moderating this relationship. Related diversification has a negative relationship with CSP, while unrelated and international diversification have a positive impact on CSP. Moreover, the relationship between unrelated diversification and CSP is more positive and significant than the related diversification and CSP relationship. Furthermore, independent commissioner and ownership concentration as part of CG mechanisms only partially support the corporate diversification-CSP relationship. Independent commissioners strengthen the positive relationship between unrelated diversification and CSP and the international corporate diversification-CSP relationship. However, ownership concentration weakens the negative relationship between related diversification and CSP. Finally, in the context of an emerging country, ownership concentration may have a smaller effect on weakening the positive relationship between corporate diversification and CSP.

CHAPTER 7 CONCLUSION

7.1 Introduction

This chapter summarises the key findings of the study, the research contributions; theoretical contributions and managerial implications, and indicates the limitations of the research and directions for future study.

7.2 Summary of Findings

The research questions or the objective of this study are to examine the relationship between corporate diversification and CSP and to investigate the moderating effect of CG on the relationship between corporate diversification and CSP. Data on 203 listed companies in Indonesia was analysed. There are several key findings which reflect the research questions. First, in answering the research question regarding the relationship between product diversification and CSP, it established that related diversification is significantly related to CSP (H1a) in a negative direction. Unrelated diversification is significantly related to CSP with alpha less than 0.10 (H1b) in a positive direction, whereas international diversification is significantly related to CSP (H2) in a positive direction. To answer the second and fourth research question, the study examined the moderating effect of CG on the relationship between corporate diversification and CSP. Of six hypotheses, only three are significant: the moderating effect of independent commissioners in strengthening the positive relationship between unrelated diversification and CSP (H3b); the moderating effect of independent commissioners on strengthening the international diversification-CSP relationship (H3c); and the moderating effect of ownership concentration on weakening the negative relationship between related diversification and CSP (H4a).

7.3 Research Contribution

The contributions are to both, theory practical and policy making.

7.3.1 Theoretical Contributions

There are four theoretical contributions in relation to this study.

1. First, this study has explained the link between corporate diversification and CSP, both product diversification and international diversification. Based on the literature review of 45 previous studies on corporate diversification and corporate performance between 1995 and 2016, there are only nine empirical studies which investigated the relationship between corporate diversification and CSP as corporate performance including Attig *et al.* (2016); Ma *et al.* (2016); Aguilera-Caracuel *et al.* (2015); Kang (2013); Brammer *et al.* (2006); Strike *et al.* (2006); Christmann (2004); Dooley and Fryxell (1999); (Simerly, 1997). Whilst, others focused on financial performance from the accounting or market perspectives. Furthermore, most of the studies on the corporate diversification-CSP relationship focused on the relationship between international diversification and CSP. To the best of the researcher's knowledge, only Kang (2013); Dooley and Fryxell (1999); Simerly (1997) who have investigated the relationship between product diversification and CSP. However, Simerly (1997) did not differentiate between product diversification in related and unrelated diversification. Alternatively, Dooley and Fryxell (1999) used related and unrelated diversification to reflect specific types of industry diversification; however, they only used environmental performance as a CSP measurement and they employed a uni-dimensional indicator. Accordingly, only Kang (2013) who applied related and unrelated types of industry diversification and used multi-

dimensional indicators to measure CSP. Therefore, it may be concluded that research on the relationship between corporate diversification and CSP remains limited, particularly on the link between product diversification and CSP, and this study have addressed this gap.

2. Secondly, this study extends previous studies which addressed the relationship between corporate diversification and CSP by using corporate governance as the moderating variable. Previous studies only investigated the relationship between corporate diversification and CSP, such as Aguilera-Caracuel *et al.* (2015); Kang (2013); Brammer *et al.* (2006); Strike *et al.* (2006); Christmann (2004). Others investigated the relationship between CG and CSP (e.g.Cuadrado-Ballesteros *et al.*, 2015; Li, K. *et al.*, 2015; Jizi *et al.*, 2014; Hafsi and Turgut, 2013). However, they overlooked the role of CG on CSP in the context of diversified companies. Hence, this study offers new insight into the relationship between corporate diversification and CSP with CG mechanisms, such as independent commissioners and ownership concentration, as moderating variables. The findings reveal the role played by independent commissioners as an enhancing factor that encourages CSP in diversified firms, particularly in both related and unrelated product diversification. The findings also showed the role of ownership dispersion as alleviating factors in reducing the negative relationship between related diversification and CSP.
3. This study has contributed to explain the relationship between corporate diversification, corporate governance and CSP in an emerging economy; Indonesia. Additionally, most of the studies, which addressed the relationship between corporate diversification and CSP, were primarily conducted in developed countries (Kang, 2013; Purkayastha *et al.*, 2012).

This study affords new insight on the context of an emerging country, such as Indonesia. According to Reimann *et al.* (2015), every country has differences regarding local rules, regulations and governmental control, which lead to different CSR requirements. Most of the emerging countries suffer from these weak institutions (Ma *et al.*, 2016), for example low local labour rights or poor working standards. These conditions lead to lower requirements for CSR in emerging economies than in developed economies (Reimann *et al.*, 2015; Yang and Rivers, 2009). Therefore, the result of studies on the relationship between corporate diversification and CSP in developing economies could be different to developed economies. Furthermore, the unique characteristics of a company in emerging developing economies, such as family dominance, could result in the failure of corporate governance mechanisms to increase CSR (Khan *et al.*, 2013).

4. Thirdly, this study gives a unique perspective on CSP measurement, particularly the CSP indicator. This research applies content analysis based on GRI indicators to measure CSP. Most prior studies have employed ethical rating methods and indicators, such as KLD, EIRIS and IVA. However, there is no research on corporate diversification and CSP that use GRI guidelines to measure CSP indicators. While, according to Cuadrado-Ballesteros *et al.* (2015); Bouten *et al.* (2011), GRI guidelines could be an adequate standard for CSR achievement, which reflect the CSP, particularly the performance indicators of GRI. Accordingly, this study has contributed by introducing a CSP measurement based on GRI indicators, specifically by combining GRI versions 3 and 4, as research was conducted in a transition period.

7.3.2 Policy Implications

This study also has policy implications, with the following contributions:

1. These findings offer a new insight in encouraging managers to pay more attention to their companies' diversification strategies. Therefore, it will lead to performance developments, such as CSP. To increase CSP, a company must carefully consider decisions concerning diversification strategy, such as related/unrelated or international diversification strategies. For example, unrelated diversification has a positive and significant impact on CSP. Even though a related diversification strategy has a negative impact on CSP, it remains statistically significant. Hence, managers may prefer related diversification to maintain CSP.
2. In order to maximise the impact of corporate diversification strategy on CSP, a manager has to think wisely, based on CG dimensions in the company, such as the number of independent commissioners and ownership concentration. This factor will affect the decision-making process in the company.
3. This study provides input for the government to create programmes or regulations, which increase the company's willingness to deal with social responsibility issues.
4. This study provides input for managers who run their businesses in emerging economies, which have several differences in contrast to developed economies, such as local rules, regulations and governmental control.

7.4 Limitations, Future Research and Research Impact

This study also has a few limitations. It was only conducted in one country, Indonesia, which limits the generalisability of its results, even to

emerging economies. Future research may attempt to validate and compare these results with other emerging countries, for example in Southeast Asia: Malaysia, Thailand and the Philippines, making them more generalisable. Moreover, the different regulations, cultural and institutional conditions between emerging countries may influence a company's response to stakeholder demands and social issues.

Second, due to time and cost limitations, this was a cross-sectional study, portraying the phenomena at a single time and unable to reflect the long-term effects of change. Future research might use a longitudinal study to describe the phenomena over the long term. Hence, it might be able to describe the association between corporate diversification and CSP with CG as moderator at contrasting times, checking the relationship's consistency or validity. A longitudinal study may also lead practitioners and academics to understand the causal relationship between corporate diversification and CSP.

Third, it was not possible to obtain secondary data regarding the specific percentage of sales of international diversified businesses in individual countries because of different reporting methods; the ratio of foreign sales to total sales was therefore used as a proxy. However, this measurement may not capture relevant information regarding the number of countries in which a company operates, the relative importance of sales contributed by each country, and differences in regulations, cultural and institutional conditions that might affect the relationship between international diversification and CSP. Future research may consider other measurements of international diversification, for instance the entropy measure (Majocchi and Strange, 2012; Chang and Wang, 2007)

Fourth, this study only addressed two indicators of CG: independent commissioners and ownership concentration. A future study might employ other

indicators of CG, such as type of ownership and managerial compensation as the moderating variable, which may contribute more valuable results.

Finally, the study indicates the impact on policy making on the economy of Indonesia. In future, if the Indonesian government intends to develop better CSR programmes, it must introduce regulations suitable to the type of industry diversification and encouragement for listed companies to implement good CG.

7.5 Summary

In conclusion, the findings of this study have contributed to the theoretical and managerial implications of the relationship between corporate diversification and CSP, neglected in previous studies. They include an extended measurement of CSP by using a GRI indicator in the GRI 3 and GRI 4 transition period and addressing the moderating effect of CG on the corporate diversification-CSP relationship. The limitations (e.g. a cross-sectional study) outlined above are addressed by suggestions for future research.

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Appendix 1 Table Key Contributors

No	Year	Author (Year)	Corporate Diversification				Corporate Governance		Company Perfor-mance		Methodology				Journal Info		
			Product			Int.	IC	OC	FP	CSP/ CSR	Country	Sample	Me-thod	Ana-lysis	Citation	JCR Journal Title	ABSJR
			TD	RD	UD	ID											
1	2016	Attig *et al.* (2016)				√				√	US	3,040 companies 16,606 observations	A	I	0	J Bus Ethics	3
2	2016	Ma *et al.* (2016)				√				√	China	288 observations	A	V	0	Manag Decis	2
3	2015	Aguilera-Caracuel, Guerrero-Villegas, Aguilera-Caracuel *et al.* (2015)				√				√	US	113 listed companies 672 data set	A	I	0	Manag Int Rev	3
4	2015	Cuadrado-Ballesteros *et al.* (2015)					√			√	13 countries in Europe, UK and US	575 listed companies, 4025 observations in 7 years	A	IX	1	Int Bus Rev	3
5	2015	Gao and Chou	√			√			√		US	15,010-17,363	A	II and	2	J Corp	4

		(2015)									observation		V		Finan	
6	2015	Hashai (2015)		√					√		Israel	147 companies	A and C	VII	5	Strat Manage J	4*
7	2015	Li, K. *et al.* (2015)					√	√	√		China	1241 companies, 6823 observations 2003-2008	A	I	0	Int Rev Finan Anal	3
8	2015	Oh *et al.* (2015)	√	√	√	√			√		19 European countries	65 leading retail firm in 1997-2010	A	IX	1	J Int manage	3
9	2015	Su and Tsang (2015)	√	√	√				√		US	391 firms and 2,364 observation for first stage model 197 firms and 990 observation for second stage model	A	IV	1	Acad Manage J	3
10	2014	Jizi *et al.* (2014)					√	√		√	US	193 banks	A	II	11	J Bus Ethics	3
11	2014	Mason and Simmons (2014)					√	√		√	-	Theoretical conceptualization	D	XVI	24	J Bus Ethics	3
12	2014	Park *et al.* (2014)								√	South	312	B	V	12	Int Bus	3

											Korea	responses				Rev	
13	2014	Peng and Yang (2014)						√	√	√	Taiwan	84 firms-years, 316 observations	A	IV and XIV	4	J Bus Ethics	3
14	2014	Young and Thyil (2014)					√	√		√	UK, India Australia	21 semi structure interviews	C	XV	13	J Bus Ethics	3
15	2013	Choi *et al.* (2013)						√		√	Korea	2,042 observation in KLCA	A	V	10	Corp Gov	3
16	2013	Dam and Scholtens (2013)						√		√	Europe	691 European company	A	V	21	J Bus Ethics	3
17	2013	Hafsi and Turgut (2013)					√			√	US	100 listed companies in S&P500	A	V	57	J Bus Ethics	3
18	2013	Kang (2013)		√	√	√				√	US	155 listed companies, 3044 data set	A	I	38	Strategic Manage J	4*
19	2013	Khan *et al.* (2013)					√			√	Bangladesh	135 manufacturing listed companies, 580 observations	A	I	72	J Bus Ethics	3
20	2013	Ntim and Soobaroyen (2013)					√		√	√	South Africa	291 listed companies, 600 data set	A	I	30	Corp Gov	3

21	2013	Lien and Li (2013)	√						√		Taiwan	205 firms	A	I	10	J Bus Res	3
22	2013	Park and Jang (2013a)		√	√				√		US	308 restaurant companie19s, 2829 ob20servation21	A	V, VII and VIII	21	Int J Hosp Manag	3
23	2013	Park and Jang (2013b)		√	√				√		US	288 22restauran23t companies, 2514 observation	A	IX	7	Int J Hosp Manag	3
24	2012	Chen and Yu (2012)	√	√	√				√		Taiwan	98 listed firms	A	I	61	Int Bus Rev	3
25	2012	Ho and Wang (2012)			√					√	49 countries	3680 observations	A	VII, XI	52	J Bus Ethics	3
26	2012	Kang and Moon (2012)					√	√		√	-	Theoretical conceptualization	D	XVI	58	Socio Econ Rev	3
27	2012	Park and Jang (2012)		√	√				√		US	308 restaurant companies, 2829 observation	A	I	19	Int J Hosp Manag	3
28	2012	Purkayastha *et al.* (2012)		√	√				√		-	124 articles	A	XVI	37	Int J Manag Rev	3

29	2012	Schmid and Walter (2012)				√			√		US	620 companies with 3579 observations	A	I	15	J Empir Finance	3
30	2012	Walls *et al.* (2012)					√			√	US	313 S&P 500 listed companies, 2,002 observations	A	I	109	Strat Manage J	4*
31	2011	Jo and Harjoto (2011)					√			√	Several countries based on KLD and compusta t database	1175-1777 firms and 5639-7750 observations	A	VII	252	J Bus Ethics	3
32	2011	Kang *et al.* (2011)	√						√		US	15 casino firm, with 104 observation in period 2004-2007	A	I	14	Int J Hosp Manag	3
33	2011	Post *et al.* (2011)					√			√	US	78 companies in electronic and chemical industry	A	I	102	Bus & Society	3
34	2010	Bobillo *et al.* (2010)				√			√		5 EU countries: Germany, UK,	More than 1.500 companies with 16,588	A	I	42	Int Bus Rev	3

											France, Denmark, and Spain	observations					
35	2010	Jamali (2010)								√	Libanon	10 companies	C	XV	69	J Bus Ethics	3
36	2010	Qian *et al.* (2010)				√			√		US	123 US manufacturing MNE's, 861 observation	A	V	99	Strat Manage J	4*
37	2009	Gaur and Kumar (2009)				√			√		India	240 manufacturing and service company	A	VI	109	Brit Jour manage	4
38	2009	Yang and Rivers (2009)				√				√	-	-	D	XVI	86	J Bus Ethics	3
39	2008	Chiao *et al.* (2008)		√	√				√		china	920 firms in china	A	III, V	27	Int Market Rev	3
40	2008	Jamali *et al.* (2008)					√	√		√	Libanon	8 firms	C	XV	240	Corp Gov	3
41	2008	Surroca and Tribó (2008)					√	√	√	√	22 countries	358 industrial companies, 448 observations	A	I	115	J Bus Finan Account	3
42	2007	Chakrabarti *et al.* (2007)	√						√		East Asia Countries	3,117	A	I	185	Strat Manage J	4*
43	2007	Chang and Wang		√	√	√			√		US	2,402 firms,	A	I	99	J World	3

		(2007)										8,047 observation				Bus	
44	2007	Singh, Nejadmalayeri and Mathur (2007)	√						√		India	889 firms	A	I, II	52	J Bus Res	3
45	2006	Brammer *et al.* (2006)				√				√	UK	420 companies	B	V	69	J Bus Res	3
46	2006	Doukas and Kan (2006)		√	√				√		US	612 cross-border acquisitions	A	I and IX	88	J Int Bus Stud	4*
47	2006	Miller (2006)		√					√		US	747 firms	A	VI	288	Strat Manage J	4*
48	2006	Strike *et al.* (2006)				√				√	US	222 listed companies	A	VI	262	J Int Bus Stud	4
49	2005	Tongli *et al.* (2005)	√		√				√		Singapore	628 observations	A	VI	49	Asian Pac J Manage	3
50	2004	Christmann (2004)				√				√	US	98 chemical companies	B	I	486	Acad Manage J	4*
51	2004	Fauver *et al.* (2004)	√			√			√		German, UK,US	More than 3000 firms	A	I	94	J Corp Financ	4
52	2004	Li and Greenwood (2004)		√					√		Canada	276 insurance companies and 822 observations	A	VI	157	Strat Manage J	4*

