GOING GLOBAL WITH INTERNATIONAL DIVERSIFICATION AND FIRMS’ PERFORMANCE: A LOOK AT MALAYSIAN TOP 100 LISTED COMPANIES IN BURSA MALAYSIA

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NOVEMBER 2009
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Submitted to the Graduate School of Business
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University of Malaya, in partial fulfillment of the requirements for the Degree of Master of Business Administration
November 2009
ABSTRACT

Globalization has led to many Malaysian’ companies gone internationalized seeking better performance, operational efficiency and overall competitiveness of the firms. This study aims to examine the relationship between international diversification and firm performance among the top-100 listed companies in Malaysia by market capitalization. The performance-comparison among these 100 companies will also be undertaken to shed lights on performance difference between more internationalized and domestic based companies.

Several studies have been conducted in overseas to examine the topic of this study and the more recent findings are the relationship between internationalization and firm performance follows 3 stages S-shape curve, and generally more internationalized firms outperform their domestic counterparts. S-shape relationship points to the fact that the profits and cost interaction during the process of internationalization is a dynamic one and influenced by many factors.

Through this study, Hypothesis 1 is well supported in which the performance of the selected companies will first encountered negative growth in stage 1 of internationalization, then the firms start to improve performance with increasing overseas expansion (stage 2), till a threshold level of optimum international diversification where
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further overseas expansion will lead to lower financial performance. Hypothesis 2 is partially supported with the finding that domestic companies in fact outperform their more international diversified counterparts in terms of financial returns. The paper ended with discussion on theoretical and managerial implications.
(ACKNOWLEDGEMENT)

First and foremost, I would like to give my greatest appreciation to my family members, particularly my father who had rendered me all the unlimited supports, spiritually and mentally thorough out my life.

I would like to express my gratitude to Prof Dr Mohd Nazari Ismail for his sharp insights and generous guidance throughout this project. I always appreciate his kind patience, constructive ideas as well as the encouragement to enable the completion of this project on time.

I would also like to extend my warmth appreciation to friends and fellow MBA course mates who continue to extend helping hands and giving me support and advices all the time. Their kindhearted effort is greatly appreciated.

Last but not least, my special thanks also go to all my superior and fellow colleagues at work who had been patient and rendered their support to me throughout the MBA program.
Without the assistance and support of the above mentioned, this study would not have been completed.