

INFORMATION PAGE ABOUT THESIS

Thesis title: Corporate diversification and firm value

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1. THESIS SUMMARY

The thesis aims to analyze the impact of the level of product diversification on firm value across four strategic groups: non-diversification, dominant diversification, related diversification, and unrelated diversification. The moderating role of large foreign and state shareholders on the relationship between the level of diversification and firm value according to the product diversification strategy is also examined. The study examines whether among the three groups of firm pursuing the strategy, which product diversification strategy brings added value to the firm. The thesis divides the research sample into four groups: non-diversification, dominant diversification, related diversification and unrelated diversification based on Rumelt's (1982) specialization ratio R_s and the relatedness ratio R_r . Separating firms into four strategic groups is necessary because the dominant diversification strategy is distinct from both related and unrelated diversification strategies. The study uses the specialization ratio R_s to measure the level of diversification of single firms and dominantly diversified firms; the relatedness ratio R_r to measure the level of diversification of relatedly diversified and unrelatedly diversified firms. The study uses two scales to measure firm value: Tobin's Q and the ratio of adjusted downside economic value added to the market value of the firm (D-EVAadj_MV). D-EVAadj_MV is the scale proposed by the author to measure firm value in emerging and frontier markets.

2. CONTRIBUTIONS OF THE THESIS

The study yielded several important results as follows:

(1) For the non-diversified group: an increase in the concentration of the firm leads to a decrease in firm value;

(2) For the dominant diversification group: an increase in the level of dominant diversification increases firm value. This result supports the view that for the dominant diversification group, with a moderate level of diversification, the firm can effectively control agency problems arising during the diversification process and efficiently leverage the firm's available resources. Therefore, the dominant diversification strategy truly adds value to the firm.

(3) For the related diversification group and the unrelated diversification group: overall, the research results indicate that these two strategies tend to decrease firm value as the level of related and unrelated diversification increases. The reason for this decrease in value is due to severe agency problems in related and unrelated diversified firms. Although unrelated diversified firms in Vietnam have a significant advantage from internal capital markets, the benefits from this advantage do not offset the costs incurred due to the diversification strategy.

The research results indicate that for a diversification strategy to truly add value to a firm, it is essential to find a mechanism to control agency problems in diversified firms. Therefore, the thesis explores the role of large foreign and state shareholders in controlling agency problems in diversified firms. The study uses large shareholders with ownership thresholds greater than 5% and 10%, and the results reveal several noteworthy findings:

(1) Large foreign shareholders: At an ownership level of 5% or more, foreign investors generally do not yet effectively control agency problems in diversified firms when using the D-EVAadj_MV ratio to measure firm value. The increase in related and unrelated diversification still reduces firm value, even when foreign ownership exceeds 5%. However, at a foreign ownership level of over 10%, foreign investors play a more active monitoring role in diversified firms. Specifically, dominant and unrelated diversification strategies increase firm value, and related diversification strategies no longer reduce firm value;

(2) Large state shareholders: In contrast to large foreign shareholders, large state shareholders exacerbate agency problems in diversified firms, causing the diversification strategy to harm firm value.

3. APPLICATIONS/APPLICABILITY IN PRACTICE AND DIRECTIONS FOR FUTURE STUDIES

The objective of the thesis is to explore the relationship between the level of diversification and firm value according to diversification strategy classified according to Rumelt (1982). The study investigates how changes in the level of diversification affect firm value, aiming to identify the reasons behind the increase or decrease in the value of diversified firms. The research examines the role of large foreign shareholders and large state shareholders in diversified firms. Along with the results achieved, the study also has the following limitations:

First: This research only observes the role of state ownership and foreign ownership in diversified firms, while there are many other forms of ownership, such as institutional ownership, family ownership, and concentrated ownership, which also have a significant impact on firm value, but these have not been considered in this thesis. Therefore, future studies could explore the role of other forms of ownership in influencing firm value and their role in diversified firms. Future research could also compare the roles of various forms of ownership in diversified firms to gain a comprehensive understanding of the importance of ownership structure in affecting firm value.

Second: The research period of the thesis is from 2009 to 2020. Although this research period is relatively long, the Vietnamese and global economies did not experience major upheavals during this time. Therefore, the study does not compare the value of diversified firms in times of economic crisis versus non-crisis periods. After 2020, the global economy, including Vietnam, has been undergoing a global recession due to the aftermath of the COVID-19 pandemic and the war between Russia and Ukraine. Hence, future studies could explore the relationship between the level of diversification and firm value before and after economic recessions, providing a more comprehensive view of the benefits that diversification brings to firms.

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