

Does diversification affect firm response to stakeholder demands and social issues? Despite extensive interest in corporate diversification in the strategy literature, the relationship between diversification and corporate social performance (CSP) remains largely unexplored. In this study, I propose that the level of diversification will be positively related to the CSP of firms. However, when diversified firms have a strong focus on short-term profit, it may discourage firm response to stakeholder demands and investment in social issues, thereby negatively moderating the positive relationship between the level of diversification and CSP. Empirical testing on a sample of U.S. firms generally supports my predictions. Copyright © 2012 John Wiley & Sons, Ltd.

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