PROCEEDING OF ACCOUNTING, MANAGEMENT, BUSINESS AND SUSTAINABILITY
Vol 1 No 1 2023: 87-102
The articles in this proceedings are from the International Conference on Sustainability Initiative in Emerging Economies: SMEs, Higher Education, Public Sectors, and Finance
October 26th to 27th, 2023, Grand Hatika Hotel, Tj Pandan Belitung, Indonesia
Publisher:
Ikatan Akuntan Indonesia (IAI) Wilayah Sumatera Selatan collaboration with CV. Doki Course and Training

A DECADE OF RESEARCH ON THE IMPACT OF HERFINDHL'S STRATEGY INDEX AND CORPORATE PERFORMANCE: A LITERATURE REVIEW

Yuyun Sunhayati*, Nurmala Ahmar, Mombang Sihite
Universitas Pancasila, Indonesia
Corresponding Email: ysunhayati@gmail.com

ABSTRACT

Companies that do diversification with business diversity are believed to improve the company's financial performance. Companies implement diversification strategies to increase the company's value by improving the overall performance of the company. When diversification strategy improves company performance, then strategic competitiveness. The company will grow so that an increase will follow in its value. The study analyzes the research results on the relationship between Herfindahl-based strategy and company performance by mapping empirical evidence from previous research over the past 10 years. The results show that there is an inconsistency of empirical evidence related to the relationship. Variasi's research results are based on the industrial sector and the variables that accompany the relationship between the two. The results of the research can provide a hint for future researchers to undertake model mining related to the relationship between diversification strategy and corporate performance achievement.
Keywords: diversification; firm performance; Herfindahl index; strategy

INTRODUCTION

The relationship between diversification and firm performance is an important topic to discuss in the strategic management field. There are different views on the relationship between diversification and performance. Some authors argue that diversification is a costly strategy. A large number of scattered and unfocused investments, the need for a greater degree of control and coordination of operating units, and the increased inefficiency from the lack of adaptability to environmental changes due to diversification are some of the reasons why diversification is a costly strategy. environmental changes due to diversification are some of the reasons that can cause diversification strategies to reduce firm value (Rani, 2015). Diversification is one of the strategies carried out by companies to expand their business by opening several new business units or subsidiaries either in the same line of business as existing ones or in business units that are different from the company's core business. Diversification becomes an attractive option for companies when companies face fierce competition and rapid market growth. According to the efficient capital market argument, corporate diversification can create firm value (Satoto, 2009). The use of a diversification strategy can be driven or motivated by the company's desire to expand its business through the addition of new business units, which are still directly or indirectly related to the previous business field. In addition, the use of diversification strategies can also be motivated by management's desire to expand the business by forming new strategic business units in various business fields, which are not related to the main business fields.

Diversification is widely practiced by companies with strong capital to obtain high corporate profits in countries with developing economies. This is because, in countries with developing economies, the function of intermediary institutions such as money markets and capital markets is still very weak, making it very difficult for competing companies to obtain additional capital to expand. On the other hand, in such a weak economy, the level of uncertainty or risk faced by the company is relatively high; which in turn will affect the performance and success of the company. In addition, diversification will also increase the structural, managerial, and organizational complexity of the company. So the implementation of diversification strategies has two important implications, namely, on the one hand, it can increase the profitability of the company above competitors, and on the other hand, diversification will add to the complexity of the company; which can create obstacles to achieving company goals (Satoto, 2009).

Zuhaikal (2018) Diversification strategy is a corporate strategy that determines the business mix according to company policy. Choosing the right mix can increase company profits because the implementation of a diversification strategy can maximize the size and diversity of the business so that the company can benefit from the various types of segments it has (Rani, 2015). According to agency theory, the difference in goals between companies and managers is another factor in implementing this strategy. The existence of a mismatch between shareholders and managers can lead to poor financial performance (Jensen and Meckling, 1976). As in the implementation of a diversification strategy, the existence of other objectives by managers such as only pursuing rewards also makes the role of managers not optimal in managing the company and makes the company's performance decline. The existence of supervision regarding manager performance can eliminate these agency problems.

In Indonesia, there are two main methods of diversification: internal growth through business expansion and shared assets or external growth through acquisitions and mergers. A company's decision to implement its diversification strategy can be viewed and analyzed through two perspectives: the resource-based view and the market power theory. Resource-based view sees diversification strategy as a strategic alliance of core competencies from various skills and technologies owned by the company. This view underlies the concept of running a diversification strategy because of the competencies, resources, and core business owned by the company, thus leaning towards the implementation of a related diversification strategy. On the other hand, market power theory views that companies build their advantages through market power. The diversification strategy is the company's response to the various opportunities offered by the market through its segments, products, and technology (Wisnuwardhanaan & Diyanty. 2015).

There are 3 reasons a company implements a diversification strategy including the Market power view (Market Power Theory) which states that a diversification strategy can increase market share and reduce competition, thereby having a positive impact on financial performance; the Resource-based view which states that the diversification strategy is carried out because there are excess resources to be utilized; Agency View which states that the diversification strategy is one of the tools that can be used to increase profits (Sri & Chen 2019). In testing the strategy that has been made, the company must measure whether the strategy has run according to expectations or not. financial performance is a description of strategic planning that is composed of company activities such as realizing the goals, objectives, mission, and vision that have been made by company management (Zuhaikal, 2018). With that, the company can assess whether the selection of strategies that have been running is to company goals or not. If the results that have been carried out have goal alignment, then the company can correct further for the next decision-making.

