

**DIVERSIFICATION STRATEGY AND FIRM PERFORMANCE**

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*Whereas many scholars have examined the business group affiliation-performance relationship, very few have examined the mediating role that industry and diversification (related vs unrelated) strategy plays in this focal relationship (Carney et al. 2011). We provide empirical evidence that the effect of diversified business groups on the performance of affiliated firms is dependent on i) the industry to which the firm belongs and ii) the type of diversification strategy followed by the group. We find that in Chemical & Allied Products industry ROA has a negative relationship with unrelated diversification but ROA has a positive relationship in Transportation Equipment industry. In Electronics & other Electrical Equipment industry, ROA has a negative relationship with unrelated diversification while it has a positive relationship with related diversification.*

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