The Study of Diversification Strategy: Drives and Conditions of its Implementation in China Pharmaceutical Corporations

by

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Approved by _____

Supervisor

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Date _____

Statement

I, LIANG Chen, hereby state that this thesis is my own and original work, apart from the sections where origins are clearly stated. All the materials in this thesis have never been used (partially or wholly) in fulfilling the requirements for any degree or qualification in this or other universities prior to this submission.

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Abstract

After analyzed the cases and financial statues of GPC, BYS, 999, TRT, HW, and CR by Altman Z-Score model, Chandler's model, and principal-agent theory, this thesis have got the following results:

As long as the corporation does not go bankrupt for a long enough period of time, diversification strategy is inevitable. This will drive all the corporations that want to hold for a long enough period of time to employ diversification strategy; economies of scale's insufficiency and economies of scope's advantage can also be a driving force; external factors like policy, market opportunities and culture factors are driving forces as well; besides, when a corporation is lack of supervision, the principal-agent problem can drive the corporation employ this strategy, too.

The conditions for successfully employing this strategy include: the corporation's strength must be high enough to fit this strategy; the corporation's management capacity must be able to control so many departments in different industries; the supervision to the agents like CEOs must be effective enough. Besides, even though external factors are driving forces, but those factors cannot be the decisive factor for the strategy's success.

Key Words: Diversification Strategy, Pharmaceutical Corporation, Driving Forces, Altman Z-Score Model, Conditions for Employing

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