Company performance is a description of the financial condition of a company that is analyzed by financial analysis tools so that it can be seen about the good and bad financial condition of a company that reflects the company's work performance in a certain period. This is very important so that resources are used optimally in the face of environmental changes. Performance assessment Financial performance assessment is one of the ways that management can do to can fulfill its obligations to funders and also achieve the goals set by the company.

Company performance is a description of the financial condition of the company. This company's performance can be analyzed through financial analysis tools so that investors and companies can find out the good and bad financial condition of the company and will reflect work performance in a certain period. In addition, management can also predict the company's financial condition for the next few periods and become information in making a decision. This is a guideline for companies to be able to deal with changes in the existing environment. Financial performance assessment is one way that management can fulfill management's obligation to be responsible for the resources that have been provided by investors.

Rani (2015), company performance can be measured in two ways, namely by accounting measures and market-based indicators. Performance measurement is based on accounting indicators using financial ratios, while capital market indicators use calculations and information from the capital market. His research also states that accounting measures show the real state of the company while market indicators only show the state that is still expected. The goal of management is to maximize company performance. To achieve this goal, the company must take advantage of the company's strengths and continuously improve existing weaknesses. One way is to measure financial performance by analyzing financial statements using financial ratios. The results of measuring performance achievements are used as a basis for management or company managers to improve performance in the following period and are used as a basis for providing rewards and punishments to managers and members of the organization. Performance measurement carried out every certain period is very useful for assessing the progress the company has made and producing information that is very useful for management decision-making and can create value for the company itself to stakeholders, (Roslita, & Anggraeni, 2019).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT THEORETICAL STUDY

Diversification is a strategy taken by companies to expand their market share through the creation of new markets and new products or services. Zuhaikal (2018) stated that diversification is a process where the company starts to enter a new industry that is different from the company's existing industry to create new products that can provide profits and new industry operations. To increase company profits, a diversification strategy must be able to operate in one or more value chain function creation, with considerations, (1) at lower costs, (2) a mechanism for implementing differentiation strategies with the opportunity for companies to provide price choices, (3) a way to support company operations to manage industry competition better. theory of Planned Behavior, TPB oleh Ajzen (1991) describes individual factors.

In general, a diversification strategy is useful for minimizing business risk with the assumption that if one business segment declines, then the other segment remains stable or increases. So that the company as a whole can still survive. However, diversification also has a weakness, namely that diversification requires considerable costs, which may exceed the benefits obtained for the company. In addition, diversification can also increase the deviation of information by managers, for example in the form of deviations from the capital budget that are favorable to them. Mulyani (2020), those who view the positive benefits of diversification state that diversification facilitates coordination in companies that have many different divisions that can carry out transactions internally. On the other hand, diversification is considered negative. Companies with multisegment are suspected of placing too much investment in their business lines with low investment opportunities.

Previous research shows that the Diversification Strategy has a positive effect on company performance (Zuhaikal, 2018; Prabasiwi, 2018; Putranto, 2019. Sari, 2017) suggests that diversification is a form of business development by expanding the number of business or geographic segments to expand the existing market share. Diversification strategies are implemented by creating new business lines, expanding product lines, reaching further into marketing areas, opening new branch units, merging or acquiring other companies, and creating new products with unique breakthroughs.

Studies on small and medium micro businesses in Malang City show that diversification strategies have a positive impact on company performance (Prabasiwi, 2018). A diversification strategy is a form of business development by expands the number of segments in business geographically as well as expanding the existing market share or developing a variety of diverse products. This can be done by opening new lines of business, expanding existing product lines, expanding product marketing areas, opening branch offices, conducting mergers and acquisitions to increase economies of scale, and other ways (Harto, 2005).

The results of other studies show that a diversification strategy does not affect company performance (Adiono, 2013; Azis & Rossieta, 2016; Rani, 2015; Sulastri, 2015; Sri, & Chen, 2019; Wildan, 2020; Mulyani, 2020;). When the diversification strategy improves company performance, the company's strategic competitiveness will increase so that it will be followed the total company value will also increase (Chriselly, 2016). However, if a company that diversifies does not manage its decisions properly and correctly, it will cause losses due to excessive costs due to large investments, operational inefficiencies, and cross-subsidies (Lestari & Noor, 2019). Other research shows that diversification strategies hurt company performance (Satoto, 2009; Wisnuwardhana, & Diyanty, 2015; Azis, & Rossieta, 2016; Chriselly, 2016; Ramadhan, 2018; Gold, 2019;). Business people and companies are required to implement a diversification strategy, so very mature, directed, and measurable initial planning is needed in carrying out this strategy. If diversification has been carried out for a long time and has obtained the results expected by the company, a full and periodic evaluation is needed to find out what segments have a positive impact, as well as the problems that occur in each business segment. Chriselly (2016) in her research suggests that most of the diversified manufacturing companies in Indonesia have a very dominant sales value in one of their business segments, the results of the study also indicate that the more the addition of company segments, the lower the company's performance.

Other analysis results state that there is a significant difference in the performance of unrelated diversification and concentric diversification, and the level of performance in companies with unrelated diversification has higher performance than in companies with related diversification. Related research resulted in a positive correlation between diversification and organizational performance in India, a negative correlation occurred in Korea and Japan and the relationship was statistically significant.

RESEARCH METHODS

This research is a literature review of several previous studies related to the impact of a Diversification Strategy on company performance. The studies to be reviewed were collected, as well as manual searches through Google Scholar. The keywords used in capturing studies include: "Diversification Strategy", "Diversification Strategy" and "Company Performance".