53	2004	Sharfman *et al.* (2004)	√			√				√	-	-	D	-	100	Bus & Society	3
54	2003	Capar and Kotabe (2003)				√			√		German	81 major service firms	A	I	496	J Int Bus Stud	4*
55	2003	Ibrahim *et al.* (2003)					√	√		√	US	307 respondents	B	XII	108	J Bus Ethics	3
56	2003	Wan and Hoskisson (2003)	√			√			√		16 Western European countries	722 companies	A	V	501	Acad Manage J	4
57	2002	Denis *et al.* (2002)	√			√			√		US	7,520 firms, 44,288 observations	A	V	817	J financ	4*
58	2002	Graham, Lemmon and Wolf (2002)		√	√				√		US	356 acquisition	A	I,	816	J financ	4*
59	2002	Lins and Servaes (2002)	√			√			√		7 emerging countries	1195 companies	A	I	443	Financ Manage	3
60	2001	Alesón and Escuer (2001)				√			√		Spanish	103 companies	A	VI	69	Manage Intr Rev	3
61	2000	Chen and Ho (2000)	√						√		Singapor e	145 companies	A	I	119	Int Rev Financ Analys	3
62	2000	Palich, Carini and Seaman (2000)	√	√	√	√			√		US	70 companies	A	XI and XIII	53	J Bus Res	3
63	1999	Delios and	√			√			√		Japan	399 MNEs	A	XVI	610	Strat Manage	4*

		Beamish (1999)														J	
64	1999	Dooley and Fryxell (1999)		√	√					√	US	555 parent companies, 2952 facilities in US	A	XI	46	J Bus Ethics	3
65	1998	Wan (1998)	√			√			√		Hong Kong	81 MNC	A	I, IX	68	Asian Pac J Manage	3
66	1997	Simerly (1997)	√							√	US	157 companies	A	I	1	Psychol Rep	1
67	1996	Servaes (1996)	√						√		US	266-518 company	A	I, IX	994	J Financ	4*
68	1995	Ibrahim and Angelidis (1995)					√	√		√	US	429 respondents	B	XI and XII	129	J Bus Ethics	3

Note: Int= International, TD= Total diversification RD=Related diversification, UD=Unrelated diversification, ID=International diversification, IC= Independent commissioner, OC= Ownership concentration, FP=Financial performance, CSP=Corporate social performance, A=Secondary data, B=Survey, C= Interview D= Theoretical conceptualization; I=Multiple regression, II= Tobit regression, III= Logit regression, IV= Probit regression, V= Ordinary least squares, VI=General least squares/ Weighted Least squares, VII= 2stage Least square, VIII= 3stage least square, IX= Generalized Method of Moment, X= path analysis, XI= Anova or t test, XII= Manova, XIII= Mancova, XIV= Factor analysis, XV= Qualitative analysis, XVI= Descriptive XVII= others, ABSJR=Association of Business School Journal Ranking, 4*=World elite journal, 4=Top journal, 3= Highly regarded journal, 2= Well regarded journal.

Appendix 2 Table Summary of Key Contributors

Year	Author/s	Research question/Aim	Variable	Methodological approach	Data analysis	Relevant findings	Limitations & Future Research
2016	Attig *et al.* (2016)	To investigate the effect of internationalization on CSR and the role of institutional environment on the relationship between internationalization and CSR	- CSR: MSCI ESG Stat - ID: foreign sales/Total sales, foreign sales to total asset, Herfindahl Index and entropy - Control variable such as firm size, firm age, profitability (ROA), leverage, intangible asset (market to book ratio), long term institutional ownership	Secondary data from MSCI ESG Stat and compustate database Sample consist of 3,040 US companies 16,606 observations over period of 1991-2010	- Regression with fixed effect - AdjR^2= 0.153-0.431	- Internationalization → + CSR - strong institutional environments and strong legal and political institutions are positively moderated Internationalization → + CSR	- use binary rating of KLD's database to measure the CSR disclosure - Use unidimensional measured of internationalization that may not ideal.
2016	Ma *et al.* (2016)	To explore the relationship between international	- CSR : Disclosure analysis	Secondary data from company's annual report, CSR or sustainable report	- OLS - R^2= 0.456-0.485	- Degree of International diversificatio	Future study need to: - develop the

		diversification, both scale and scope, and CSR in emerging countries, particularly in China	- ID: degree of International diversification (foreign revenue/Total Revenue), geographical diversification (Inverse of Herfindahl Index) and product diversification (Inverse of Herfindahl Index) - Control variable: ownership, listed (binary), geographic dummy and project dummy	and website. Sample consist of 288 observations in period 2010-2014		n → + CSR - Product diversification → + CSR - Geographical diversification weaken the degree of International diversification → + CSP	detail and comprehensive measure of the CSR disclosure, - use other emerging countries as sample of study - compare the result for developed and emerging economies
2015	Aguilera-Caracuel *et al.* (2015)	to analyse the influence of international cultural diversification of a multinational enterprise on its corporate social	- CSP:KLD - International cultural diversification	Secondary data from 672 observation: 113 Multinational Companies (MNC) from 2005-2010 in two different database	- Multiple regression: Fix effect model - R^2 within 0.15	International cultural diversification → + CSP	- Only use parent companies of MNC which located in US - Ignore other

		performance and to investigate the moderating effect of slack financial resources on this relationship		Standard & Poor's (S&P)database and KLD database			institutional pressure such as regulation - International cultural diversification was measured by cultural entropy index based on region, not countries. - Relied on secondary data for CSP variable
2015	Cuadrado-Ballesteros *et al.* (2015)	To analyse CSR disclosure and the role of Independent director to CSR	- CSR: GRI -Independent director -Control variables: board size, diversity of board (women and foreigners), etc.	- Panel data set, 575 non-financial listed companies in Europe, UK and US, 4025 observations in 7 years	- Generalized Method of Moment (GMM) with STATA 11	- Independent Director → + CSR disclosure - Independent director*Family firm →- CSR disclosure	- Need for other controls - Data is limited to several countries and years - GRI is more appropriate for the future study - Put audit committee as a control variable
2015	Gao and Chou	To investigate whether multinational firms are less or more efficient in	- Innovative efficiency - Diversification:	- secondary data use NBER patent database,	- Tobit regression - OLS - Adj R2=0.154-	- ID → - Innovative efficiency	- Only investigate in US companies

	(2015)	innovation activities and effect of innovation efficiency on firm value	TD and ID -Performance: Excess value	Compustat segment files, and Compustat industrial annual file - 15,010-17,363 observation - Period 1980-2003	0.303	- Innovative efficiency →+corporate value in markets with better patent protection	
2015	Hashai (2015)	To investigate the relationship between within industry diversification and firm performance	- Firm performance: ROA and ROS -WID	- Secondary data from Dolev and Abramovitz dataset, the Israel Ventura Capital dataset, LexisNexis Academic press announcement and archives of leading Israeli financial newspaper - Interview - 147 firms	- Two stage least square - Centered R^2 = 0.148-0.215	- The relationship between within industry diversification and firm performance is S curve	- Need to include the motivation of WID - Need to consider the simultaneously expanding across and within industries
2015	Li, K. *et al.* (2015)	To investigate the relationship between board independentce, ownership concentration and corporate performance	-Board Independentce -Ownership concentration -Financial performance	- Panel data from China stock market and Accounting research. 6823 observations from 1241 companies (2003-2008)	- Multiple regression - Fixed effects - Adj R^2=-0.303, 0.305, 0.567, 0.567	- Board independent ce → CFP - Ownership concentratio n → CFP	- Need more in-depth analysis
2015	Oh *et al.* (2015)	Investigate the effect of regional diversification on firm's performance and moderating effect of product	- Firm performance: ROS, ROA - ID: intra and	- Panel data from 65 leading retail firm period of year 1997-2010	- Panel data General Methods of Moment	- S curve relationship : Inter regional diversificatio n→ Firm	- Only focus on retail industry - Only used geographical

		diversification on this relationship.	inter region - Product TD, Diversification: RD and UD - Control variable such as firm size, firm growth, year		(GMM) with one year lagged dependent variable	performance - Moderating impact of RD and UD on inter region diversification and performance relationship	dimension of international diversification. Future research need to consider other dimension such as cultural and institutional.
2015	Su and Tsang (2015)	To investigate the moderating effect of secondary stakeholder on the relationship between product diversification and financial performance	- Financial performance: ROA - Product Diversification: TD, RD and UD - secondary stakeholder (SS) -Control variable such as firm's size, firm's financial slack, outside/Independent director	- Panel data by using secondary data from Compustat database - Public firms on fortune 500 list between 1996 and 2003. - 391 firms and 2,364 observation for first stage model - 197 firms and 990 observation for second stage model	- Probit regression - Fix effect regression - One year Lagged regression - R^2 = 0.836 to 0.839	- TD→ -Firm performance - UD→ -Firm performance - Moderating impact of SS on TD –Firm performance is + - Moderating impact of SS on UD –Firm performance is +	- Relates with secondary stakeholder measurement
2014	Jizi *et al.* (2014)	To examine the relationship between corporate governance and CSR	- CSR disclosure -Corporate governance:	- Secondary data from 193 listed bank in US in2009-2011	- Tobit regression model - R square = 0.17, 0.22	- Board size → CSR - Board Independent	- Should be done in much wider range of industries

			Board Independentce, Board size, CEO duality - Control variables: audit committee, profitability, etc.		- Wald chi square = 56.45, 76.33	→ CSR	
2014	Mason and Simmons (2014)	To investigate the gap on the link between CG and CSR in stakeholder systems approach	- CSR - CG - Stakeholder system	Literature review	- Descriptive	A holistic approach on the link between CG and CSR	- Still on conceptual model
2014	Park *et al.* (2014)	To examine how specific stakeholder groups influence MNE's CSR	- CSR - Consumers - Internal managers and employees - Business collaborator - Governments - Media - Local community	- Survey - 312 responses (response rate 20.38% - South Korea	- OLS regression analysis - Adj R^2=0.20, 0.35	- Internal managers and employees → CSR	- Only focus on one geographical area
2014	Peng and Yang (2014)	To investigate the impact of ownership concentration on the link between CSP and CFP	- Ownership concentration - CSP - CFP - Control variables	Panel data from 84 firm-year Taiwan SEI, 316 firms-years observation	- Factor analysis, - OLS - Adj R^2=0.23, 0.31	Ownership concentration* CSP → CFP	- Need for in-depth study on ownership concentration-CSP relationship

2014	Young and Thyil (2014)	To explore the relationship between corporate governance and CSR	- CSR - CG	Semi structure Interview to 2 key informants in UK, India and Australia	- Qualitative analysis with NVIVO	CG → CSR	- Generalization - Need for larger quantitative analysis
2013	Choi *et al.* (2013)	To investigate the link between corporate governance and manager intention to CSR	-CSR:KEJI -Earning management - CG: Institutional ownership, largest block holders, foreign ownership, ownership concentration	- Panel data from 2042 non-financial firms-years in KLCA Korea	- OLS regression - Adj R^2=-0.47, 0.50, 0.47, 0.48	Largest (ownership concentration)*earning management → - CSR	- Only in Korean companies - Need to do more in other countries to give a generalization
2013	Dam and Scholtens (2013)	To investigate association between ownership concentration and CSR	- CSR: EIRis -Ownership concentration: % of block holder (5%,10%,20%) and Shareholder concentration index -Control variable such as leverage, ROA, liquidity ratio	- Secondary data from 691 European companies in 2005 from EIRiS Database	- OLS - Cross sectional analysis - R^2=-0.387-0.394	OC→ - CSR	- Only use cross sectional analysis

2013	Hafsi and Turgut (2013)	To investigate what does boardroom diversity stand for in strategic management and examine the relationship between boardroom diversity and CSP	- CSP:KLD - Diversity of boards -Diversity in boards -Control variables: type of industry, CFP	- Cross sectional secondary data from 100 listed companies in the S&P500 index DJSE US	- OLS regression Adj R^2=-0.03, 0.00, 0.02, -0.03, 0.15, 0.11	- Board size → (no) CSP - Outside director → (no) CSP - Age→ (-) CSP	- Sample size could be larger - Measurement improvement
2013	Kang (2013)	To investigate the relationship between corporate diversification and corporate social performance	- CSP:KLD - Related diversification - Unrelated diversification - International diversification - Firm focus on short term profit	Secondary data from 3044 companies and years based on 155 companies from 1993-2006 in three different database; Kinder, Lydenderg, Domini (KLD) Social Rating data base, Compustat's North America database, and Compustat's Executive Compensation (Execucom)	- Multiple regression with: contemporaneous lag structure and one year lag model - Fixed-effects	Unrelated diversification → + CSP Unrelated diversification → CSP > + related diversification → CSP International diversification → + CSP	
2013	Khan *et al.* (2013)	To examine the relationship between corporate governance and CSR disclosures	- CSR disclosures index -Corporate governance: managerial ownership, public	- Secondary data from 135 manufacturing companies in Dhaka Stock Exchange. 580 firm-years observations	- Multiple regression Adj R^2= 0.383-0.562	- Independence board of director → + CSR	- Focus on disclosure in annual report - Adopt legitimacy theory - Future research

			ownership, foreign ownership, independence director, audit committee, CEO duality - Control variables: firm size, age, leverage and ROA				should be in agency theory
2013	Lien and Li (2013)	Examines how corporate governance factors specific to emerging economies determine the extent of diversification and moderate firm performance.	- Firm performance: Tobin's Q - Diversification - Controlling family ownership - Bank ownership - Control variables including economic condition, industry, capital and firms' age	- Panel data set; 205 publicly listed firms from 1999-2003	- Tobit regression model - McFadden pseudo R^2= 0.503; 0.562; 0.664 - Random effect regression	- Total of diversification →+ Firm performance - Total of diversification^2 →- Firm performance	- Need to divided differentiates between related and unrelated diversification - Only focus on ownership structure, need to considers other governance factors such as board composition - Need to investigates relationship between other

							governance factors and firm diversification
2013	Ntim and Soobaroyen (2013)	To Investigate the relationship between corporate governance, financial performance and corporate social responsibility	- CSR:BEE - CFP - CG - Control variables: firm size, risk, sales growth, industry etc.	- Panel data - 291 listed non-financial firm in Johannesburg Stock Exchange 2002-2009 - 600 data set	- Multiple regression analysis - Fixed effects - Adj R^2=0.38-0.54	CG→ + CSR CSR → CFP CSR*CG → CFP	- Survivorships sample selection criteria - Limitation in explaining why and how the link between CSR and CFP - Only in South Africa and needs to be replicate in other countries
2013	Park and Jang (2013a)	To investigate the inter-relationship among capital structure, free cash flow, diversification and firm performance	- Firm performance: Tobin's Q - Capital Structure: debt leverage - RD - UD - Free cash Flow (FCF)	- 308 restaurant companies from 1995-2008 - 2829 firm-year observation - Compustat segment database	- OLS, 2SLS, 3SLS - RMSE 0.516; 1.165; 1.1752	- RD→+ Firm performance - UD→- Firm performance - Firm performance →+ RD - Firm performance →- UD	- Only use restaurant industry - Need to incorporate the characteristic of diversifying target industry - Need to investigate within industry diversification or vertical integration

