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Study on the Functioning Mechanism of Real Estate Related Diversification on Enterprise Performance

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ABSTRACT

With the progressing of the national macroscopic regulation and the fluctuation in market demand, the real estate enterprises must abandon the singular mode of development and seek to diversify the operation types and modes to achieve scaled development. In the theoretic circle, people are mostly oriented to study the relations between the diversification strategy and enterprise performance in a broad sense, while the author of this dissertation chooses one perspective of the diversification strategy, i.e., the related diversification, and tries to build the correlation model between real estate related diversification and enterprise performance. The research made in this dissertation covers the following aspects.

Firstly, through literature review, this dissertation defines real estate related diversification, and makes initial investigation in the antecedents that affect real estate related diversification through questionnaire and in-depth interviews. After rearranging and analyzing the data, this dissertation identifies six dimensions as the antecedent influencing factors, including customer demand, technological innovation, policy support, competitive intensity, management and organizational structure, capital strength and human resources. Through a detailed discussion of the related concepts and components, this dissertation develops the measurement scale for the antecedents of real estate related diversification, and then verifies its reliability and validity.

Secondly, through literature study, this dissertation discusses in detail the concepts of real estate related diversification and enterprise performance, and classifies real estate related diversification into three dimensions, namely, product expansion, district expansion and functional expansion, and enterprise performance into two dimensions, namely, financial performance and growth performance. Based on this classification, this dissertation presents the hypotheses between real estate related performance, its antecedents and enterprise performance, and then verifies the theoretical model built by using empirical analysis. In addition, the study also deals with the interactive relationship among the three dimensions of real estate related diversification, i.e., product expansion and functional expansion affecting the performance of district expansion significantly.

Finally, this dissertation studies the regulating effect of dynamic capability on the relations between real estate related diversification and enterprise performance. Based on the analysis of the components of dynamic capability, this dissertation builds the correlation model between real estate related diversification and enterprise performance under the regulation of dynamic capability, and carries out the empirical tests. The results of the study indicate that the capability to integrate resources affects significantly the relations between real estate related diversification and enterprise performance, while the capability to sense opportunities affects insignificantly the relations between functional expansion and financial performance as well as between district expansion and growth performance, and the capability to reconfigure the organization affects insignificantly the relations between expansion dimension and financial performance. Therefore, the capability to integrate resources regulates in an all-

round way the relations between real estate related diversification and enterprise performance, while the capabilities to sense opportunities and to reconfigure the organization regulate only partially the relations between real estate related diversification and enterprise performance.

The main contributions of this study lies in the following:

1. It defines the concept of real estate related diversification, and then after investigation, identifies the antecedents of real estate related diversification. It also develops the measurement scale for those antecedents, which are then empirically tested and result in positive reliability and validity.

2. It builds the theoretical model about the antecedents' effect on real estate related diversification and enterprise performance, and makes empirical test on the model.

3. It analyzes the regulating effects of dynamic capability on the relations between real estate related diversification and enterprise performance, builds the relevant model, and makes empirical test on the model and its hypotheses.

Key words: the related diversification; enterprise performance; antecedents; dynamic capability

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