The inclusion criteria used in this study are: 1) Articles have been published in national or international journals or proceedings; 2) Articles use English or Indonesian; 3) Articles are qualitative or quantitative research in the form of original research; 4) Research focuses on Diversification Strategy and Company Performance; 5) Articles are publications in the last 11 years (2009-2020). The exclusion criteria in this study are 1) Articles in the form of reviews, commentaries, opinions, and editorials; 2) Articles in the form of pre-print or pre-review; and 3) Articles with unclear sample criteria.

At the initial stage, 25 articles were selected using the specified keywords. Furthermore, only 21 articles were reviewed after screening such was no duplication, the explanation of outcomes and predictors related to the Diversification Strategy was written in detail, full articles were available and downloadable, and met the specified inclusion and exclusion criteria.

RESULTS AND DISCUSSION

According to Aprilia et al. (2015) and Salindeho et al. (2018), company performance is a description of the financial situation of a company analyzed by financial analysis tools, so that the good and bad financial condition of a company that reflects work performance can be known within a certain period. Company performance is a result or achievement made by management to shareholders to achieve organizational goals by their respective authorities and responsibilities within a certain period without violating the law, morals, or ethics. According to Sucipto (2003), the company's financial performance is the determination of certain measures that show the success of a company in generating profits. Performance is the achievement of an organization or entity in a certain accounting period as measured by comparison with various standards (Collins in Ratnawati & Hikmah, 2012). Company performance in this literature review is measured by various approaches including ROA (Return On Assets), Sales growth, capital growth, partner addition, business scale growth, profit growth, ROE (Return on equity), EXVAL (Excess Value of Firm), EVA (Economic Value Added), PBV (Price to Book Value).

ROA is an indicator to show how much a company earns compared to its total assets. ROA is calculated by dividing the company's net income by total assets. The ROA formula is as follows:

<u>Return on Assets = Net Income (Income after tax)/Total Assets.</u>

The good or bad management of the company can be seen from the high or low percentage of the results from the calculation of the ROA formula. The higher the percentage resulting from the calculation of ROA, the more efficient the use of assets of the company concerned. Simply put, ROA is a ratio that shows the comparison of the net profit generated in the company with the capital that has been invested in an asset. the higher the return on assets the higher the amount of net profit generated on each rupiah of funds embedded in total assets. So for an entrepreneur who wants to succeed, he will pursue the highest ROA possible. If the ROA is low, it means that the merchant company will be less productive.

ROE is the amount of return on net income to equity and is usually expressed in percent. Return on equity is used to measure the company's ability to generate profits by capitalizing on the equity that has been invested by shareholders. The result of the ROE calculation is a percentage that can be calculated for the company if net income and equity have positive numbers. This net income is calculated before dividends are paid to common shareholders and after dividends to preferred shareholders and interest to lenders. Return on equity or ROE is a measure of a company's financial performance that is calculated by dividing net income by shareholders' equity. This is because shareholders' equity equals the company's assets minus its debt obligations. In short, ROE (Return on equity) is a measure of a company's profitability that has a link to shareholders' equity. In addition, ROE (return on equity) can also be interpreted as a sign of how well the company is doing in generating returns on the investment it receives from shareholders. the components included in calculating Return on Equity include net income and shareholders' equity. ROE is derived from dividing net income by equity. A steady increase in ROE signals that the company has found an effective way to generate profits without needing much capital. Conversely, a falling ROE is a signal that something is wrong with the company's management. Comparing the ROE of similar companies can give investors an idea of where to invest their money.

EXVAL (Excess Value of Firm) is the difference in the performance of a diversified firm compared to a single-segment firm. This performance value is obtained by dividing the actual value of the company (market capitalization) by the value that has been adjusted for the influence of the industry called imputed value. Imputed value shows the level of company performance at the individual level (single firm). This value shows how each segment of the company performs when they are considered as if they were independent individual companies. Firm performance is translated into excess value with the formula (Berger and Ofek, 1995:60):

Young & O'Byrne (2011: 17) explain that EVA is a performance measurement that can be run as a process of implementing a strategy, therefore when managers develop a strategy, the strategy should have value added because this will maximize the company's EVA flow for the future. In addition, one of the advantages of the EVA concept is that it is useful as a performance appraiser that focuses on value creation, makes companies pay more attention to capital structure, and can be used to identify activities or projects that provide higher returns than the cost of capital (Hanafi, 2010: 54). performance appraisal using the EVA approach causes management attention to the interests of shareholders. With EVA, managers will think and act like shareholders, namely choosing investments that maximize the rate of return and minimize the level of capital costs so that the company's value can be maximized.

Price to Book Value (PBV) is a ratio that is often used to determine the value of a company by comparing the year-end closing stock price with the book value of the shares (Muvidha & Suryono, 2017). As one of the financial ratios, PBV can also be used to analyze the financial condition of a company so that you can see the financial condition of the company you want to buy shares. Another important component that must be considered in analyzing the condition of the company is Price to Book Value (PBV) which is one of the variables that an investor considers in determining which shares to buy. For companies that are doing well, generally, this ratio reaches above one, which indicates that the stock market value is greater than its book value (Sukirni, 2012). The greater the PBV ratio, the higher the company's shares are desired by investors, because a high PBV means that the company has good performance. The higher the PBV, the better because it means the market believes in the company's prospects. Conversely, the lower the PBV, the worse because it means the market does not believe in the company's prospects. The existence of PBV is very important for investors to determine investment strategies in the capital market (Widodo & Kurnia, 2016).

Based on the measurements used in company performance in 21 articles, there are several relationships between Diversification Strategy and Company Performance (Table 1).

