

Anjos, F., & Fracassi, C. (2018). Technological specialization and the decline of diversified firms. *Journal of Financial and Quantitative Analysis*, 53(4), 1581-1614. <https://doi.org/10.1017/S0022109018000583>

# Journal of Financial and Quantitative Analysis

Search Journ

[Article](#) [Supplementary materials](#) [Metrics](#)

Volume 53, Issue 4 August 2018 , pp. 1581-1614 Cited by 1  
[Get access](#)

## Technological Specialization and the Decline of Diversified Firms

Fernando Anjos and Cesare Fracassi  
DOI: <https://doi.org/10.1017/S0022109018000583> Published online by Cambridge University Press: 06 August 2018

**Abstract** We document a strong decline in corporate-diversification activity since the late 1970s, and we develop a dynamic model that explains this pattern, both qualitatively and quantitatively. The key feature of the model is that synergies endogenously decline with technological specialization, leading to fewer diversified firms in equilibrium. The model further predicts that segments inside a conglomerate should become more related over time, which is consistent with the data. Finally, the calibrated model also matches other empirical magnitudes well: output growth rate, market-to-book ratios, diversification discount, frequency and returns of diversifying mergers, and frequency of refocusing activity.

[Export citation](#) [Request permission](#)

**Copyright**  
COPYRIGHT: © Michael G. Foster School of Business, University of Washington 2018