2013	Park and Jang (2013b)	To investigate the effect of within-industry diversification and unrelated diversification on short and long performance in the restaurant industry.	- Firm performance: ROA, sale - Within Industry Diversification (WID) - RD -UD	- Secondary data from compustat database - 288 restaurant companies, 2514 observation	- Autoregressive distributed lag model equivalent to Error Correction Mechanism (ECM) - Dynamic Panel – GMM	- RD→ +Firm performance - Moderating impact of RD on WID-ROA relationship is + - Moderating impact of RD on WID- sale relationship is -	- Focus on restaurant industry, the result cannot generalized - need to investigate in others industries - Need to used time series approach
2012	Chen and Yu (2012)	Investigate inter relationship among managerial ownership, diversification and firm performance.	- TD - RD - UD - Firm performance: ROA - Managerial ownership -Control variable such as Firm size, age, Intangible asset, leverage, past performance, industry, economic cycle	- Secondary data - 98 listed firm on the TSE from 1996-2001	- Multiple regression - Adj R^2 = 0.331-0.419	- TD→ +Firm performance - UD→ +Firm performance	- Focus on Taiwan, need to investigate in others emerging economies - Lack of data availability - Uses others control variables
2012	Ho and Wang	To examine the impact of national culture,	- CSP: IVA -Geographical	- Secondary data, with 3680	- Anova - 2Stage Least	- Geographical	- Sample limited to public

	(2012)	geographical environments on CSP	environment (dummy) -Power Distance Index (PDI) -Masculinity -Individualism -UAI -Control variables	observations from 49 developed and developing countries from North America, Europe, Asia (Post *et al.*, 2011)Pacific	Sguare - R^2 = 0.012, 0.086, 0.092, 0.093, 0.092, 0.094	environment → CSP	companies - Find other influenced factors of CSP
2012	Kang and Moon (2012)	To examine the link between CG and CSR	- Corporate governance - CSR	Literature review	- Descriptive	CSR complements CG systems	- Need to study in emerging countries
2012	Park and Jang (2012)	Investigates the effect of diversification on firm performance	- Firm performance: ROA and ROS; and variance of ROA and ROS -RD -UD -Total Diversification - Control variables such as size, leverage, FCF	- 308 restaurant companies from 1995-2008 - 2829 firm-year observation - Compustat segment database	- Fixed- effect multiple regression	- RD→-ROA and ROS - RD^2→+ROA and ROS - UD→+ROA and ROS - UD^2→- ROA and ROS - RD→+ variance ROA and ROS - RD^2→- variance ROA and ROS - UD→- variance ROA and	- Needs to investigate the other factors that influence the diversification performance relationship - Only use restaurant industry, the result cannot generalized to other industry - Need to incorporate the private information

						ROS - UD^2→+ variance ROA and ROS	about firm level segment profitability - Need to investigate the perspective of investor on corporate diversification
2012	Purkayastha *et al.* (2012)	To synthesize the relationship between diversification and firm performance in the context of developed economies to more recent work in emerging economies by comparing and contrasting the past cumulative empirical research evidence.	- Corporate diversification -Firm performance	- Literature review from 124 articles, 87 in the context of developed markets and 37 in the context of emerging market	- Descriptive	- Diversification→performance - UD→performance more than RD in emerging economies - RD→performance more than UD in developed economies	- Research in emerging countries is limited to china, Korean and east European countries and thus broadening is required.
2012	Schmid and Walter (2012)	To investigates whether geographic diversification is value-enhancing or value destroying in the financial services sector	- Excess value - ID -Control variable such as leverage, asset and ROA	- Secondary data use Compustate database - 620 company with 3579 observations over the period from 1985 to 2004	- Descriptive analysis - Multivariate regression analysis - Fixed effect - R2 within =0.028-0.104	- ID →-firm value in securities firms - ID →+firm in credit intermediaries and insurance companies	- Only intended to be generalized to a single industry

2012	Walls *et al.* (2012)	To explore the link between corporate governance and environmental performance	- CEP: KLD - CG: Board of directors independence, size, diversity - Control variables: CEO duality, Mgr control, CEO bonus, CEO salary, ROA, Size, leverage, etc.	- Secondary data - Panel data from 313 S&P 500 companies in US from 1997-2005, 2,002 observations in 29 industries	- OLS - R square = 0.495, 0.496, 0.531, 0.497, 0.534	- Ownership concentration → (no) CSR strength and (-) CSR concern - Independence director → (no) CSR strength and (+) CSR concern	- A stakeholder theory maybe useful for the future study
2011	Jo and Harjoto (2011)	To investigate the effect of internal and external corporate governance mechanism on CSR engagement and the value of the firm engaging in CSR activities	- CSR: total, strength, concern - Corporate governance: governance index, institutional ownership, number of analysis, board characteristic - Control variables including size, leverage, diversification	- Secondary data from KLD, risk metric database, compustat database and Centre for research security prices data - Sample: 1175-1777 firms and 5639-7750 observations	- Two stage regression - Pseudo R^2 0.1464-0.5539 -	- Internal corporate governance mechanism →+ CSR - Ownership concentration → - CSR - Outside independent BoD →+ CSR - CSR→ + performance - TD→ + CSR	- KLD database has some limitation such as subject to use binary respond, selection sample bias and qualitative nature
2011	Post *et al.*	To evaluate the relationship between	- ECSR - Board of	- Secondary data from annual report, KLD	- Multiple regression	- BoD composition	- Fail to measure the process

	(2011)	boards of directors' composition and environmental corporate social responsibility (ECSR)	Director composition: outside director, women director, board age, education - Control variable: such as industry, slack resources, CEO duality.	and fortune database - 78 companies in electronic and chemical industry	- R^2 0.10-0.30	→ CSR - Outside BoD →+ CSR - Female BoD →no CSR	that underlie the relationship - Lack of standardized ECSR - Electronic and chemical industry are very different industry
2011	Kang *et al.* (2011)	To investigate the impact of degree product diversification on financial market and accounting based performance and complementarities between products	- Performance: Tobin's Q and ROA - Product Diversification: TD - Complementarities: gaming, hotel and F&B - Control variable: Size. Leverage, dividend	- Panel data 1 from 15 casino firm, with 104 observation in period 2001-2008 - Panel data 2 from 13 casino firm, with 83 observation in period 2004-2007 - Data collected from annual report	- Multiple regression - Adjusted R^2 = 0.198-0.633	- TD → performance is U shape	- Generalizability due to sample only consist of publicly trade US casino - Secondary data may not comprehensively reflect qualitative aspects of variables
2010	Bobillo *et al.* (2010)	To examined the relationship between institutional framework and firm's competitive advantage, and role of firm's competitive advantage on the relationship between international	- Financial market development - ID: foreign sales to total sales - Performance: ROA - Control	- Secondary data collected from worldscope database, BACH database - Panel data from five EU countries, more than 1500 manufacturing	- Canonical correlation analysis - Multiple regression analysis: quadratic and cubic regression	- ID → performance is S shape	- Limited to developed country only, need explore area in emerging and less developed country - Firm level

		diversification and firm performance.	variable: firm size, ownership structure	companies and 16,588 observation in period 1991-2001	models - Adjusted R^2 = 0.032-0.279		analysis would be interest - Need to combine data base and interview
2010	Jamali (2010)	To examine the CSR orientation in MNCs	CSR	Qualitative Study with depth interview and semi structure interview to 10 MNCs managers in Lebanon	Qualitative analysis	Main CSR themes and activities	- This study did not give an attention on organisation design issue for MNCs which relates to international diversification.
2010	Qian *et al.* (2010)	To investigate how is performance impacted by the level of intra and inter regional diversification versus the total level of geographic diversification.	- Performance : ROA - ID: total, intra, and inter geographical diversification - control variables: such as frim size, research and development intensity, advertising intensity, firm leverage, product scope/product diversification,	- Secondary data collected from the firms' 10-K filling, Moody's Industrial Manuals, Mergent Online and The annual world bank's world development report. - 123 us manufacturing company with 861 observations over the period from 1999 to 2005	- OLS - Adjusted R square = 0.229-0.441	- Intra ID →+ performance - Total ID → performance is inverted U shape	- Generalisation due to conduct only in US - Cannot capture the different type of MNE investment - Need to examined the effect of national versus international strategy

			regional macro-economic indicator and industry				
2009	Gaur and Kumar (2009)	To investigate the impact of business group affiliation on the relationship between international diversification and firm performance	- Firm performance: ROS and ROA - ID: foreign sales to total sales - Group affiliation: dummy - Control variable: size, age, industry.	- Secondary data collected ISI emerging markets database. - 240 Indian manufacturing and service company with 861 observations over the period from 1997 to 2001	- General Linear Square (GLS) random effect model - Adjusted R square = 0.18-0.22	- Intra ID →+ performance	- Generalisation issue due to conduct only in India - Only use accounting based performance. Need to use other market performance. - Future study need to consider other context-specific factor in international diversification and performance relationship
2009	Yang and Rivers (2009)	To investigate antecedents of CSR in MNCs	- CSR - Stakeholder demands - Social context - Organisational context	Literature review	Descriptive	Parent firm relation→ CSR (proposition)	- Investigate institutional environment → CSR
2008	Chiao *et*	To explore	- Performance	- Archival data of an	- Logit Regression	- ID→ +Firm	- Future

	al. (2008)	subsidiaries' diversification strategy and to examine the relationship between subsidiary size, internationalization, product diversification and performance	- ID: import ratio and export ratio - RD - UD - Control variable such as industry, ownership structure.	officially conducted survey - 920 Taiwanese subsidiary in china	- OLS - Cox and Snell R^2=0.098	performance - RD→ +Firm performance than UD	research should examine larger firms with numerous foreign subsidiaries in developed countries
2008	Jamali *et al.* (2008)	To investigate the interrelationship between corporate governance and CSR	- Corporate governance - CSR	In-depth interview to 8 companies in Lebanon	- Qualitative analysis	Proposition; that CG → CSR	- Single country investigation.
2008	Surroca and Tribó (2008)	To investigate the relationships amongst managerial entrenchment practice and financial performance and the role of corporate governance mechanism in moderate this relationship	- CSP: SiRi - Financial performance (ROA, Tobin's Q, and abnormal return) - Internal corporate governance mechanism, (including: committee, board independence,	- Secondary data from SiRi PRO, Osiris and Bloomberg's MSCI word index - 358 companies in 22 countries from 2002-2005-2005, 448 observations in industrial industries	- Fixed effect Multiple regression: Panel data technique - R^2=0.0487-0.4964	The positive relationship of Mangerial entrenchment → + CSP are moderated by internal corporate governance mechanism - Board independence* Managerial	- Future research need to consider long term relationship and the different institutional context.

			ownership concentration) - Control variable: including financial structure, dividends, size, firm's age, and investment			entrenchment (no) - Non dual CEO* Managerial entrenchment (+) - Ownership concentration* managerial entrenchment (no)	
2007	Chakrabarti *et al.* (2007)	To investigate the impact of diversification on performance for firms operating in different institutional environment during a relative stable period and during a major economic wide shock.	- TD - Performance: ROA - Institutional environment - Economy wide shock - Business group - Control variable including size, current ratio, leverage and period	- Secondary data from Osiris database, E - Panel design 1988-2003 - Final sample 3,117 firms in 19 manufacturing industries on East Asia Countries including Indonesia, Japan, Thailand, Singapore, Malaysia, South Korea - 34,938 observation	- OLS: per countries and pooled sample - Adj R^2 =0.010-0.231	- TD→ +Firm performance in the most developed institutional context - TD→ -Firm performance in the more developed environment	- Empirically validated measured of institutional environment needed

2007	Chang and Wang (2007)	To investigate the differential impacts of product diversification strategies on international diversification and firm performance relationship	- Performance: Tobin's Q -Product Diversification: Total, RD, UD - ID -Control variable for example firm size, leverage, R&D intensity, country, and industry	- Secondary data from compustat database - 2,402 firms with annual sales greater than $10 million, period 1996-2002. - Panel data 8047 observation from S&P compustat database	- Multiple regression: - R^2=0.13-0.15	- ID→ +Firm performance - RD→ -Firm performance - Moderating impact of RD is + - Moderating impact of UD is –	- Investigate the diversification impact on Independently - Assume each diversification contribute equally - Use resource based approach in measure relatedness of product - The model cannot capture the shift and change in relationship across time - Use four region not country on International diversification measurement
2007	Singh *et al.* (2007)	To analyse relationship between corporate diversification and performance	- Performance: ROA, profit margin, cost efficiency -Diversification: Dummy and entropy	- Secondary data from WorldScope database from 1998-2000 - 846 firms	- Logistic model - OLS for year by year and pooled regression	- ID→ -Firm performance	- Only focus on Indian firms

			-Control variable such as size, growth opportunity and tangibility				
2006	Brammer *et al.* (2006)	To investigate the relationship between CSP and geographical diversification	-CSP:Eiris -Geographical Diversification - Control variables; firm size, business activities, profitability, etc.	- Secondary data from 420 listed companies in London Stock Exchange (LSX),	- OLS regression - Adj R^2= 0.18-0.45	- Geographical diversification → CSP	- Cross sectional analysis - Only in LSX - Need to do in other countries
2006	Doukas and Kan (2006)	To examine the sources behind the global diversification value loss in a contingent claims framework	-Firm performance: Excess value -RD -UD -TD	- Secondary data use US Acquisitions Overseas roster of Securities Data Corporation's Mergers and Acquisitions (M&A) Journal and Compustat - 612 cross-border acquisitions made by US bidders between 1 January 1992 and 31 December 1997	- Univariate: Anova - Multivariate: Regression - Adj R2=0.033-0.156	- ID→ +bond holder wealth Value - ID→ +shareholder wealth Value	- Only intended to be generalized in Canada
2006	Miller (2006)	To investigate the impact of related diversification in term	- Performance: Tobin's Q - RD:	- Secondary data using Compustat database	- Weighted least square regression - Adj R^2 =0.889-	- RD→ +Firm performance	- Future research can use various

		of technology diversity on firm performance	technology	- 747 firms in 1990	0.905		setting and time period
2006	Strike *et al.* (2006)	To investigate the link between international diversification and CSR	-International Diversification -CSR: KLD -Control variables: firm size, industry effects, etc.	- Secondary data - 222 US listed firms	- GLS analysis with STATA	- ID → CSR	- Limitation of KLD data in representing CSR - Need to define the CSR construct for the future research
2005	Tongli *et al.* (2005)	This study investigate the impact of product diversification and international diversification on firm performance	- RD - ID - Performance: ROA, share Price and Tobin's Q	- Secondary data by using Worlscope, Datastream, etc - 626 observation in period 1995-1999	- GLS - MANOVA - Adj R^2 =0.143-0.216	- RD →- FP - ID → + FP	- Only in one country, Singapore - Use short time period
2004	Christmann (2004)	To analyse the determinants of global standardization of MNCs' environment policies	-Global environmental performance -Stakeholder pressures -MNC's characteristics	- Survey: mail questionnaire - 98 out of 512 business units in US	- OLS Regression - Adj R^2=0.18, 0.45, 0.25	- MNC characteristic → Global environmental standardization. - External stakeholder pressures → Global environmental standardizati	- Only in focal industry, more industries are needed. - Only use US MNC's

						on	
2004	Fauver *et al.* (2004)	To examine the impact of industry and international diversification on firm performance	- Firm performance: Excess value - TD -ID - Control variable including ownership concentration	- Secondary data using WolrdScope database for more than 3000 firms from German, UK, US company in period time 1991-1995	- Cross sectional regression for each countries - Adj R^2 =0.08-0.14	- For US company: Value of Multi industry*Multination firm < Value of multi industry* domestic firm	- Future research needs to investigate the differences result between countries.
2004	Li and Greenwood (2004)	To investigate the effect of within industry diversification on firm performance	- Firm performance: ROA -TD -WID: relatedness weighted diversification	- Secondary data use Trac insurance services Ltd - 276 insurance companies and 822 observations in Canada from 1993 to 1998.	- Panel data with random effect GLS - R2	- WID→ +Firm Value	- Only intended to be generalized to a single industry
2004	Sharfman *et al.* (2004)	To offer a propositional model about global competitive or institutional pressures and their effects on CEP	- Environmental performance -Industry diversification: TD -International diversification	- Theoretical conceptualization	-	Proposition: - TD →+ CEP - ID →+ CEP	- Only offer propositions based on theoretical explanation.
2003	Capar and Kotabe (2003)	To investigate the relationship between international diversification and	- ID: foreign sales to total sales -Performance:	- Secondary data from Die welt annual survey, directories and annual report	- Regression: linear and curvilinear model - Adjusted R^2:	- ID → FP is U shape	- International diversification measurement - Generalizability

		performance in service industry	ROS and ROA -Control variables: Firm size, industry	- 81 major service firms in period 1997-1999	0.279-0.345		the result do to conduct in Germany only
2003	Ibrahim *et al.* (2003)	To investigate the relationship between board of director and CSR in service industry	- Legal -Economic -Ethical -Discretionary	- Survey to 307 boar of director of S&P register of corporations- US	- MANOVA	- Difference between insider and outsider board of director is significant in economic and philanthropic variables	- Outsider director will be more engage with CSR
2003	Wan and Hoskisson (2003)	To investigate the relationship between corporate diversification strategy and firm performance	- Environmental munificent - Product diversification: weighted measure - ID: outbound and inbound - Performance: ROA, EBITOA - Control variable: size, leverage, sales growth, block holder	- Secondary data using World competitive report and worldscope database - Sample consist of 722 companies from 16 western European countries	- OLS - R^2 =0.20-0.29	- TD→ + performance in less munificent environment - TD→ - performance in more munificent environment - Outbound ID→+ performance in more munificent environment	- Future research could use additional classification of countries environment - Future research may investigate international corporate governance structure