Strategy is important for the survival of a company to achieve an effective and efficient company goal or goal, and the company must be able to face any problems or obstacles that come from within the company or from outside the company. Harto (2005) defines diversification as a form of business development by expanding the number of business and geographic segments expanding existing market shares or developing a variety of diverse products. This can be done by opening new lines of business, expanding existing product lines, expanding product marketing areas, opening branch offices, making mergers and acquisitions to increase economies of scale, and other ways. According to Satoto (2009), diversification is one of the strategies carried out by a company to expand its business by opening several new business units or subsidiaries either in the same line of business as the existing one or in a business unit that is different from the company's core business. Diversification becomes an attractive option for companies when companies face fierce competition and rapid market growth.

According to Hitt et al. (2001: 253), companies use a diversification strategy as a corporate-level strategy, for the following reasons:

a. Increase the strategic competitiveness of the entire company. This is because when a diversification strategy increases strategic competitiveness, the total value of this company increases.

b. Gaining greater market power than competitors through vertical integration.

c. Other reasons for implementing a diversification strategy may not increase strategic competitiveness; diversification may have a neutral impact increase costs or reduce revenues. These reasons include:

1) To neutralize a competitor's market power (e.g. neutralizing another company's advantage by purchasing outlets similar to those owned by competitors).

2) To expand the company's portfolio to reduce managerial employment risk (e.g. if one business fails, top-level executives will continue to work in the diversified company).

One of the objectives of implementing a diversification strategy in a company is to improve company performance. The company develops its business in new product lines and enters new markets to increase the company's profitability. Seza Ihtiari (2013).

The review of 21 articles shows that there is some Literature review based on the Diversification Strategy measurement (Table 2).

Firm diversification is measured using the Herfindahl index and Entropy index (Hallara, 2010). The Herfindahl-Hirschman Index (HHI) is a common measure of market concentration and is used to determine market competitiveness, often before and after transactions. The Herfindahl-Hirschman Index (HHI) is a generally accepted measure of market concentration. It is calculated by squaring the market share of each competing firm in the market and then summing the resulting numbers. (https://id.nesrakonk.ru/hhi/). The basic simplicity of the HHI carries some inherent drawbacks, particularly in terms of failure to define the particular market being examined in a precise and realistic manner. For example, consider a situation where the HHI is used to evaluate an industry that is determined to have 10 active firms, and each firm has approximately 10% market share. Using the basic HHI calculation, the industry would look highly competitive (https://id.nesrakonk.ru/hhi/). HHI values range from Zero to 1. An HHI value that is closer to zero means that the industry is increasingly tending toward perfect competition. For example, if in an industry there are thousands of companies that compete, then each company will have a very small market share, even close to zero percent making the HHI value obtained zero. Conversely, in a monopoly market structure where there are only one or two companies, the percentage of the company's market share in the company is close to 100%, creating an HHI value close to one. As with the measurement of concentration using the Concentration Ratio, the calculation of this index also has disadvantages, namely the overestimation of small firms and the lack of information available in calculating the entire market share in the industry. Meanwhile, the advantage of the index is that it can see the imbalance that occurs in the industry because it calculates exactly all companies in the industry Yosier Thalita (2008).

HHI is widely used to measure the prevailing level of competence in the market. HHI shows how concentrated a company is in its business segment. Siregar, (2014). Based on the HHI concept, a diversification strategy will be said to be more diversified if the HHI value is low, this indicates that the income of each segment is large or does not rely on just a few segments. The Herfindahl-Hirschman Index (HHI) is a measure of market concentration in which the market share of each company is squared and then, the results are summed up.

