

ABSTRACT

The period of 1980s can be termed as a decade when the multi-business firms started to divest from the businesses that were unrelated to their core to their operations. Studies done in the western economies found that operating in the markets that were not related the core operations did not earn a better value for the shareholders. Corporates diversified in the markets that were related their core operations because this gave operational synergies and enhanced the shareholder's value. However in Asia, the multi-business firms still operate in unrelated markets. Vardarajan and Ramajujam (1988) highlight a need to do study the issues of corporate diversification such as strategy, mode, motive, and performance, in a single study.

To get an insight about a firm operating in unrelated markets in the Asian context, this research studied the Siam Cement Group (SCG) of Thailand. Chi-square test was used to establish a relationship among the issues of corporate diversification. Hypotheses were formed to test the relationship among the issues. A model was also formed that identified two sets of relationships. One set identified the relationships among issues in the context of related business and other set identified the relationships in the context of unrelated business.

It was found that SCG diversified in unrelated markets to use the benefits of external resources such as government protection and the incentives provided by the Board of Investment. As the business were not related in terms of market or technology, the SCG was not able to share its internal resources such as brand name, distribution channel and customer data base among the unrelated businesses. The internal resources were out-sourced by acquiring other companies from the industry and also by joint venture agreements. Operating in unrelated business did not lead to an inferior performance. Unrelated business such as tire, chemical, and pulp and paper were major players in their respective industries. The leadership position in these unrelated businesses can be attributed to the benefits gained from external resources and the use of internal finance.