2002	Denis *et al.* (2002)	To document trends in diversification among US corporation, to investigate the relationship between global and industrial diversification, and to investigate the valuation effect of diversification	- Product/industrial Diversification: fraction of firm-years industrial diversified, number of segment, Herfindahl Index - ID: fraction of firm- years globally diversified and fraction of foreign sales - Control such as capital expenditure, R&D, leverage	- Secondary data using Compustat database - 7520 firms, 44,288 observation in period 1984-1997	- Univariate: t test - Multivariate regression analysis - Adj R^2 =0.267-0.291	- ID → - excess value - UD → - excess value	- Only conduct in US
2002	Graham *et al.* (2002)	To investigate the effect of corporate diversification on firm value in merger and acquisition firm	- Diversification: RD and UD dummy, increasing number of segment - Firm value: excess value , Abnormal return	- Secondary data using Compustat database - Sample consist of 356 acquisition in period 1980-1995	- Event study with one year windows period - Regression - Adj R^2 =0.1516-0.2637	- RD and UR → - excess value Negative relationship can explain by characteristic of the acquired unit	- cannot explicitly value the acquired units - Only conduct in US

2002	Lins and Servaes (2002)	To investigate the value of diversification in emerging market	- Performance: Excess profitability and excess value -TD -GD - Management group ownership concentration	- Secondary data using WolrdScope database for 1195 firms from 7 emerging countries in Asia including Indonesia in 1995	- Univariate - Multiple regression - Adj R^2 =0.01-0.11	- TD→ +Firm Value - Management group ownership concentration → diversification discount	-
2001	Alesón and Escuer (2001)	investigate the relationship between international diversification and firm performance in Spanish firms	-ID: TID, RID, UID -Performance: ROA, Tobin's Q, and standard deviation	- Secondary data from annual auditors' report - 103 firms in period 1991-1995	- General Least squares - Adj R^2=0.053-0.172	- ID → + Tobin's Q	- Selection sample bias - Category measured is not a consolidate one
2000	Chen and Ho (2000)	To investigate the relationship between level of corporate diversification and corporate value	- Corporate value: Tobin's Q -TD -Insider ownership	- Secondary data from the Stock Exchange of Singapore (SES) - 145 companies in 1995	- Cross sectional regression - Adj R2=0.082-0.189	- TD → - corporate value	- Only investigate in Singapore's companies
2000	Palich, Carini*, et al.* (2000)	To investigate the effect of diversification-performance relationship and the role of internationalization	- Firm performance: ROA - Product diversification: TD, RD, and UD -ID	- Secondary data using compustat database for 70 companies	- Anova and Mancova	- Related diversification perform better than unrelated diversification - Performance	- Not control industry - Reliability of SIC code - Firm performance only use ROA and ROS

						of Related and unrelated diversification did not differ significantly when control international diversification	- Not include a lag period for performance
1999	Dooley and Fryxell (1999)	To investigate the relationship between corporate diversification strategy and the pollution activity of business subsidiary within the US chemical industry	-Diversification: categorical measured -Environmental performance: Direct release of Toxic	- Secondary data from TRI database - 555 diversified parent companies operating 2952 facilities in US	- One way and two way ANOVA	- Environmental performance of UD < RD - Varian of Environmental performance of UD > RD	- Generalizability of result to other industries and other countries - Scheme for determining relative level of toxic not available in database - Lack of control for production processes and product across firm
1999	Delios and Beamish (1999)	To investigate the relationship between geographic scope, product diversification	-Performance: ROA, ROE, ROS -Diversification: entropy	- Secondary data from Directory of Japanese Firm's overseas operation - 399 firm of Japan	- PLS	- Geographic scope → + performance in high product	- Generalizability due to Sample was limited to Japan MNEs company

		and performance	measure - Geographic scope: number of FDI and number of country - Control such as industry, leverage	MNEs		diversification	- PLS cannot capture the nonlinear relationship
1998	Wan (1998)	To investigate the relationship between international diversification, industrial diversification and firm performance	- ID: entropy measure -Industry Diversification: Total Diversification with entropy -Performance, ROE, Sales growth -Control variable such as industry and firm size	- Secondary data from annual report and the Pacific-Basin Capital Market Database (PACAP) - 81 MNC in Hong Kong period 1990-991	- T test - Hierarchical regression - Adj R2=0.10-26	- Industrial diversification → -performance	- Generalizability due to Sample was limited to Hong Kong MNEs company - Short time horizon
1997	Simerly (1997)	To examine the relationship between product diversification and CSP	-CSP: weighted index from KLD indicators -Industry Diversification: Herfindahl Index -Control variable such	- Secondary data from KLD database	- Regression - Adj R2=0.249	- Product diversification → -CSP	- Need to investigate geographical diversification - Need to investigate the role of institutional investor

			as size, economic performance, risk				
1996	Servaes (1996)	To examine the value of corporate diversification	-Diversification: categorical, single and multi-segment -Firm value: book value of total asset and Q ratio (raw and adjusted) for the firm primary industry and adjusted for the equally weighted	- Secondary data from Compustat and Dun & Bradstreet's Million Dollar Directory (DB) - Sample consist of 266 companies in period 1961, 353 in 1964, 397 in 1967, 445 in 1970, 514 in 1973 and 518 in 1976	- T test - Regression	- Diversification discount in 1960s	- Need to investigate he reason behind the change of diversification value over time - Need to investigate why the result of diversification are different for different firm
1995	Ibrahim and Angelidis (1995)	To investigate the differences and similarities between inside and outside board members to CSR	- Legal -Economic -Ethical -Philanthropic	- 429 respondents in US companies	- MANOVA, one way ANOVA	- Difference between insider and outsider board of director is significant in economic and philanthropic variables	- Outsider director will be more engage with CSR

Appendix 3 Outlier Checking

1. *The beginning Descriptive Statistic in original Value and Z score value*

Variables	N	Original Score		Z Score	
		Minimum	Maximum	Minimum	Maximum
CSP	234	3.750	95.000	-1.375	5.803
Related Diversification	234	0.000	0.807	-0.467	3.658
Unrelated Diversification	234	0.000	1.070	-0.765	2.686
International Diversification	234	0.000	100.000	-0.633	2.900
Size	234	0.693	13.445	-3.305	3.432
Profitability	234	-173.830	72.917	-9.205	3.386
Liquidity	234	0.022	1004.823	-0.146	12.224
Financial Leverage	234	0.033	8.250	-0.874	12.204
Intangible Asset	234	-33.320	47.270	-6.815	8.569
Age	234	0.000	4.710	-4.847	2.200
CSP Industry	234	12.500	40.000	-1.439	3.094
Ownership Concentration	234	1.000	89.000	-1.469	3.603
Independent Commissioner	234	1.000	4.000	-0.856	2.922
Valid N (listwise)	234				

2. Descriptive Statistic in original Value and Z score value after exclude outlier in the first stage

Variables	N	Original Score		Z Score	
		Minimum	Maximum	Minimum	Maximum
CSP	225	3.750	63.750	-1.664	4.362
Related Diversification	225	0.000	0.807	-0.459	3.650
Unrelated Diversification	225	0.000	1.070	-0.775	2.645
International Diversification	225	0.000	100.000	-0.645	2.892
Size	225	0.693	11.221	-3.482	2.430
Profitability	225	-36.384	72.917	-3.401	5.094
Liquidity	225	0.203	68.103	-0.419	10.740
Financial Leverage	225	0.033	2.979	-1.382	6.578
Intangible Asset	225	-9.020	19.730	-4.128	6.461
Age	225	1.099	4.710	-3.372	2.320
CSP Industry	225	12.500	40.000	-1.459	3.240
Ownership Concentration	225	1.000	83.460	-1.485	3.340
Independent Commissioner	225	1.000	4.000	-0.848	3.046
Valid N (listwise)	225				

3. Descriptive Statistic in original Value and Z score value in after exclude outlier in the second stage

Variables	N	Original Score		Z Score	
		Minimum	Maximum	Minimum	Maximum
CSP	213	3.750	58.750	-1.746	4.004
Related Diversification	213	0.000	0.807	-0.453	3.689
Unrelated Diversification	213	0.000	1.070	-0.779	2.630
International Diversification	213	0.000	100.000	-0.636	2.966
Size	213	2.398	11.221	-2.667	2.516
Profitability	213	-36.384	57.143	-3.744	4.281
Liquidity	213	0.234	11.263	-1.075	5.230
Financial Leverage	213	0.040	1.969	-1.874	5.753
Intangible Asset	213	-3.160	10.480	-2.618	4.153
Age	213	1.099	4.710	-3.331	2.314
CSP Industry	213	12.500	40.000	-1.452	3.227
Ownership Concentration	213	1.000	83.460	-1.479	3.365
Independent Commissioner	213	1.000	4.000	-0.839	3.018
Valid N (listwise)	213				

4. Descriptive Statistic in original Value and Z score value in after exclude outlier in the third stage

Variables	N	Original Score		Z Score	
		Minimum	Maximum	Minimum	Maximum
CSP	205	3.750	53.750	-1.777	3.602
Related Diversification	205	0.000	0.807	-0.444	3.701
Unrelated Diversification	205	0.000	1.070	-0.801	2.580
International Diversification	205	0.000	100.000	-0.650	2.908
Size	205	2.485	11.221	-2.646	2.528
Profitability	205	-36.384	45.550	-4.022	3.611
Liquidity	205	0.234	8.077	-1.200	4.055
Financial Leverage	205	0.040	1.321	-2.126	3.741
Intangible Asset	205	-3.160	9.650	-2.698	3.891
Age	205	1.099	4.710	-3.319	2.310
CSP Industry	205	12.500	40.000	-1.471	3.311
Ownership Concentration	205	1.000	83.460	-1.473	3.345
Independent Commissioner	205	1.000	4.000	-0.837	3.032
Valid N (listwise)	205				

5. Final Descriptive Statistic in original Value and Z score value in after exclude outlier in the fourth stage

Variables	N	Original		Zscore	
		Minimum	Maximum	Minimum	Maximum
CSP	203	3.750	53.750	-1.767	3.597
Related Diversification	203	0.000	0.807	-0.439	3.733
Unrelated Diversification	203	0.000	1.070	-0.799	2.585
International Diversification	203	0.000	100.000	-0.650	2.971
Size	203	2.485	11.221	-2.634	2.520
Profitability	203	-25.380	45.550	-3.128	3.726
Liquidity	203	0.234	7.727	-1.234	3.992
Financial Leverage	203	0.040	1.321	-2.144	3.769
Intangible Asset	203	-3.160	9.650	-2.685	3.875
Age	203	1.099	4.710	-3.355	2.318
CSP Industry	203	12.500	40.000	-1.469	3.355
Ownership Concentration	203	1.000	83.460	-1.463	3.350
Independent Commissioner	203	1.000	4.000	-0.836	3.049
Valid N (listwise)	203				

Appendix 4 Normality Test

Model 1-4

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual			
		Model 1	Model 2	Model 3	Model 4
N		203	203	203	203
Normal Parameters[a,b]	Mean	.0000000	.0000000	.0000000	.0000000
	Std. Deviation	7.57028451	7.41141896	7.49351623	7.44477307
Most Extreme Differences	Absolute	.035	.046	.041	.044
	Positive	.035	.033	.041	.033
	Negative	-.034	-.046	-.039	-.044
Test Statistic		.035	.046	.041	.044
Asymp. Sig. (2-tailed)		.200[c,d]	.200[c,d]	.200[c,d]	.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Model 5-8

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual			
		Model 5	Model 6	Model 7	Model 8
N		203	203	203	203
Normal Parameters[a,b]	Mean	.0000000	.0000000	.0000000	.0000000
	Std. Deviation	7.22094440	7.21220062	7.15843902	7.14619228
Most Extreme Differences	Absolute	.052	.052	.044	.036
	Positive	.023	.025	.026	.025
	Negative	-.052	-.052	-.044	-.036
Test Statistic		.052	.052	.044	.036
Asymp. Sig. (2-tailed)		.200[c,d]	.200[c,d]	.200[c,d]	.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Model 9-12

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual			
		Model 9	Model 10	Model 11	Model 12
N		203	203	203	203
Normal Parameters[a,b]	Mean	.0000000	.0000000	.0000000	.0000000
	Std. Deviation	7.06746147	7.15329324	7.21822772	7.22094131
Most Extreme Differences	Absolute	.027	.045	.048	.052
	Positive	.025	.030	.029	.023
	Negative	-.027	-.045	-.048	-.052
Test Statistic		.027	.045	.048	.052
Asymp. Sig. (2-tailed)		.200[c,d]	.200[c,d]	.200[c,d]	.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Model 13-14

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual	
		Model 13	Model 14
N		203	203
Normal Parameters[a,b]	Mean	.0000000	.0000000
	Std. Deviation	7.15102874	6.97325156
Most Extreme Differences	Absolute	.048	.037
	Positive	.029	.024
	Negative	-.048	-.037
Test Statistic		.048	.037
Asymp. Sig. (2-tailed)		.200[c,d]	.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Appendix 5. Heteroscedasticity Test by Breusch-Pagan Lagrange Multiplier (LM)