$$\text{Herfindahl-Hirschman Index} = S_1^2 + S_2^2 + S_3^2 + \ldots + S_n^2$$

$$n - \text{firm concentration ratio} = S_1 + S_2 + S_3 + \ldots + S_n$$

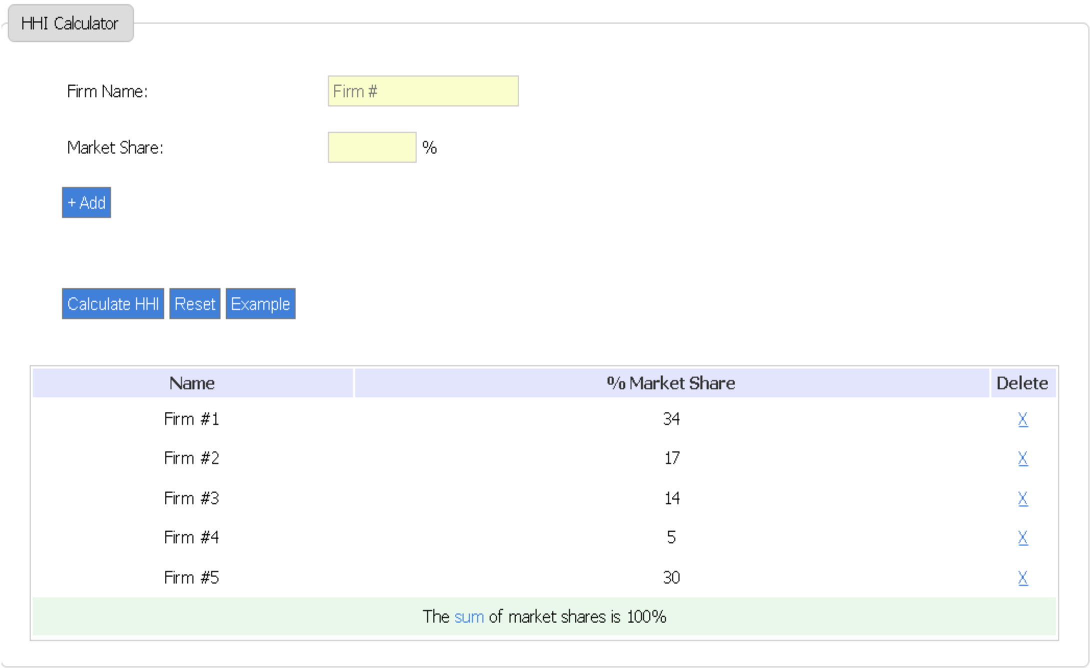
$$S = \text{Market Share}$$

Company	Market share
1	33%
2	22%
3	15%
4	12%
5	8%
6	7%
7	3%
Total	**100%**

4-companies Concentration Ratio
= 33% + 22% +15% + 12% = 82%

Herfindahl-Hirschman Index
= $33\%^2 + 22\%^2 + 15\%^2 + 12\%^2 + 8\%^2 + 7\%^2 + 3\%^2$ = 20,64% or 2064

One of the most significant benefits of the Herfindahl-Hirschman Index (HHI) is that it involves simple calculations and a small amount of data. However, due to its simplicity, it does not consider the intricacies of different markets in a way that facilitates a truly precise evaluation of a monopolistic or competitive market environment. The advantage of using the HHI indicator is that little data is required, and the calculations are relatively simple. On the other hand, its main disadvantage is that it is unable to account for all the complexities within the market. HHI calculations can now use a quick and simple calculator to determine the Herfindahl-Hirschman Index value for a provided list of companies according to their market share. This HHI calculator converts sales figures or market share estimates to calculate pre- and post-merger HHI levels, as well as the change (or delta) in HHI. Here is an example of the calculator:


HHI Calculator

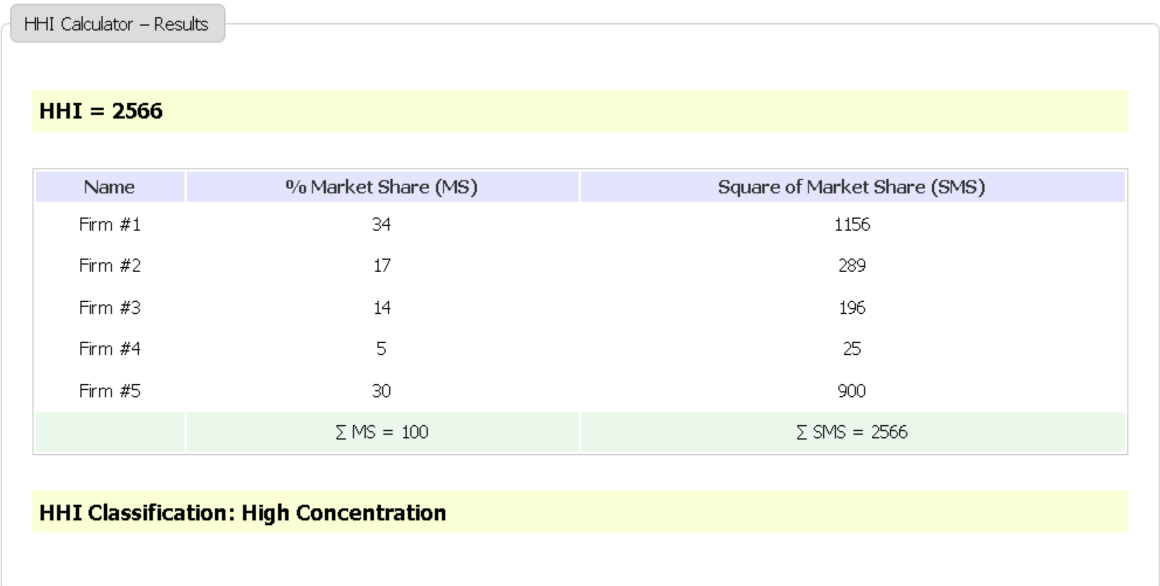
Firm Name: Firm #

Market Share: %

+ Add

Calculate HHI Reset Example

Name	% Market Share	Delete
Firm #1	34	X
Firm #2	17	X
Firm #3	14	X
Firm #4	5	X
Firm #5	30	X
The sum of market shares is 100%		


HHI Calculator – Results

HHI = 2566

Name	% Market Share (MS)	Square of Market Share (SMS)
Firm #1	34	1156
Firm #2	17	289
Firm #3	14	196
Firm #4	5	25
Firm #5	30	900
	Σ MS = 100	Σ SMS = 2566

