Investigating Economic Performance:  
Whether International & Strategic Business Diversification  
With Stakeholder Concerns Enhances Performance

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SUMMARY OF THESIS

This research study investigated economic performance from a business and society perspective for firms in Australia. In particular tests were carried out to investigate whether firms that combined strategic business-level and international business diversification strategy (business) with a concern for stakeholders (society) enhanced economic performance. Data was gathered from a sample of 150 Australian publicly listed companies, which were made up of the top 50 companies measured by market capitalisation, for three years 1993 to 1995 inclusive.

The importance of challenging the assumption of linearity, for the business and society relationship developed, was examined. The identification of critical cut-off points for each of stakeholder and international diversification activity divided the sample into low to moderate and high levels of activity. Statistically significant and positive results of the combined effects of international and strategic business diversification with stakeholder concerns on economic performance were identified at the low-to-moderate levels of stakeholder and international diversification activity rather than at high levels. In particular it was found that the relationship between (1) multinationality and community stakeholder concerns on economic performance and (2) the interaction of multinationality with country scope and community stakeholder concerns on economic performance were both statistically significant and positive at the low-to-moderate rather than high levels of activity. These results provided evidence of a non-linear business and society relationship with economic performance.

The major implication for theory was the development of a socioeconomic theoretical framework using resource-based, transaction cost and instrumental stakeholder theory for investigating economic performance. Moreover a need to develop a cogent theory to explain the non-linear relationship between economic performance and stakeholder concerns was identified. The major practical implication for investigating economic performance, was the need to determine whether the individual relationships of international diversification on economic performance and stakeholder concerns on economic performance were non-linear prior to testing a combined relationship. Further research, which considers the importance of business and society aspects when investigating economic performance, should move away from the notion of treating business and society as two separate issues, as economic performance is a complex phenomenon involving more than one discipline at any one time. The major implication for future investigation, of combined business and society effects on economic performance, was to suggest the need to investigate for the possibility of non-linear relationships rather than assuming that they are linear. Further studies that identify a non-linear relationship can divide their sample into low to moderate versus high levels of activity which may reveal finer and more rewarding results as has been the case for the current study.