Model 1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	57.027	6.088		9.368	.000
	Zscore: Size	-1.289	7.012	-.015	-.184	.854
	Zscore: Profitability	8.130	7.448	.094	1.092	.276
	Zscore: Liquidity	.461	8.287	.005	.056	.956
	Zscore: Financial Leverage	2.442	8.890	.028	.275	.784
	Zscore: Intangible Asset	-3.497	6.684	-.040	-.523	.601
	Zscore: Age	-6.198	6.360	-.072	-.974	.331
	Zscore: CSP Industry	7.128	6.307	.082	1.130	.260
	Zscore: Public Ownership	-7.943	6.224	-.092	-1.276	.203
	Zscore: Independent Commissioner	11.929	6.885	.138	1.732	.085

a. Dependent Variable: Q2_Res1

Model 2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	54.659	5.743		9.518	.000
	Zscore: Size	-3.176	6.738	-.039	-.471	.638
	Zscore: Profitability	7.537	7.038	.093	1.071	.286
	Zscore: Liquidity	-1.727	7.833	-.021	-.221	.826
	Zscore: Financial Leverage	.105	8.409	.001	.012	.990
	Zscore: Intangible Asset	-2.013	6.343	-.025	-.317	.751
	Zscore: Age	-1.810	6.001	-.022	-.302	.763
	Zscore: CSP Industry	7.644	5.960	.094	1.282	.201
	Zscore: Public Ownership	-4.701	5.918	-.058	-.794	.428
	Zscore: Independent Commissioner	10.645	6.497	.131	1.638	.103
	Zscore: Related Diversification	-1.935	6.047	-.024	-.320	.749

a. Dependent Variable: Q2_Res2

Model 3

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	55.876	6.072		9.202	.000
	Zscore: Size	-.567	7.237	-.007	-.078	.938
	Zscore: Profitability	10.288	7.486	.119	1.374	.171
	Zscore: Liquidity	1.446	8.289	.017	.174	.862
	Zscore: Financial Leverage	4.740	8.872	.055	.534	.594
	Zscore: Intangible Asset	-3.841	6.668	-.045	-.576	.565
	Zscore: Age	-4.492	6.374	-.052	-.705	.482
	Zscore: CSP Industry	7.499	6.344	.087	1.182	.239
	Zscore: Public Ownership	-7.442	6.214	-.086	-1.198	.233
	Zscore: Independent Commissioner	8.727	6.972	.101	1.252	.212
	Zscore: Unrelated Diversification	-7.189	6.544	-.083	-1.098	.273

a. Dependent Variable: Q2_Res3

Model 4

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	55.152	5.833		9.456	.000
	Zscore: Size	-1.605	6.725	-.019	-.239	.812
	Zscore: Profitability	5.929	7.138	.072	.831	.407
	Zscore: Liquidity	-6.551	7.949	-.079	-.824	.411
	Zscore: Financial Leverage	-4.646	8.566	-.056	-.542	.588
	Zscore: Intangible Asset	-2.758	6.493	-.033	-.425	.672
	Zscore: Age	-5.144	6.094	-.062	-.844	.400
	Zscore: CSP Industry	5.028	6.109	.061	.823	.411
	Zscore: Public Ownership	-6.426	5.988	-.078	-1.073	.285
	Zscore: Independent Commissioner	9.609	6.631	.116	1.449	.149
	Zscore: International Diversification	2.249	6.096	.027	.369	.713

a. Dependent Variable: Q2_Res4

Model 5

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	51.885	5.479		9.470	.000
	Zscore: Size	-1.624	6.694	-.021	-.243	.809
	Zscore: Profitability	8.057	6.775	.104	1.189	.236
	Zscore: Liquidity	-7.034	7.496	-.091	-.938	.349
	Zscore: Financial Leverage	-3.808	8.070	-.049	-.472	.638
	Zscore: Intangible Asset	-2.505	6.139	-.032	-.408	.684
	Zscore: Age	.642	5.752	.008	.112	.911
	Zscore: CSP Industry	6.106	5.787	.079	1.055	.293
	Zscore: Public Ownership	-3.760	5.676	-.049	-.662	.509
	Zscore: Independent Commissioner	5.250	6.317	.068	.831	.407
	Zscore: Related Diversification	-.332	5.810	-.004	-.057	.955
	Zscore: Unrelated Diversification	-8.792	5.953	-.114	-1.477	.141
	Zscore: International Diversification	-1.083	5.733	-.014	-.189	.850

a. Dependent Variable: Q2_Res5

Model 6

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	51.429	5.464		9.412	.000
	Zscore: Size	-1.736	6.621	-.023	-.262	.793
	Zscore: Profitability	7.601	6.702	.100	1.134	.258
	Zscore: Liquidity	-6.936	7.416	-.091	-.935	.351
	Zscore: Financial Leverage	-3.200	7.986	-.042	-.401	.689
	Zscore: Intangible Asset	-1.999	6.086	-.026	-.328	.743
	Zscore: Age	1.740	5.747	.023	.303	.762
	Zscore: CSP Industry	6.369	5.724	.084	1.113	.267
	Zscore: Public Ownership	-3.010	5.665	-.039	-.531	.596
	Zscore: Independent Commissioner	5.749	6.256	.075	.919	.359
	Zscore: Related Diversification	-2.161	5.906	-.028	-.366	.715
	Zscore: Unrelated Diversification	-8.545	5.889	-.112	-1.451	.148
	Zscore: International Diversification	-1.236	5.671	-.016	-.218	.828
	Zscore: Independent Commissioner * Zscore: Related Diversification	2.822	6.000	.036	.470	.639

a. Dependent Variable: Q2_Res6

Model 7

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	51.110	5.433		9.407	.000
	Zscore: Size	-2.067	6.620	-.027	-.312	.755
	Zscore: Profitability	8.883	6.704	.116	1.325	.187
	Zscore: Liquidity	-5.651	7.473	-.074	-.756	.450
	Zscore: Financial Leverage	-1.600	8.101	-.021	-.198	.844
	Zscore: Intangible Asset	-2.217	6.074	-.029	-.365	.715
	Zscore: Age	1.999	5.688	.026	.352	.726
	Zscore: CSP Industry	8.163	5.725	.107	1.426	.156
	Zscore: Public Ownership	-2.994	5.612	-.039	-.533	.594
	Zscore: Independent Commissioner	3.622	6.281	.047	.577	.565
	Zscore: Related Diversification	-1.260	5.746	-.017	-.219	.827
	Zscore: Unrelated Diversification	-9.061	5.898	-.119	-1.536	.126
	Zscore: International Diversification	-1.170	5.686	-.015	-.206	.837
	Zscore: Independent Commissioner * Zscore: Unrelated Diversification	1.703	6.006	.021	.284	.777

a. Dependent Variable: Q2_Res7

Model 8

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	51.863	5.415		9.577	.000
	Zscore: Size	-4.358	6.568	-.058	-.664	.508
	Zscore: Profitability	7.117	6.639	.094	1.072	.285
	Zscore: Liquidity	-6.066	7.347	-.080	-.826	.410
	Zscore: Financial Leverage	-3.364	7.910	-.044	-.425	.671
	Zscore: Intangible Asset	-3.075	6.019	-.041	-.511	.610
	Zscore: Age	2.067	5.649	.027	.366	.715
	Zscore: CSP Industry	4.964	5.675	.066	.875	.383
	Zscore: Public Ownership	-3.689	5.565	-.049	-.663	.508
	Zscore: Independent Commissioner	4.432	6.197	.059	.715	.475
	Zscore: Related Diversification	1.109	5.696	.015	.195	.846
	Zscore: Unrelated Diversification	-6.793	5.851	-.090	-1.161	.247
	Zscore: International Diversification	-.810	5.672	-.011	-.143	.887
	Zscore: Independent Commissioner * Zscore: International Diversification	-8.405	5.783	-.106	-1.454	.148

a. Dependent Variable: Q2_Res8

Model 9

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	50.598	5.325		9.503	.000
	Zscore: Size	-5.054	6.405	-.069	-.789	.431
	Zscore: Profitability	7.399	6.475	.101	1.143	.255
	Zscore: Liquidity	-4.237	7.220	-.058	-.587	.558
	Zscore: Financial Leverage	-.115	7.830	-.002	-.015	.988
	Zscore: Intangible Asset	-2.063	5.880	-.028	-.351	.726
	Zscore: Age	4.944	5.556	.067	.890	.375
	Zscore: CSP Industry	7.096	5.533	.097	1.282	.201
	Zscore: Public Ownership	-2.512	5.470	-.034	-.459	.647
	Zscore: Independent Commissioner	3.647	6.079	.050	.600	.549
	Zscore: Related Diversification	-2.058	5.702	-.028	-.361	.718
	Zscore: Unrelated Diversification	-6.543	5.720	-.089	-1.144	.254
	Zscore: International Diversification	-1.183	5.544	-.016	-.213	.831
	Zscore: Independent Commissioner * Zscore: Related Diversification	2.763	5.862	.036	.471	.638
	Zscore: Independent Commissioner * Zscore: Unrelated Diversification	3.956	5.802	.050	.682	.496
	Zscore: Independent Commissioner * Zscore: International Diversification	-7.577	5.703	-.098	-1.329	.186

a. Dependent Variable: Q2_Res9

Model 10

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	51.646	5.548		9.309	.000
	Zscore: Size	-.503	6.718	-.006	-.075	.940
	Zscore: Profitability	10.235	6.793	.132	1.507	.134
	Zscore: Liquidity	-5.824	7.520	-.075	-.774	.440
	Zscore: Financial Leverage	-1.305	8.110	-.017	-.161	.872
	Zscore: Intangible Asset	-.814	6.209	-.010	-.131	.896
	Zscore: Age: Ln Age from Establish	1.707	5.781	.022	.295	.768
	Zscore: CSP Industry	7.257	5.835	.094	1.244	.215
	Zscore: Ownership Concentration	-3.968	5.797	-.051	-.685	.494
	Zscore: Independent Commissioner	3.051	6.337	.039	.482	.631
	Zscore: Related Diversification	-.572	5.988	-.007	-.096	.924
	Zscore: Unrelated Diversification	-9.678	5.969	-.125	-1.621	.107
	Zscore: International Diversification	-1.528	5.752	-.020	-.266	.791
	Zscore: Ownership concentration * Zscore: Related Diversification	-4.580	4.891	-.072	-.936	.350

a. Dependent Variable: Q2_Res10

Model 11

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	51.485	5.483		9.390	.000
	Zscore: Size	-1.696	6.700	-.022	-.253	.800
	Zscore: Profitability	8.650	6.773	.112	1.277	.203
	Zscore: Liquidity	-7.368	7.495	-.095	-.983	.327
	Zscore: Financial Leverage	-4.567	8.107	-.059	-.563	.574
	Zscore: Intangible Asset	-3.133	6.145	-.040	-.510	.611
	Zscore: Age: Ln Age from Establish	.254	5.752	.003	.044	.965
	Zscore: CSP Industry	6.346	5.784	.082	1.097	.274
	Zscore: Ownership Concentration	-3.559	5.687	-.046	-.626	.532
	Zscore: Independent Commissioner	5.343	6.316	.069	.846	.399
	Zscore: Related Diversification	-.661	5.808	-.009	-.114	.910
	Zscore: Unrelated Diversification	-9.435	5.957	-.122	-1.584	.115
	Zscore: International Diversification	-.462	5.739	-.006	-.080	.936
	Zscore: Ownership concentration * Zscore: Unrelated Diversification	7.374	5.757	.093	1.281	.202

a. Dependent Variable: Q2_Res11

Model 12

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	51.837	5.498		9.428	.000
	Zscore: Size	-1.476	6.752	-.019	-.219	.827
	Zscore: Profitability	8.051	6.793	.104	1.185	.237
	Zscore: Liquidity	-6.949	7.528	-.090	-.923	.357
	Zscore: Financial Leverage	-3.686	8.110	-.048	-.454	.650
	Zscore: Intangible Asset	-2.378	6.183	-.031	-.385	.701
	Zscore: Age: Ln Age from Establish	.664	5.768	.009	.115	.909
	Zscore: CSP Industry	6.046	5.812	.078	1.040	.300
	Zscore: Ownership Concentration	-3.584	5.753	-.046	-.623	.534
	Zscore: Independent Commissioner	5.226	6.335	.068	.825	.410
	Zscore: Related Diversification	-.302	5.826	-.004	-.052	.959
	Zscore: Unrelated Diversification	-8.904	5.991	-.115	-1.486	.139
	Zscore: International Diversification	-1.269	5.816	-.016	-.218	.828
	Zscore: Ownership concentration * Zscore: International Diversification	-1.121	5.351	-.016	-.210	.834

a. Dependent Variable: Q2_Res12

Model 13

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	51.340	5.583		9.196	.000
	Zscore: Size	-.545	6.795	-.007	-.080	.936
	Zscore: Profitability	10.669	6.821	.137	1.564	.120
	Zscore: Liquidity	-6.108	7.565	-.078	-.807	.420
	Zscore: Financial Leverage	-1.892	8.203	-.024	-.231	.818
	Zscore: Intangible Asset	-1.238	6.266	-.016	-.198	.844
	Zscore: Age: Ln Age from Establish	1.355	5.808	.017	.233	.816
	Zscore: CSP Industry	7.601	5.871	.098	1.295	.197
	Zscore: Ownership Concentration	-3.655	5.885	-.047	-.621	.535
	Zscore: Independent Commissioner	3.200	6.367	.041	.503	.616
	Zscore: Related Diversification	-.764	6.012	-.010	-.127	.899
	Zscore: Unrelated Diversification	-10.282	6.024	-.132	-1.707	.090
	Zscore: International Diversification	-1.069	5.859	-.014	-.182	.855
	Zscore: Ownership concentration * Zscore: Related Diversification	-4.955	4.925	-.078	-1.006	.316
	Zscore: Ownership concentration * Zscore: Unrelated Diversification	6.499	5.814	.081	1.118	.265
	Zscore: Ownership concentration * Zscore: International Diversification	-.365	5.396	-.005	-.068	.946

a. Dependent Variable: Q2_Res13

Model 14

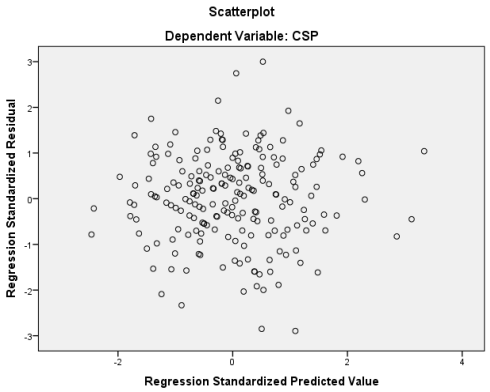
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	49.680	5.393		9.213	.000
	Zscore: Size	-3.361	6.475	-.046	-.519	.604
	Zscore: Profitability	10.471	6.493	.142	1.613	.109
	Zscore: Liquidity	-2.704	7.253	-.037	-.373	.710
	Zscore: Financial Leverage	3.335	7.924	.045	.421	.674
	Zscore: Intangible Asset	-1.148	6.000	-.016	-.191	.848
	Zscore: Age: Ln Age from Establish	4.551	5.611	.062	.811	.418
	Zscore: CSP Industry	8.415	5.596	.114	1.504	.134
	Zscore: Ownership Concentration	-2.975	5.611	-.040	-.530	.597
	Zscore: Independent Commissioner	1.402	6.108	.019	.230	.819
	Zscore: Related Diversification	-3.813	5.800	-.052	-.657	.512
	Zscore: Unrelated Diversification	-8.108	5.775	-.110	-1.404	.162
	Zscore: International Diversification	-1.843	5.644	-.025	-.327	.744
	Zscore: Ownership concentration * Zscore: Related Diversification	-1.610	4.905	-.027	-.328	.743
	Zscore: Ownership concentration * Zscore: Unrelated Diversification	3.506	5.556	.046	.631	.529
	Zscore: Ownership concentration * Zscore: International Diversification	-.577	5.162	-.008	-.112	.911
	Zscore: Independent Commissioner * Zscore: Related Diversification	-.290	6.155	-.004	-.047	.963
	Zscore: Independent Commissioner * Zscore: Unrelated Diversification	4.668	5.834	.059	.800	.425
	Zscore: Independent Commissioner * Zscore: International Diversification	-7.019	5.764	-.091	-1.218	.225