HHI Classification: High Concentration

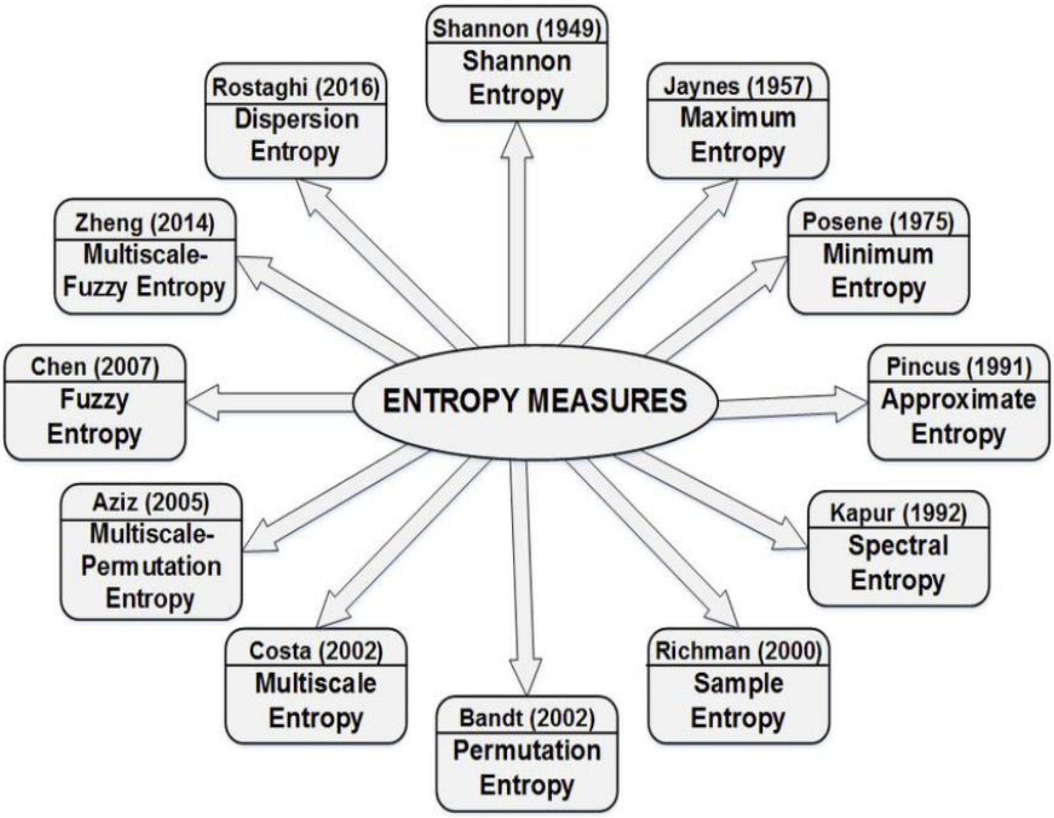
The entropy measure was introduced by Jacquemin and Berry (1979). This measure has been widely used in research on corporate diversification strategies (Patrisia, D., & Dastgir, S.). The measurement method is by using the formula:

$$DT = \sum_{i=1}^{n} P_i \times \ln\left(\frac{1}{P_i}\right)$$

Pi is the ratio of segment sales to total company sales, while n is the total segments owned by a company. DT value shows the total diversification entropy. The higher the DT value, the higher the company's diversification level. To be able to measure unrelated diversification (DU), the following entropy formula is used:

$$DU = \sum_{j=1}^{M} P_j \times \ln\left(\frac{1}{P_j}\right)$$

The calculation method is almost the same as calculating DT, but when calculating DU, only those from unrelated segments are included (M is the number of unrelated segments of the company). Then calculating DR (related diversification) uses the same method, except that the segments included are related segments only.
The following various forms of entropy measures are presented in chronological order:



Based on the measurement tools used in measuring the diversification strategy in 21 articles, there are several literature reviews based on Company Performance measurement (Table 3).

Image And Table

Table 1
Relationship between Diversification Strategy and Company Performance

No.	Author	Industry Sector	Sample	Results
1	Zuhaikal, R (2018)	Manufacturing Company	92 Company	ROA (+)
2	Prabasiwi, N. A. (2018)	UMKM City Magelang	63 Company	Sales Growth (+), Capital Growth (+), Addition of Partners(+), Business Ccale

				Growth and Profit Growth (+)
3	Putranto, P. (2019)	Food and Beverage Sector Companies	9 Company	Profitabilitas (DAR) (+)
4	Azis, A. D., Hermawan, A. A., & Rossieta, H. (2016)	All Public Companies in Indonesia	64 Company	ROA (-)
5	Roslita, E., & Anggraeni, V	Manufacturing Company	60 Company	ROA (+)
6	Oladimeji, M. S., & Udosen, I.	Manufacturing Company	31 Company	ROA (+)
7	Oyedijo, A.	Large-scale companies in Nigeria	48	ROA (+)
8	Asman, R. M. (2013)	National Bank of Kenya and Kenya Reinsurance Company.	14 Company & 70 Responder	Profitability (+)
9	Khamati, A. D	Radio Africa Limited in Kenya	Radio Africa Limited in Kenya	Profitability (+)
10	Adiono, A.(2013)	Bank	9 Bank	The Diversification Strategy has no effect
11	Rani, P. (2015)	Manufacturing Company	103 Company	The Diversification Strategy has no effect
12	Sulastri, U. (2015)	Property and Real Estate Sector Companies	90 Company	The Diversification Strategy has no effect
13	Sri, D., & Chen, M. (2019)	Food and Beverage Sector Companies	63 Company	The Diversification Strategy has no effect
14	Wildan, M. (2020)	Consumer Goods Company	13 Company	The Diversification Strategy has no effect

15	Mulyani, M (2020)	Manufacturing Company	79 Company	The Diversification Strategy has no effect
16	Patrisia, D., & Dastgir, S.	Manufacturing Company	107 Company	The Diversification Strategy has no effect
17	Satoto, S. H. (2009)	Manufacturing Company	75 Company	ROA (-)
18	Wisnuwardhana, A., & Diyanty, V. (2015)	Non-Financial Companies	79 Company	ROA (-)
19	Fabiola Chriselly, M (2016)	Manufacturing Company	33 Company	ROA (-)
20	Ramadhan, G. C (2018)	Manufacturing Company	44 Company	ROA (-)
21	Gold, P. M. C. (2019)	Consumer Goods Subsector of Manufacturing Companies	23 Company	ROA (-)

Table 2
Literature review based on Diversification Strategy measurement.

