Since the basic concern of strategy is to maintain and enhance firm performance (Rumelt, Schendel, & Teece, 1991), the logic that underpins the relatedness of a firm’s activities has become a central issue to both researchers and managers (Rumelt, 1974; Wrigley, 1970). While a great deal is known about the impact of diversity on firm outcomes, many important questions remain unresolved. This book has, therefore, addressed the question of how various elements of diversity are related to MNC economic performance by adding three new concepts while controlling for major alternative explanations. One of the new ideas tested in this book is whether the construct of geographic diversity can and should be separated into the more meaningful and precise concepts of international asset dispersion and country environment diversity. The second new idea is to determine to what extent network diversity has an impact on the performance of large MNCs.

Using a structural equation model approach on a sample of 580 large MNCs, it was found that product diversity has a nonlinear impact on MNC economic performance; higher levels of product diversity are associated with superior performance until a point of inflection is reached. In contrast, international asset dispersion was found to have a positive and linear association with firm performance. Thus, it appears that simply “being there” is an important element of corporate diversity strategy. This reinforces the view of the manufacturing MNC Executive Vice President interviewed for this book who asserted that international scope was itself valuable because many customers require their suppliers “to be able to manufacture products anywhere in the world. You win contracts based on that ability.” In contrast, the relationship between country environment diversity and economic performance was found to be concave where diversity appears to make
MNC management more challenging. These findings suggest that the concept of geographic scope is a much more complex phenomenon than has previously been analyzed.

This book also introduces alliance network diversity, a new concept, and the discussion below will review and examine this concept in greater detail, embedding it in the literature on networks and the MNC. Alternative explanations as well as the limitations of this study will be examined in turn within each section.

The results in this book suggest that firms with large networks tend to partner a great deal and that these partnerships are routinely with a group of already known Japanese as well as local firms. Further, these highly embedded firms appear to use networks as a way to leverage their size and expand their worldwide holdings. In contrast, firms with less diverse networks tend to enter into partnerships less frequently, rarely with the same partner more than once, and prefer to appropriate the value from their proprietary assets (marketing assets in particular) through internal development via the wholly-owned mode of operation.

The statistical relationships discovered in this book suggest that firms that implement strategies of either internal development or of network growth enjoy superior performance than those that are “stuck in the middle.” It is important to note, however, that while a significant number of firms in the sample are focused on internal development with sparse networks (32% of the 580 firms in the research sample), very few firms (i.e., only 2% of the sample) are able to achieve the extremely high levels of network diversity that are associated with superior performance. The balance of 385 firms in the sample (i.e., 66%) appears to be suffering the consequences of a hybrid strategy of simultaneous internal development and network-based growth. Figure 3.5, indicates the rarity, and likely extreme difficulty, in implementing a successful network-based strategy.

These findings provide a counterpoint to prior research that has suggested that firms are becoming much more adept at collaborating with diverse partners (Powell et al., 1996); instead, the findings in this book suggest that only a small proportion of firms (usually the very largest firms) are capable of successfully implementing a network-based strategy. Further, an important theme within the network view of the firm is that an organization with an effective network will have reliable contacts established in all places where useful information may surface given that an essential benefit of interorganizational links relates to the network’s capacity to control,