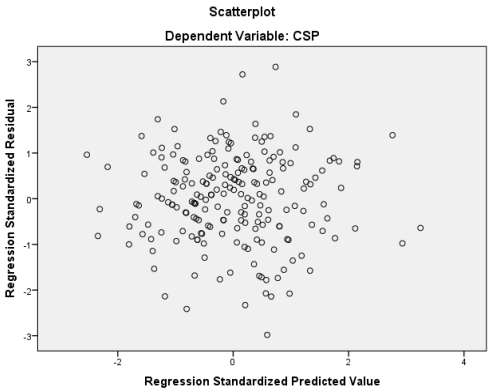
a. Dependent Variable: Q2_Res14

Appendix 6 Linearity Test with Residual Plot

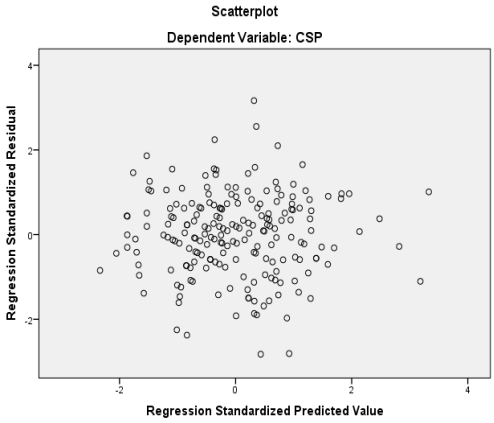
Model 1



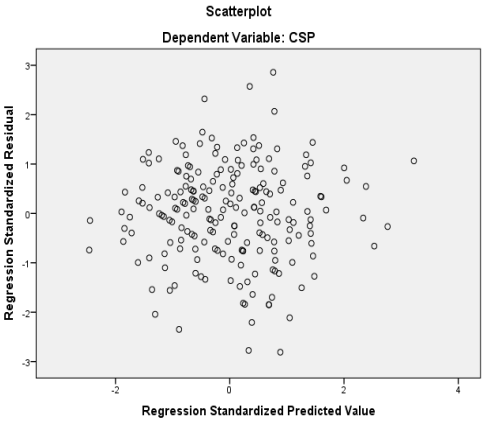
Model 2



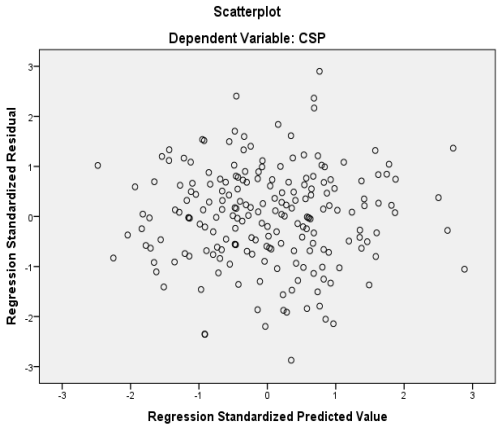
Model 3



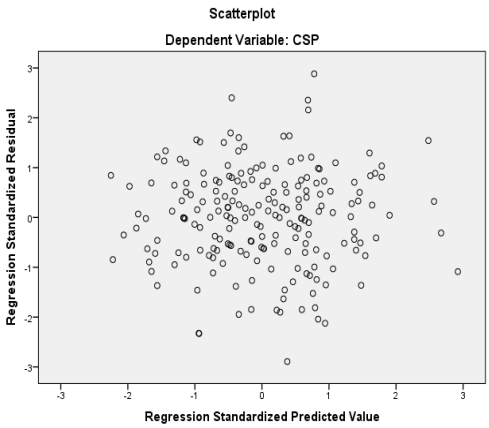
Model 4



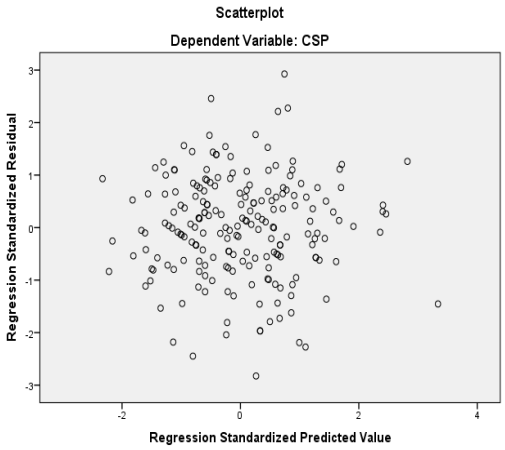
Model 5



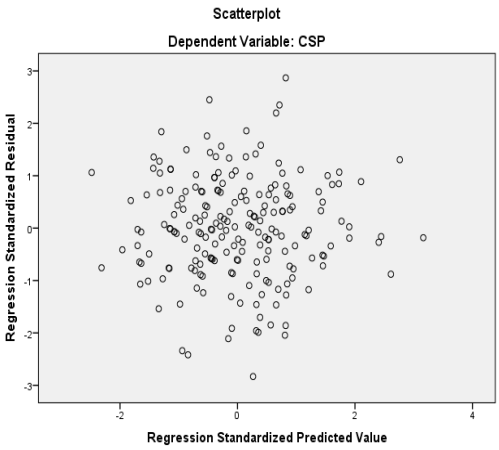
Model 6



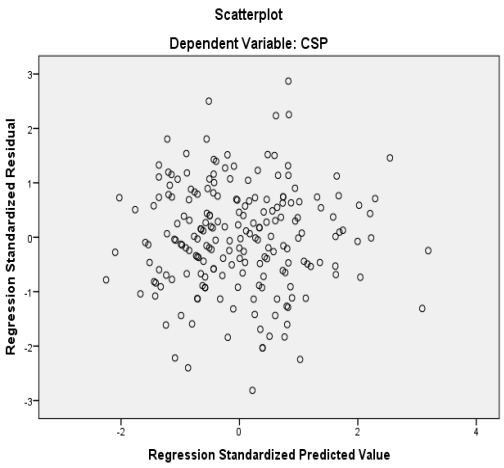
Model 7



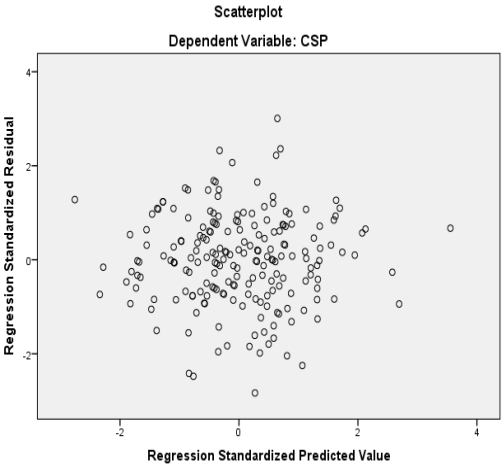
Model 8



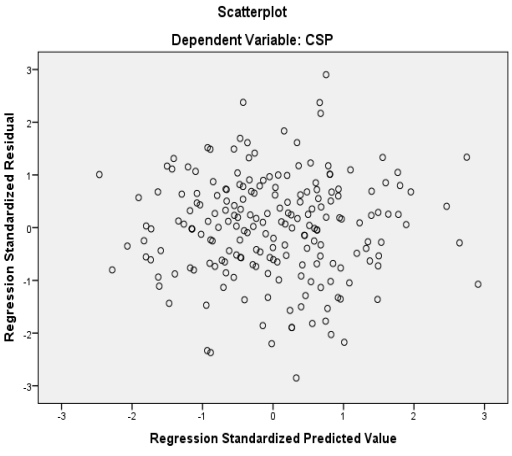
Model 9



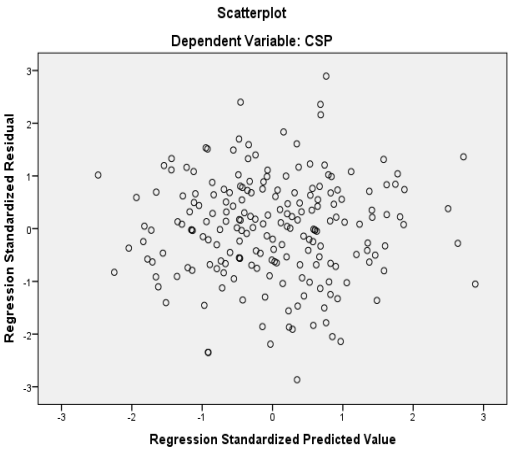
Model 10



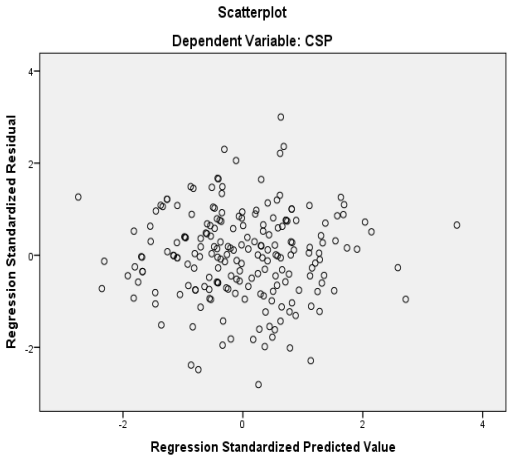
Model 11



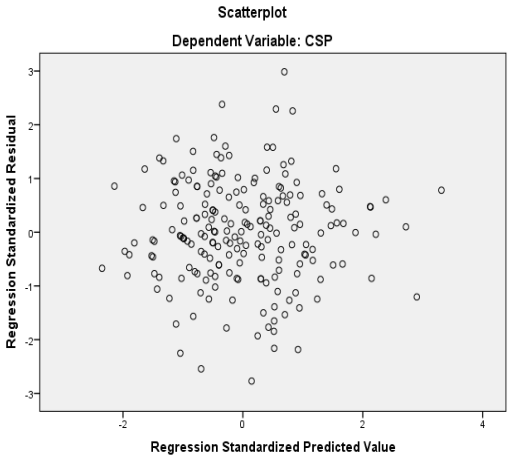
Model 12



Model 13



Model 14



Appendix 7 Model Summary

Model 1

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.580[a]	.337	.306	7.74478	1.900

a. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity: Current Ratio, Zscore: Public Ownership, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset: Market To Book Value, Zscore: Profitability: ROA, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio
b. Dependent Variable: CSP

Model 2

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.604[a]	.364	.331	7.60197	1.863

a. Predictors: (Constant), Zscore: Related Diversification, Zscore: Liquidity: Current Ratio, Zscore: CSP Industry, Zscore: Age: Ln Age from Establish, Zscore: Public Ownership, Zscore: Independent Commissioner, Zscore: Intangible Asset: Market To Book Value, Zscore: Profitability: ROA, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

b. Dependent Variable: CSP

Model 3

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.592[a]	.350	.316	7.68618	1.950

a. Predictors: (Constant), Zscore: Unrelated Diversification, Zscore: Financial Leverage: Debt Asset Ratio, Zscore: Public Ownership, Zscore: Independent Commissioner, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset: Market To Book Value, Zscore: Size: Ln Number of Employee, Zscore: Profitability: ROA, Zscore: Liquidity: Current Ratio

b. Dependent Variable: CSP

Model 4

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.599[a]	.358	.325	7.63619	1.889

a. Predictors: (Constant), Zscore: International Diversification, Zscore: Public Ownership, Zscore: Age: Ln Age from Establish, Zscore: Profitability: ROA, Zscore: CSP Industry, Zscore: Independent Commissioner, Zscore: Liquidity: Current Ratio, Zscore: Intangible Asset: Market To Book Value, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

b. Dependent Variable: CSP

Model 5

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.630[a]	.396	.358	7.44548	1.896

a. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity: Current Ratio, Zscore: Unrelated Diversification, Zscore: Public Ownership, Zscore: Age: Ln Age from Establish, Zscore: independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset: Market To Book Value, Zscore: Profitability: ROA, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

b. Dependent Variable: CSP

Model 6

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.631[a]	.398	.357	7.45611	1.904

a. Predictors: (Constant), Zscore: independent Commissioner * Zscore: Related Diversification, Zscore: CSP Industry, Zscore: Profitability: ROA, Zscore: Age: Ln Age from Establish, Zscore: International Diversification, Zscore: independent Commissioner, Zscore: Public Ownership, Zscore: Unrelated Diversification, Zscore: Related Diversification, Zscore: Liquidity: Current Ratio, Zscore: Intangible Asset: Market To Book Value, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

b. Dependent Variable: CSP

Model 7

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.638[a]	.407	.366	7.40053	1.881

a. Predictors: (Constant), Zscore: independent Commissioner * Zscore: Unrelated Diversification, Zscore: CSP Industry, Zscore: Profitability: ROA, Zscore: Age: Ln Age from Establish, Zscore: Public Ownership, Zscore: International Diversification, Zscore: Related Diversification, Zscore: Unrelated Diversification, Zscore: independent Commissioner, Zscore: Liquidity: Current Ratio, Zscore: Intangible Asset: Market To Book Value, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

b. Dependent Variable: CSP

Model 8

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.639[a]	.409	.368	7.38787	1.945

a. Predictors: (Constant), Zscore: independent Commissioner * Zscore: International Diversification, Zscore: Liquidity: Current Ratio, Zscore: Related Diversification, Zscore: Unrelated Diversification, Zscore: CSP Industry, Zscore: Intangible Asset: Market To Book Value, Zscore: Public Ownership, Zscore: Age: Ln Age from Establish, Zscore: International Diversification, Zscore: independent Commissioner, Zscore: Profitability: ROA, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

b. Dependent Variable: CSP

Model 9

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.650[a]	.422	.375	7.34545	1.947

a. Predictors: (Constant), Zscore: independent Commissioner * Zscore: International Diversification, Zscore: Liquidity: Current Ratio, Zscore: Related Diversification, Zscore: independent Commissioner * Zscore: Unrelated Diversification, Zscore: CSP Industry, Zscore: Age: Ln Age from Establish, Zscore: Public Ownership, Zscore: Unrelated Diversification, Zscore: International Diversification, Zscore: independent Commissioner, Zscore: Intangible Asset: Market To Book Value, Zscore: independent Commissioner * Zscore: Related Diversification, Zscore: Profitability: ROA, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

b. Dependent Variable: CSP

Model 10

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.639[a]	.408	.367	7.39522	1.878

a. Predictors: (Constant), Zscore: Ownership concentration * Zscore: Related Diversification, Zscore: Unrelated Diversification, Zscore: Liquidity, Zscore: International Diversification, Zscore: Independent Commissioner, Zscore: Age: Ln Age from Establish, Zscore: Ownership Concentration, Zscore: CSP Industry, Zscore: Related Diversification, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

b. Dependent Variable: CSP

Model 11

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.630[a]	.397	.355	7.46235	1.894

a. Predictors: (Constant), Zscore: Ownership concentration * Zscore: Unrelated Diversification, Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Unrelated Diversification, Zscore: International Diversification, Zscore: Age: Ln Age from Establish, Zscore: Related Diversification, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

b. Dependent Variable: CSP

Model 12

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.630[a]	.396	.355	7.46515	1.896

a. Predictors: (Constant), Zscore: Ownership concentration * Zscore: International Diversification, Zscore: Profitability, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Related Diversification, Zscore: Independent Commissioner, Zscore: Ownership Concentration, Zscore: International Diversification, Zscore: Unrelated Diversification, Zscore: Liquidity, Zscore: Intangible Asset, Zscore: Size, Zscore: Financial Leverage

b. Dependent Variable: CSP

Model 13

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.639[a]	.408	.361	7.43230	1.875

a. Predictors: (Constant), Zscore: Ownership concentration * Zscore: International Diversification, Zscore: Profitability, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Ownership concentration * Zscore: Unrelated Diversification, Zscore: Related Diversification, Zscore: Independent Commissioner, Zscore: Ownership Concentration, Zscore: International Diversification, Zscore: Unrelated Diversification, Zscore: Liquidity, Zscore: Ownership concentration * Zscore: Related Diversification, Zscore: Intangible Asset, Zscore: Size, Zscore: Financial Leverage
b. Dependent Variable: CSP

Model 14

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.661[a]	.437	.382	7.30638	1.928

a. Predictors: (Constant), Zscore: Independent Commissioner * Zscore: International Diversification, Zscore: Liquidity, Zscore: Related Diversification, Zscore: Independent Commissioner * Zscore: Unrelated Diversification, Zscore: CSP Industry, Zscore: Ownership concentration * Zscore: Unrelated Diversification, Zscore: Ownership concentration * Zscore: International Diversification, Zscore: Age: Ln Age from Establish, Zscore: Unrelated Diversification, Zscore: Independent Commissioner, Zscore: Ownership Concentration, Zscore: International Diversification, Zscore: Intangible Asset, Zscore: Independent Commissioner * Zscore: Related Diversification, Zscore: Ownership concentration * Zscore: Related Diversification, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage
b. Dependent Variable: CSP

Appendix 8 Anova

Model 1

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5875.923	9	652.880	10.885	.000[b]
	Residual	11576.460	193	59.982		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Independen Commissioner, Zscore: Liquidity: Current Ratio, Zscore: Public Ownership, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset: Market To Book Value, Zscore: Profitability: ROA, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

Model 2

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6356.699	10	635.670	11.000	.000[b]
	Residual	11095.684	192	57.790		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Related Diversification, Zscore: Liquidity: Current Ratio, Zscore: CSP Industry, Zscore: Age: Ln Age from Establish, Zscore: Public Ownership, Zscore: Independen Commissioner, Zscore: Intangible Asset: Market To Book Value, Zscore: Profitability: ROA, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

Model 3

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6109.520	10	610.952	10.342	.000[b]
	Residual	11342.863	192	59.077		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Unrelated Diversification, Zscore: Financial Leverage: Debt Asset Ratio, Zscore: Public Ownership, Zscore: Independen Commissioner, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset: Market To Book Value, Zscore: Size: Ln Number of Employee, Zscore: Profitability: ROA, Zscore: Liquidity: Current Ratio

Model 4

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6256.605	10	625.660	10.730	.000[b]
	Residual	11195.779	192	58.311		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: International Diversification, Zscore: Public Ownership, Zscore: Age: Ln Age from Establish, Zscore: Profitability: ROA, Zscore: CSP Industry, Zscore: Independen Commissioner, Zscore: Liquidity: Current Ratio, Zscore: Intangible Asset: Market To Book Value, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

Model 5

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6919.691	12	576.641	10.402	.000[b]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity: Current Ratio, Zscore: Unrelated Diversification, Zscore: Public Ownership, Zscore: Age: Ln Age from Establish, Zscore: Independen Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset: Market To Book Value, Zscore: Profitability: ROA, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