No.	Author	Strategy Measures	Results
1	Satoto, S. H.	Entropy	E-
2	Adiono, A.	Herfindahl-Hirschman Index (HHI)	No Effect
3	Wisnuwardhana, A., & Diyanty, V.	Herfindahl-Hirschman Index (HHI)	E-
4	Rani, P.	Entropy	No Effect
5	Sulastri, U.	Herfindahl-Hirschman Index (HHI)	No Effect
6	Azis, A. D., Hermawan, A. A., & Rossieta, H.	Herfindahl-Hirschman Index (HHI)	E-
7	Fabiola Chriselly, M	Herfindahl-Hirschman Index (HHI)	E-
8	Zuhaikal, R	Herfindahl-Hirschman Index (HHI) dan Entropy	E+
9	Ramadhan, G. C	Herfindahl-Hirschman Index (HHI)	E-
10	Prabasiwi, N. A.	Herfindahl-Hirschman Index (HHI)	E+

11	Sri, D., & Chen, M.	Herfindahl-Hirschman Index (HHI)	No Effect
12	Putranto, P.	Herfindahl-Hirschman Index (HHI)	E+
13	Gold, P. M. C.	Herfindahl-Hirschman Index (HHI)	E-
14	Wildan, M.	Herfindahl-Hirschman Index (HHI)	No Effect
15	Mulyani, M	Herfindahl-Hirschman Index (HHI)	No Effect
16	Roslita, E., & Anggraeni, V.	Herfindahl-Hirschman Index (HHI)	E+
17	Patrisia, D., & Dastgir, S.	Entropy	No Effect
18	Oladimeji, M. S., & Udosen, I.	Entropy	E+
19	Oyedijo, A.	Entropy	E+
20	Asman, R. M.	Entropy	E+
21	Khamati, A. D	Entropy	E+

Table 3
Literature review based on Company Performance measurement

No.	Author	Performance Measures	Results
1	Zuhaikal, R (2018)	ROA	(+)
2	Prabasiwi, N. A. (2018)	Sales Growth, Capital Growth, Addition of Partners, Business Scale Growth and Profit Growth	(+)
3	Putranto, P. (2019)	Profitabilitas (DAR)	(+)
4	Azis, A. D., Hermawan, A. A., & Rossieta, H. (2016)	ROA	(+)
5	Roslita, E., & Anggraeni, V (2019)	ROA	(+)
6	Oladimeji, M. S., & Udosen, I. (2019)	ROA	(+)
7	Oyedijo, A. (2012)	ROA	(+)
8	Asman, R. M. (2013)	Profitabilitas	(+)
9	Khamati, A. D (2014)	Profitabilitas	(+)
10	Adiono, A.(2013)	EXVAL (Excess Value of Firm)	NE
11	Rani, P. (2015)	ROA	NE

12	Sulastri, U. (2015)	EVA (Economic Value Added)	NE
13	Sri, D., & Chen, M. (2019)	EVA (Economic Value Added)	NE
14	Wildan, M. (2020)	PBV (Price to Book Value)	NE
15	Mulyani, M (2020)	EXVAL (Excess Value of Firm)	NE
16	Patrisia, D., & Dastgir, S. (2017)	CSP (Corporate Social Performance)	NE
17	Satoto, S. H. (2009)	ROA (-)	(-)
18	Wisnuwardhana, A., & Diyanty, V. (2015)	ROA (-)	(-)
19	Fabiola Chriselly, M (2016)	ROA (-)	(-)
20	Ramadhan, G. C (2018)	ROA (-)	(-)
21	Gold, P. M. C. (2019)	ROA (-)	(-)

FINDINGS AND CONCLUSION

This literature review was compiled to determine the effect of diversification strategy on company performance by taking 21 scientific works and the results do not all show that diversification hurts company performance. This means that the expansion of business units through diversification carried out by the company can increase, decrease, or have an unfavorable effect on company performance. Of the 21 scientific papers, the results are 9 positive effects, 7 no effects, and 5 negative effects. This different effect may be due to diversification carried out in an unstable economic environment so it is less supportive of the diversification strategy carried out by the company. In addition, many other factors do not support the diversification carried out by the company, such as managerial capabilities, lack of efficient information and funding sources, and changes in conditions that take place quickly. So diversification that should improve or have a positive effect on company performance during a stable period changes in the opposite direction with a very rapid change in conditions.

The measurement of diversification strategies in this literature review is classified into two forms of measurement, namely the Hiershman Herfindahl Index and entropy. The Hiershman Herfindahl Index is a measurement of diversification strategy on sales value. The Hiershman Herfindahl Index is calculated by squaring the market share of each company competing in the market and then summing the resulting numbers. Measurement with the entropy approach is calculated based on the number of business segments divided by the value of the company's total assets in each business segment.

Company performance in this literature review is measured by various approaches including ROA (Return On Assets), sales growth, capital growth, partner addition, business scale growth, profit growth, ROE (Return on equity), EXVAL (Excess Value of Firm), EVA (Economic Value Added), PBV (Price to Book Value).

LIMITATIONS AND SUGGESTIONS

This literature review provides empirical evidence of the effect of diversification strategies on company performance. However, due to existing limitations, research on the effect of this diversification strategy needs to be tested again in future studies with more scientific works collected and various industrial sectors and their measurements, also with different periods of course. It is hoped that the collection of scientific works from different periods and industry sectors and their measurements can better explain the effect of diversification strategies on performance. In addition, it is also necessary to consider the effect of the type of diversification carried out by the company, related / unrelated diversification carried out by the company with its core business, institutional environment, economic stability, and affiliation that may be carried out by the company with other business groups, so that more reliable results can be obtained.

The current strategy measurement tool has many additions and changes, further research on diversification strategies can use different measurement tools which currently have many variations. HHI there is already a Herfindahl-Hirschman Index (HHI) calculator and for entropy there are even more models, namely: Shannon entropy, Yager entropy, and the mini-max disparity model.

REFERENCE

Adiono, A. (2013). Pengaruh Strategi Diversifikasi, Leverage, Earning Growth Dan Ukuran Perusahaan Terhadap Kinerja Perusahaan Perbankan Yang Terdaftar di Bursa Efek Indonesia. Prosiding Simposium Nasional Akuntansi Vokasi, 2, 17-18.

Asman, R. M. (2013). Diversification Strategy And Performance Of Kenyan Commercial State-owned Corporations (Doctoral dissertation, University ofNairobi,).

Azis, A. D., Hermawan, A. A., & Rossieta, H. (2016). Dampak Strategi Diversifikasi dan Kompensasi Direksi sebagai Mekanisme PengendalianManajemen Terhadap Kinerja Perusahaan. Simposium Nasional Akuntansi XIX, Lampung, 1-19.

Fabiola Chriselly, M (2016). Kepemilikan Manajerial Sebagai Pemoderasi Pengaruh Strategi Diversifikasi Terhadap Kinerja Perusahaan. Jurnal Akuntansi, 5(2).

Gold, P. M. C. Pengaruh Strategi Diversifikasi, Intelectual Capital Dan Karakteristik Perusahaan Terhadap Kinerja Perusahaan Di Indonesia.

Khamati, A. D. (2014). Diversification strategy and performance of Radio Africa Limited in Kenya (Doctoral dissertation).

Kurniawati, H., Setiawan, F. A., & Kristanto, S. B. (2016). Pengaruh Solvabilitas, Segmen Operasi, dan Reputasi KAP terhadap Audit Delay pada Perusahaan Manufaktur di Indonesia. Jurnal Akuntansi, 20(3), 448-452.

Mulyani, M. (2020). Analisis Kausalitas Strategi Diversifikasi Dan Kinerja Perusahaan. Jurnal Akuntansi, 9(2), 133-148.

Oladimeji, M. S., & Udosen, I. (2019). The effect of diversification strategy on organizational performance. Journal of Competitiveness, 11(4), 120.

Oyedijo, A. (2012). Effects of product–market diversification strategy on corporatefinancial performance and growth: An empirical study of some companies inNigeria. American International Journal of Contemporary Research, 2(3), 199-210.

Patrisia, D., & Dastgir, S. (2017). Diversification and corporate social performancein manufacturing companies. Eurasian Business Review, 7(1), 121-139.

Prabasiwi, N. A. (2018). Pengaruh Teknologi Informasi Dan Strategi DiversifikasiTerhadap Kinerja Umkm Kota Magelang Dengan Sistem Informasi Akuntansi Manajemen Sebagai Variabel Intervening (Doctoral dissertation, Skripsi, Universitas Muhammadiyah Magelang).

Putranto, P. (2019). Pengaruh Strategi Diversifikasi, Leverage, dan Inflasi Terhadap Profitabilitas

Perusahaan Food & Beverage. Jurnal online insan akuntan, 4(2), 185-198.

Ramadhan, G. C. (2018). Pengaruh Strategi Diversifikasi Berhubungan dan Diversifikasi Tidak Berhubungan Terhadap Kinerja Pasar Perusahaan.

Rani, P. (2015). Peran Kepemilikan Manajerial Dalam Memoderasi Pengaruh Strategi Diversifikasi Terhadap Kinerja Perusahaan. Jurnal Akuntansi dan Keuangan, 4(2), 181-201.

Roslita, E., & Anggraeni, V. (2019). Pengaruh Diversifikasi Usaha Terhadap Kinerja Perusahaan Dengan Kepemilikan Manajerial Sebagai Variabel Pemoderasi. Jurnal Manajemen Bisnis, 22(3), 312-324.

Satoto, S. H. (2009). Strategi diversifikasi terhadap kinerja perusahaan. Jurnal Keuangan dan Perbankan, 13(2), 280-287.

Sri, D., & Chen, M. (2019). Pengaruh Strategi Diversifikasi Terhadap Kinerja Perusahaan Pada Perusahaan Food and Beverages. Jurnal Akuntansi Kompetif, 2(3), 121-131.

Sulastri, U. (2015). Pengaruh Strategi Diversifikasi Terhadap Kinerja Keuangan Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening (PadaPerusahaan Sektor Properti dan Real Estate di Bursa Efek Indonesia Periode2009-2013. Jurnal Akuntansi UNESA, 3(2), 1-29.

Sundari, A., & Syaikhudin, A. Y. (2021). Manajemen Ritel (Teori dan Strategi dalam Bisnis Ritel). Academia Publication.

Wildan, M. Pengaruh Keputusan Keuangan, Strategi Diversifikasi, Efisiensi Operasional Dan Inovasi Terhadap Nilai Perusahaan Pada Perusahaan Consumer Goods Yang Terdaftar Di Bei Tahun 2015-2019 (Bachelor's thesis,Fakultas Ekonomi dan Bisnis uin jakarta).

Wisnuwardhana, A., & Diyanty, V. (2015). Pengaruh strategi diversifikasi terhadapkinerja perusahaan dengan moderasi efektivitas pengawasan dewan komisaris. Simposium Nasional Akuntansi XVIII.

Zuhaikal, R. (2018). Pengaruh Strategi Diversifikasi, Intensitas Penelitian dan Pengembangan, dan Struktur Modal terhadap Kinerja Keuangan (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek IndonesiaTahun 2013-2016).