Model 6

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6945.184	13	534.245	9.610	.000[b]
	Residual	10507.199	189	55.594		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Independen Commissioner * Zscore: Related Diversification, Zscore: CSP Industry, Zscore: Profitability: ROA, Zscore: Age: Ln Age from Establish, Zscore: International Diversification, Zscore: Independen Commissioner, Zscore: Public Ownership, Zscore: Unrelated Diversification, Zscore: Related Diversification, Zscore: Liquidity: Current Ratio, Zscore: Intangible Asset: Market To Book Value, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

Model 7

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7101.247	13	546.250	9.974	.000[b]
	Residual	10351.136	189	54.768		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Independen Commissioner * Zscore: Unrelated Diversification, Zscore: CSP Industry, Zscore: Profitability: ROA, Zscore: Age: Ln Age from Establish, Zscore: Public Ownership, Zscore: International Diversification, Zscore: Related Diversification, Zscore: Unrelated Diversification, Zscore: Independen Commissioner, Zscore: Liquidity: Current Ratio, Zscore: Intangible Asset: Market To Book Value, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

Model 8

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7136.634	13	548.972	10.058	.000[b]
	Residual	10315.749	189	54.581		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Independen Commissioner * Zscore: International Diversification, Zscore: Liquidity: Current Ratio, Zscore: Related Diversification, Zscore: Unrelated Diversification, Zscore: CSP Industry, Zscore: Intangible Asset: Market To Book Value, Zscore: Public Ownership, Zscore: Age: Ln Age from Establish, Zscore: International Diversification, Zscore: Independen Commissioner, Zscore: Profitability: ROA, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

Model 9

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7362.683	15	490.846	9.097	.000[b]
	Residual	10089.700	187	53.956		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Independen Commissioner * Zscore: International Diversification, Zscore: Liquidity: Current Ratio, Zscore: Related Diversification, Zscore: Independen Commissioner * Zscore: Unrelated Diversification, Zscore: CSP Industry, Zscore: Age: Ln Age from Establish, Zscore: Public Ownership, Zscore: Unrelated Diversification, Zscore: International Diversification, Zscore: Independen Commissioner, Zscore: Intangible Asset: Market To Book Value, Zscore: Independen Commissioner * Zscore: Related Diversification, Zscore: Profitability: ROA, Zscore: Size: Ln Number of Employee, Zscore: Financial Leverage: Debt Asset Ratio

Model 10

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7116.123	13	547.394	10.009	.000[b]
	Residual	10336.260	189	54.689		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Ownership concentration * Zscore: Related Diversification, Zscore: Unrelated Diversification, Zscore: Liquidity, Zscore: International Diversification, Zscore: Independent Commissioner, Zscore: Age: Ln Age from Establish, Zscore: Ownership Concentration, Zscore: CSP Industry, Zscore: Related Diversification, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

Model 11

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6927.615	13	532.893	9.570	.000[b]
	Residual	10524.768	189	55.687		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Ownership concentration * Zscore: Unrelated Diversification, Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Unrelated Diversification, Zscore: International Diversification, Zscore: Age: Ln Age from Establish, Zscore: Related Diversification, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

Model 12

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6919.700	13	532.285	9.551	.000[b]
	Residual	10532.683	189	55.728		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Ownership concentration * Zscore: International Diversification, Zscore: Profitability, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Related Diversification, Zscore: Independent Commissioner, Zscore: Ownership Concentration, Zscore: International Diversification, Zscore: Unrelated Diversification, Zscore: Liquidity, Zscore: Intangible Asset, Zscore: Size, Zscore: Financial Leverage

Model 13

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7122.666	15	474.844	8.596	.000[b]
	Residual	10329.717	187	55.239		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Ownership concentration * Zscore: International Diversification, Zscore: Profitability, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Ownership concentration * Zscore: Unrelated Diversification, Zscore: Related Diversification, Zscore: Independent Commissioner, Zscore: Ownership Concentration, Zscore: International Diversification, Zscore: Unrelated Diversification, Zscore: Liquidity, Zscore: Ownership concentration * Zscore: Related Diversification, Zscore: Intangible Asset, Zscore: Size, Zscore: Financial Leverage

Model 14

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7629.883	18	423.882	7.940	.000[b]
	Residual	9822.500	184	53.383		
	Total	17452.383	202			

a. Dependent Variable: CSP

b. Predictors: (Constant), Zscore: Independent Commissioner * Zscore: International Diversification, Zscore: Liquidity, Zscore: Related Diversification, Zscore: Independent Commissioner * Zscore: Unrelated Diversification, Zscore: CSP Industry, Zscore: Ownership concentration * Zscore: Unrelated Diversification, Zscore: Ownership concentration * Zscore: International Diversification, Zscore: Age: Ln Age from Establish, Zscore: Unrelated Diversification, Zscore: Independent Commissioner, Zscore: Ownership Concentration, Zscore: International Diversification, Zscore: Intangible Asset, Zscore: Independent Commissioner * Zscore: Related Diversification, Zscore: Ownership concentration * Zscore: Related Diversification, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

Appendix 9 Coefficients of Regression

Model 1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	20.370	.544		37.473	.000		
	Zscore: Size: Ln Number of Employee	2.190	.626	.236	3.497	.001	.757	1.320
	Zscore: Profitability: ROA	.657	.665	.071	.988	.325	.671	1.489
	Zscore: Liquidity: Current Ratio	-2.351	.740	-.253	-3.176	.002	.542	1.844
	Zscore: Financial Leverage: Debt Asset Ratio	-1.340	.794	-.144	-1.688	.093	.471	2.122
	Zscore: Intangible Asset: Market To Book Value	.105	.597	.011	.177	.860	.834	1.200
	Zscore: Age: Ln Age from Establish	.515	.568	.055	.907	.366	.921	1.086
	Zscore: CSP Industry	2.282	.563	.246	4.052	.000	.936	1.068
	Zscore: Ownership Concentration: Public Ownership	1.805	.556	.194	3.248	.001	.961	1.040
	Zscore: Independent Commissioner	1.642	.615	.177	2.671	.008	.786	1.273

a. Dependent Variable: CSP

Model 2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	20.370	.534		38.177	.000		
	Zscore: Size: Ln Number of Employee	2.533	.626	.272	4.046	.000	.730	1.370
	Zscore: Profitability: ROA	.765	.654	.082	1.170	.243	.669	1.494
	Zscore: Liquidity: Current Ratio	-2.222	.728	-.239	-3.053	.003	.540	1.851
	Zscore: Financial Leverage: Debt Asset Ratio	-1.175	.781	-.126	-1.503	.134	.469	2.134
	Zscore: Intangible Asset: Market To Book Value	-.078	.589	-.008	-.133	.894	.824	1.214
	Zscore: Age: Ln Age from Establish	.477	.558	.051	.856	.393	.920	1.087
	Zscore: CSP Industry	2.378	.554	.256	4.294	.000	.933	1.072
	Zscore: Public Ownership	2.003	.550	.215	3.642	.000	.946	1.057
	Zscore: Independent Commissioner	1.678	.604	.181	2.781	.006	.785	1.274
	Zscore: Related Diversification	-1.621	.562	-.174	-2.884	.004	.906	1.103

a. Dependent Variable: CSP

Model 3

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	20.370	.539		37.759	.000		
	Zscore: Size: Ln Number of Employee	1.862	.643	.200	2.896	.004	.708	1.413
	Zscore: Profitability: ROA	.493	.665	.053	.742	.459	.661	1.512
	Zscore: Liquidity: Current Ratio	-2.243	.736	-.241	-3.047	.003	.539	1.854
	Zscore: Financial Leverage: Debt Asset Ratio	-1.288	.788	-.139	-1.634	.104	.471	2.124
	Zscore: Intangible Asset: Market To Book Value	.126	.592	.014	.213	.831	.833	1.200
	Zscore: Age: Ln Age from Establish	.405	.566	.044	.716	.475	.912	1.096
	Zscore: CSP Industry	2.427	.564	.261	4.307	.000	.921	1.086
	Zscore: Public Ownership	1.758	.552	.189	3.185	.002	.960	1.042
	Zscore: Independent Commissioner	1.854	.619	.199	2.993	.003	.762	1.312
	Zscore: Unrelated Diversification	1.156	.581	.124	1.988	.048	.865	1.156

a. Dependent Variable: CSP

Model 4

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	20.370	.536		38.006	.000		
	Zscore: Size: Ln Number of Employee	2.122	.618	.228	3.434	.001	.756	1.323
	Zscore: Profitability: ROA	.616	.656	.066	.939	.349	.671	1.490
	Zscore: Liquidity: Current Ratio	-2.438	.730	-.262	-3.337	.001	.541	1.848
	Zscore: Financial Leverage: Debt Asset Ratio	-1.554	.787	-.167	-1.974	.050	.466	2.146
	Zscore: Intangible Asset: Market To Book Value	.357	.597	.038	.598	.551	.811	1.233
	Zscore: Age: Ln Age from Establish	.514	.560	.055	.919	.359	.921	1.086
	Zscore: CSP Industry	2.071	.561	.223	3.690	.000	.916	1.091
	Zscore: Public Ownership	1.931	.550	.208	3.510	.001	.954	1.049
	Zscore: Independent Commissioner	1.486	.609	.160	2.438	.016	.778	1.286
	Zscore: International Diversification	1.431	.560	.154	2.555	.011	.920	1.087

a. Dependent Variable: CSP

Model 5

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	20.370	.523		38.980	.000		
	Zscore: Size: Ln Number of Employee	2.139	.638	.230	3.349	.001	.673	1.485
	Zscore: Profitability: ROA	.567	.646	.061	.877	.382	.657	1.522
	Zscore: Liquidity: Current Ratio	-2.224	.715	-.239	-3.111	.002	.537	1.863
	Zscore: Financial Leverage: Debt Asset Ratio	-1.361	.770	-.146	-1.768	.079	.463	2.159
	Zscore: Intangible Asset: Market To Book Value	.213	.586	.023	.364	.716	.800	1.249
	Zscore: Age: Ln Age from Establish	.381	.549	.041	.694	.489	.912	1.097
	Zscore: CSP Industry	2.286	.552	.246	4.141	.000	.901	1.110
	Zscore: Public Ownership	2.073	.541	.223	3.830	.000	.936	1.068
	Zscore: Independent Commissioner	1.707	.603	.184	2.833	.005	.756	1.323
	Zscore: Related Diversification	-1.490	.554	-.160	-2.689	.008	.894	1.119
	Zscore: Unrelated Diversification	1.046	.568	.113	1.842	.067	.851	1.175
	Zscore: International Diversification	1.468	.547	.158	2.684	.008	.918	1.089

a. Dependent Variable: CSP

Model 6

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	20.416	.528		38.688	.000		
	Zscore: Size: Ln Number of Employee	2.145	.639	.231	3.355	.001	.673	1.486
	Zscore: Profitability: ROA	.573	.647	.062	.886	.377	.657	1.522
	Zscore: Liquidity: Current Ratio	-2.214	.716	-.238	-3.091	.002	.537	1.864
	Zscore: Financial Leverage: Debt Asset Ratio	-1.344	.771	-.145	-1.742	.083	.463	2.161
	Zscore: Intangible Asset: Market To Book Value	.187	.588	.020	.318	.751	.797	1.255
	Zscore: Age: Ln Age from Establish	.327	.555	.035	.590	.556	.894	1.119
	Zscore: CSP Industry	2.286	.553	.246	4.135	.000	.901	1.110
	Zscore: Public Ownership	2.123	.547	.228	3.881	.000	.919	1.088
	Zscore: Independent Commissioner	1.686	.604	.181	2.790	.006	.754	1.326
	Zscore: Related Diversification	-1.401	.570	-.151	-2.457	.015	.846	1.182
	Zscore: Unrelated Diversification	1.036	.569	.111	1.822	.070	.851	1.175
	Zscore: International Diversification	1.476	.548	.159	2.695	.008	.917	1.090
	Zscore: Independent Commissioner * Zscore: Related Diversification	-.392	.579	-.041	-.677	.499	.888	1.127

a. Dependent Variable: CSP

Model 7

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	20.443	.521		39.240	.000		
	Zscore: Size: Ln Number of Employee	2.162	.635	.233	3.406	.001	.673	1.486
	Zscore: Profitability: ROA	.610	.643	.066	.948	.344	.656	1.524
	Zscore: Liquidity: Current Ratio	-2.058	.717	-.221	-2.872	.005	.528	1.894
	Zscore: Financial Leverage: Debt Asset Ratio	-1.116	.777	-.120	-1.437	.152	.449	2.225
	Zscore: Intangible Asset: Market To Book Value	.247	.582	.027	.425	.671	.799	1.251
	Zscore: Age: Ln Age from Establish	.398	.545	.043	.729	.467	.912	1.097
	Zscore: CSP Industry	2.314	.549	.249	4.216	.000	.900	1.111
	Zscore: Public Ownership	2.067	.538	.222	3.842	.000	.936	1.068
	Zscore: Independent Commissioner	1.822	.602	.196	3.025	.003	.748	1.338
	Zscore: Related Diversification	-1.471	.551	-.158	-2.670	.008	.893	1.120
	Zscore: Unrelated Diversification	1.113	.566	.120	1.969	.050	.848	1.180
	Zscore: International Diversification	1.390	.545	.150	2.550	.012	.912	1.096
	Zscore: Independent Commissioner * Zscore: Unrelated Diversification	1.048	.576	.105	1.821	.070	.936	1.068

a. Dependent Variable: CSP

Model 8

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	20.231	.523		38.670	.000		
	Zscore: Size: Ln Number of Employee	2.211	.635	.238	3.484	.001	.671	1.490
	Zscore: Profitability: ROA	.592	.641	.064	.923	.357	.657	1.522
	Zscore: Liquidity: Current Ratio	-2.266	.710	-.244	-3.193	.002	.536	1.864
	Zscore: Financial Leverage: Debt Asset Ratio	-1.411	.764	-.152	-1.846	.066	.463	2.161
	Zscore: Intangible Asset: Market To Book Value	.258	.581	.028	.444	.658	.799	1.251
	Zscore: Age: Ln Age from Establish	.459	.546	.049	.841	.401	.907	1.102
	Zscore: CSP Industry	2.237	.548	.241	4.081	.000	.899	1.112
	Zscore: Public Ownership	2.028	.538	.218	3.771	.000	.935	1.070
	Zscore: Independent Commissioner	1.770	.599	.190	2.957	.004	.754	1.327
	Zscore: Related Diversification	-1.531	.550	-.165	-2.783	.006	.892	1.121
	Zscore: Unrelated Diversification	.952	.565	.102	1.685	.094	.845	1.183
	Zscore: International Diversification	1.314	.548	.141	2.397	.017	.900	1.111
	Zscore: Independent Commissioner * Zscore: International Diversification	1.114	.559	.114	1.994	.048	.953	1.050

a. Dependent Variable: CSP

Model 9

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	20.359	.525		38.795	.000		
	Zscore: Size: Ln Number of Employee	2.248	.631	.242	3.561	.000	.670	1.492
	Zscore: Profitability: ROA	.644	.638	.069	1.010	.314	.656	1.525
	Zscore: Liquidity: Current Ratio	-2.092	.712	-.225	-2.940	.004	.527	1.896
	Zscore: Financial Leverage: Debt Asset Ratio	-1.153	.772	-.124	-1.494	.137	.449	2.229
	Zscore: Intangible Asset: Market To Book Value	.257	.580	.028	.443	.658	.795	1.257
	Zscore: Age: Ln Age from Establish	.405	.548	.044	.739	.461	.891	1.122
	Zscore: CSP Industry	2.262	.545	.243	4.147	.000	.898	1.113
	Zscore: Public Ownership	2.090	.539	.225	3.877	.000	.919	1.088
	Zscore: Independent Commissioner	1.855	.599	.200	3.097	.002	.744	1.344
	Zscore: Related Diversification	-1.389	.562	-.149	-2.472	.014	.846	1.182
	Zscore: Unrelated Diversification	.999	.564	.107	1.772	.078	.840	1.190
	Zscore: International Diversification	1.241	.546	.134	2.271	.024	.895	1.118
	Zscore: Independent Commissioner * Zscore: Related Diversification	-.557	.578	-.058	-.965	.336	.867	1.154
	Zscore: Independent Commissioner * Zscore: Unrelated Diversification	1.020	.572	.103	1.783	.076	.936	1.069
	Zscore: Independent Commissioner * Zscore: International Diversification	1.182	.562	.121	2.103	.037	.930	1.075

a. Dependent Variable: CSP

Model 10

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	20.230	.524		38.591	.000		
	Zscore: Size	2.087	.635	.225	3.288	.001	.672	1.488
	Zscore: Profitability	.572	.642	.062	.891	.374	.657	1.522
	Zscore: Liquidity	-2.266	.711	-.244	-3.189	.002	.536	1.865
	Zscore: Financial Leverage	-1.460	.766	-.157	-1.905	.058	.461	2.169
	Zscore: Intangible Asset	.068	.587	.007	.116	.908	.787	1.271
	Zscore: Age: Ln Age from Establish	.308	.546	.033	.564	.573	.907	1.102
	Zscore: CSP Industry	2.176	.551	.234	3.947	.000	.891	1.123
	Zscore: Ownership Concentration	1.876	.548	.202	3.424	.001	.903	1.108
	Zscore: Independent Commissioner	1.672	.599	.180	2.793	.006	.755	1.324
	Zscore: Related Diversification	-1.738	.566	-.187	-3.072	.002	.846	1.182
	Zscore: Unrelated Diversification	1.026	.564	.110	1.819	.071	.851	1.175
	Zscore: International Diversification	1.429	.543	.154	2.630	.009	.917	1.091
	Zscore: Ownership concentration * Zscore: Related Diversification	.876	.462	.115	1.895	.060	.848	1.180

a. Dependent Variable: CSP

Model 11

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	20.360	.524		38.821	.000		
	Zscore: Size	2.126	.641	.229	3.317	.001	.671	1.490
	Zscore: Profitability	.571	.648	.061	.881	.380	.657	1.522
	Zscore: Liquidity	-2.232	.717	-.240	-3.114	.002	.536	1.864
	Zscore: Financial Leverage	-1.390	.775	-.150	-1.793	.075	.458	2.181
	Zscore: Intangible Asset	.201	.588	.022	.342	.733	.798	1.253
	Zscore: Age: Ln Age from Establish	.374	.550	.040	.679	.498	.911	1.098
	Zscore: CSP Industry	2.286	.553	.246	4.132	.000	.901	1.110
	Zscore: Ownership Concentration	2.088	.544	.225	3.839	.000	.932	1.073
	Zscore: Independent Commissioner	1.713	.604	.184	2.836	.005	.755	1.324
	Zscore: Related Diversification	-1.495	.556	-.161	-2.690	.008	.893	1.120
	Zscore: Unrelated Diversification	1.035	.570	.111	1.816	.071	.849	1.178
	Zscore: International Diversification	1.479	.549	.159	2.695	.008	.915	1.093
	Zscore: Ownership concentration * Zscore: Unrelated Diversification	.208	.551	.022	.377	.706	.963	1.039

a. Dependent Variable: CSP

Model 12

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	20.369	.524		38.842	.000		
	Zscore: Size	2.139	.644	.230	3.322	.001	.665	1.503
	Zscore: Profitability	.567	.648	.061	.875	.383	.657	1.522
	Zscore: Liquidity	-2.224	.718	-.239	-3.097	.002	.535	1.869
	Zscore: Financial Leverage	-1.360	.774	-.146	-1.758	.080	.461	2.169
	Zscore: Intangible Asset	.214	.590	.023	.363	.717	.793	1.261
	Zscore: Age: Ln Age from Establish	.381	.550	.041	.692	.490	.911	1.097
	Zscore: CSP Industry	2.285	.554	.246	4.123	.000	.898	1.114
	Zscore: Ownership Concentration	2.074	.549	.223	3.780	.000	.916	1.092
	Zscore: Independent Commissioner	1.707	.604	.184	2.824	.005	.756	1.324
	Zscore: Related Diversification	-1.490	.556	-.160	-2.681	.008	.893	1.120
	Zscore: Unrelated Diversification	1.045	.571	.112	1.829	.069	.845	1.184
	Zscore: International Diversification	1.467	.555	.158	2.644	.009	.896	1.115
	Zscore: Ownership concentration * Zscore: International Diversification	-.006	.510	-.001	-.013	.990	.919	1.088

a. Dependent Variable: CSP

Model 13

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	20.219	.528		38.291	.000		
	Zscore: Size	2.085	.643	.224	3.243	.001	.662	1.511
	Zscore: Profitability	.575	.645	.062	.891	.374	.657	1.522
	Zscore: Liquidity	-2.267	.715	-.244	-3.169	.002	.534	1.872
	Zscore: Financial Leverage	-1.478	.776	-.159	-1.905	.058	.454	2.201
	Zscore: Intangible Asset	.065	.593	.007	.109	.913	.779	1.284
	Zscore: Age: Ln Age from Establish	.304	.549	.033	.553	.581	.906	1.104
	Zscore: CSP Industry	2.173	.555	.234	3.913	.000	.887	1.127
	Zscore: Ownership Concentration	1.898	.557	.204	3.409	.001	.883	1.133
	Zscore: Independent Commissioner	1.676	.602	.180	2.783	.006	.754	1.326
	Zscore: Related Diversification	-1.740	.569	-.187	-3.060	.003	.846	1.182
	Zscore: Unrelated Diversification	1.011	.570	.109	1.774	.078	.843	1.187
	Zscore: International Diversification	1.429	.554	.154	2.578	.011	.890	1.123
	Zscore: Ownership concentration * Zscore: Related Diversification	.875	.466	.115	1.879	.062	.843	1.186
	Zscore: Ownership concentration * Zscore: Unrelated Diversification	.173	.550	.018	.314	.754	.958	1.044
	Zscore: Ownership concentration * Zscore: International Diversification	-.061	.510	-.007	-.119	.905	.911	1.098

a. Dependent Variable: CSP

Model 14

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	20.214	.527		38.334	.000		
	Zscore: Size	2.192	.633	.236	3.462	.001	.659	1.517
	Zscore: Profitability	.660	.635	.071	1.039	.300	.656	1.525
	Zscore: Liquidity	-2.143	.709	-.231	-3.022	.003	.525	1.904
	Zscore: Financial Leverage	-1.291	.775	-.139	-1.667	.097	.440	2.272
	Zscore: Intangible Asset	.054	.587	.006	.091	.927	.768	1.302
	Zscore: Age: Ln Age from Establish	.263	.549	.028	.480	.632	.878	1.139
	Zscore: CSP Industry	2.123	.547	.228	3.879	.000	.883	1.133
	Zscore: Ownership Concentration	1.929	.549	.208	3.516	.001	.878	1.139
	Zscore: Independent Commissioner	1.795	.597	.193	3.005	.003	.741	1.350
	Zscore: Related Diversification	-1.604	.567	-.173	-2.828	.005	.822	1.217
	Zscore: Unrelated Diversification	.939	.565	.101	1.663	.098	.829	1.207
	Zscore: International Diversification	1.201	.552	.129	2.175	.031	.868	1.153
	Zscore: Ownership concentration * Zscore: Related Diversification	1.046	.480	.138	2.181	.030	.768	1.301
	Zscore: Ownership concentration * Zscore: Unrelated Diversification	.218	.543	.023	.402	.688	.948	1.055
	Zscore: Ownership concentration * Zscore: International Diversification	-.081	.505	-.009	-.160	.873	.900	1.111
	Zscore: Independent Commissioner * Zscore: Related Diversification	-.939	.602	-.097	-1.560	.121	.790	1.266
	Zscore: Independent Commissioner * Zscore: Unrelated Diversification	.968	.571	.097	1.697	.091	.930	1.075
	Zscore: Independent Commissioner * Zscore: International Diversification	1.225	.564	.126	2.173	.031	.915	1.092

a. Dependent Variable: CSP

Appendix 10 Model Summary and Anova for Hierarchical Regression

Model 1 and Model 2

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.580[a]	.337	.306	7.74478	.337	10.885	9	193	.000	
2	.604[b]	.364	.331	7.60197	.028	8.319	1	192	.004	1.863

a. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage
b. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: Related Diversification
c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5875.923	9	652.880	10.885	.000[b]
	Residual	11576.460	193	59.982		
	Total	17452.383	202			
2	Regression	6356.699	10	635.670	11.000	.000[c]
	Residual	11095.684	192	57.790		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 1 and Model 3

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.580[a]	.337	.306	7.74478	.337	10.885	9	193	.000	
3	.592[b]	.350	.316	7.68618	.013	3.954	1	192	.048	1.950

a. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage
b. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: Unrelated Diversification
c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5875.923	9	652.880	10.885	.000[b]
	Residual	11576.460	193	59.982		
	Total	17452.383	202			
3	Regression	6109.520	10	610.952	10.342	.000[c]
	Residual	11342.863	192	59.077		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 1 and Model 4

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.580[a]	.337	.306	7.74478	.337	10.885	9	193	.000	
4	.599[b]	.358	.325	7.63619	.022	6.528	1	192	.011	1.889

a. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage
b. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: International Diversification
c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5875.923	9	652.880	10.885	.000[b]
	Residual	11576.460	193	59.982		
	Total	17452.383	202			
4	Regression	6256.605	10	625.660	10.730	.000[c]
	Residual	11195.779	192	58.311		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 1 and Model 5

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.580[a]	.337	.306	7.74478	.337	10.885	9	193	.000	
5	.630[b]	.396	.358	7.44548	.060	6.276	3	190	.000	1.896

a. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage
b. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: International Diversification, Zscore: Related Diversification, Zscore: Unrelated Diversification
c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5875.923	9	652.880	10.885	.000[b]
	Residual	11576.460	193	59.982		
	Total	17452.383	202			
5	Regression	6919.691	12	576.641	10.402	.000[c]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 5 and Model 6

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
5	.630[a]	.396	.358	7.44548	.396	10.402	12	190	.000	
6	.631[b]	.398	.357	7.45611	.001	.459	1	189	.499	1.904

a. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

b. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: Independent Commissioner * Zscore: Related Diversification

c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
5	Regression	6919.691	12	576.641	10.402	.000[b]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			
6	Regression	6945.184	13	534.245	9.610	.000[c]
	Residual	10507.199	189	55.594		
	Total	17452.383	202			

Model 5 and Model 7

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
5	.630[a]	.396	.358	7.44548	.396	10.402	12	190	.000	
7	.638[b]	.407	.366	7.40053	.010	3.315	1	189	.070	1.881

a. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

b. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: Independent Commissioner * Zscore: Unrelated Diversification

c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
5	Regression	6919.691	12	576.641	10.402	.000[b]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			
7	Regression	7101.247	13	546.250	9.974	.000[c]
	Residual	10351.136	189	54.768		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 5 and Model 8

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
5	.630[a]	.396	.358	7.44548	.396	10.402	12	190	.000	
8	.639[b]	.409	.368	7.38787	.012	3.975	1	189	.048	1.945

a. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

b. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: Independent Commissioner * Zscore: International Diversification

c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
5	Regression	6919.691	12	576.641	10.402	.000[b]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			
8	Regression	7136.634	13	548.972	10.058	.000[c]
	Residual	10315.749	189	54.581		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 5 and Model 9

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
5	.630[a]	.396	.358	7.44548	.396	10.402	12	190	.000	
9	.650[b]	.422	.375	7.34545	.025	2.737	3	187	.045	1.947

a. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

b. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: Independent Commissioner * Zscore: International Diversification, Zscore: Independent Commissioner * Zscore: Unrelated Diversification, Zscore: Independent Commissioner * Zscore: Related Diversification

c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
5	Regression	6919.691	12	576.641	10.402	.000[b]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			
9	Regression	7362.683	15	490.846	9.097	.000[c]
	Residual	10089.700	187	53.956		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 5 and Model 10

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
5	.630[a]	.396	.358	7.44548	.396	10.402	12	190	.000	
10	.639[b]	.408	.367	7.39522	.011	3.592	1	189	.060	1.878

a. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

b. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: Ownership concentration * Zscore: Related Diversification

c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
5	Regression	6919.691	12	576.641	10.402	.000[b]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			
10	Regression	7116.123	13	547.394	10.009	.000[c]
	Residual	10336.260	189	54.689		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 5 and Model 11

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
5	.630[a]	.396	.358	7.44548	.396	10.402	12	190	.000	
11	.630[b]	.397	.355	7.46235	.000	.142	1	189	.706	1.894

a. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

b. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: Ownership concentration * Zscore: Unrelated Diversification

c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
5	Regression	6919.691	12	576.641	10.402	.000[b]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			
11	Regression	6927.615	13	532.893	9.570	.000[c]
	Residual	10524.768	189	55.687		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 5 and Model 12

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
5	.630[a]	.396	.358	7.44548	.396	10.402	12	190	.000	
12	.630[b]	.396	.355	7.46515	.000	.000	1	189	.990	1.896

a. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

b. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: Ownership concentration * Zscore: International Diversification

c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
5	Regression	6919.691	12	576.641	10.402	.000[b]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			
12	Regression	6919.700	13	532.285	9.551	.000[c]
	Residual	10532.683	189	55.728		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 5 and Model 13

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
5	.630[a]	.396	.358	7.44548	.396	10.402	12	190	.000	
13	.639[b]	.408	.361	7.43230	.012	1.225	3	187	.302	1.875

a. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

b. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: Ownership concentration * Zscore: Unrelated Diversification, Zscore: Ownership concentration * Zscore: International Diversification, Zscore: Ownership concentration * Zscore: Related Diversification

c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
5	Regression	6919.691	12	576.641	10.402	.000[b]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			
13	Regression	7122.666	15	474.844	8.596	.000[c]
	Residual	10329.717	187	55.239		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 5 and Model 14

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
5	.630[a]	.396	.358	7.44548	.396	10.402	12	190	.000	
14	.661[b]	.437	.382	7.30638	.041	2.217	6	184	.043	1.928

a. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage

b. Predictors: (Constant), Zscore: International Diversification, Zscore: Related Diversification, Zscore: Liquidity, Zscore: Unrelated Diversification, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: Independent Commissioner, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: Ownership concentration * Zscore: Unrelated Diversification, Zscore: Independent Commissioner * Zscore: International Diversification, Zscore: Independent Commissioner * Zscore: Unrelated Diversification, Zscore: Ownership concentration * Zscore: International Diversification, Zscore: Independent Commissioner * Zscore: Related Diversification, Zscore: Ownership concentration * Zscore: Related Diversification

c. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
5	Regression	6919.691	12	576.641	10.402	.000[b]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			
14	Regression	7629.883	18	423.882	7.940	.000[c]
	Residual	9822.500	184	53.383		
	Total	17452.383	202			

a. Dependent Variable: CSP

Model 1, Model 5 and Model 14

Model Summary[d]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.580[a]	.337	.306	7.74478	.337	10.885	9	193	.000	
2	.630[b]	.396	.358	7.44548	.060	6.276	3	190	.000	
3	.661[c]	.437	.382	7.30638	.041	2.217	6	184	.043	1.928

a. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage
b. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: International Diversification, Zscore: Related Diversification, Zscore: Unrelated Diversification
c. Predictors: (Constant), Zscore: Independent Commissioner, Zscore: Liquidity, Zscore: Ownership Concentration, Zscore: Age: Ln Age from Establish, Zscore: CSP Industry, Zscore: Intangible Asset, Zscore: Profitability, Zscore: Size, Zscore: Financial Leverage, Zscore: International Diversification, Zscore: Related Diversification, Zscore: Unrelated Diversification, Zscore: Ownership concentration * Zscore: Unrelated Diversification, Zscore: Independent Commissioner * Zscore: International Diversification, Zscore: Independent Commissioner * Zscore: Unrelated Diversification, Zscore: Ownership concentration * Zscore: International Diversification, Zscore: Independent Commissioner * Zscore: Related Diversification, Zscore: Ownership concentration * Zscore: Related Diversification
d. Dependent Variable: CSP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5875.923	9	652.880	10.885	.000[b]
	Residual	11576.460	193	59.982		
	Total	17452.383	202			
2	Regression	6919.691	12	576.641	10.402	.000[c]
	Residual	10532.692	190	55.435		
	Total	17452.383	202			
3	Regression	7629.883	18	423.882	7.940	.000[d]
	Residual	9822.500	184	53.383		
	Total	17452.383	202			

a. Dependent Variable: CSP