CHALLENGES IN IMPLEMENTATION OF DIVERSIFICATION STRATEGY AT RADIO AFRICA LTD

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DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

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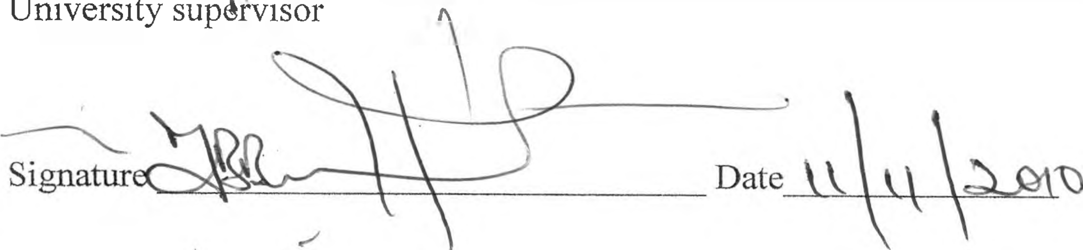
This research project has been submitted for examination with my approval as the University supervisor



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DEDICATION

This research is dedicated to my mother who encouraged me all through to finish my MBA programme.

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LIST OF ABBREVIATIONS

PESTEL – Political, Economic, Social, Technological, Environmental and Legal

SWOT – Strength, Weaknesses, Opportunities, Strength

TV – Television

CCK – Communication Commission of Kenya.

SBU – Strategic Business Units

IT – Information Technology

ABSTRACT

The media industry in Kenya has undergone tremendous change and growth since the liberalization of the media. Kenya has state owned media houses and privately owned media houses. The media business in Kenya is very competitive. According to Oganga (2009) there were ninety radio stations as per September 2009. Other forms of media in the competitive markets are various TV stations, newspapers, magazines, billboards and the ever evolving technology. Players in the media industry have taken up the diversification strategy where by other products that are related to their core products have been introduced by the respective media houses. Some of the media houses that have taken up diversification are the Nation Media Group, The Standard Group, Royal Media Services and Radio Africa which this study is based on. The aim of the study was to establish the various challenges that Radio Africa has experienced in pursuit of the diversification strategy. The study has also mentioned how the company handled some of the challenges it encountered while implementing the diversification strategy.

Data has been from three top managers at Radio Africa from the various business lines. These managers have been part of the team that has and is still implementing diversification strategy. The data was then analyzed by combining the repetitive aspects from the data and also mentioning the exclusive ones. The results of the study showed that most challenges encountered during the launch of one product did affect the existence of the other related products. The results also showed that it is important to change initial strategy if it has shown negative reception by the target market. The limitation of the study is that it was conducted exclusively on one media house. A further study should be conducted to establish the various challenges encountered among diversified media houses.

KEY WORDS:
CHALLENGES
IMPLEMENTATION
DIVERSIFICATION STRATEGY

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Strategic management is an ongoing process that evaluates and controls the business and the industries in which the company is involved. The management's role is to assess its competitors and sets goals and strategies to meet all existing and potential competitors. It also has to reassesses each strategy annually or quarterly i.e. regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment.

Pearson and Robinson (2007) argue that business managers evaluate and choose strategies that they think will make their business successful. Businesses become successful because they possess some advantage relative to their competitors.

Diversification is a form of growth strategy that is typically defined as a strategy which takes the organization away from its current markets or product or competencies (Johnson and Scholes, 2008). Growth strategies involve a significant increase in performance objectives (usually sales or market share) beyond past levels of performance. Many organizations pursue one or more types of growth strategies. The media industry in Kenya has been strategic in its operations and thus has some players within the industry implement the diversification strategy for various reasons. However, in pursuing diversification strategy, various challenges have been uncounted like change

of the structure of the organization, financial constraints, encountering losses within the initial stages of the implemented strategy among others.

The media industry in Kenya has revolutionized since independence; from the state owned media house Kenya Broadcasting Corporation to the free independent media that is laws set by the Media Owners Association and by the government of Kenya. Consequently, the management of media houses has changed to a strategic way of management from a casual style management due to the competitive industry. There are many radio stations, TV stations, newspapers owned by private media practitioners and the government. Most of the media houses started with one key product as core business. After a period of focusing on core business, the media houses have diversified into related businesses. Media houses' bottom-line of doing business is pecked on readership, viewership and listenership. This makes the advertisers buy media from the various products; this is the basis for revenue generation by media. Media houses operate by benchmarking their competitors' profits and operation strategies.

Pearson and Robinson (2007) assert that the ultimate objective in benchmarking is to identify the best practices in performing activities and learn how lower defects, costs or other outcomes linked to excellence are achieved.

Radio Africa who this study has focused on started as a small company ten years ago with Kiss 100 fm as the only product. Ten years down the line, the company has diversified and started other radio stations like Classic 105.5 Fm, strategically acquired East Fm, Jambo Fm, Xfm and Smooth Fm. It also ventured into the newspaper business the Nairobi Star that changed its name to The Star. The latest venture is the launch of

Classic TV and Kiss TV. Diversification strategy at Radio Africa is a growth strategy that is conscious to the corporate management and all other employees at different levels in the organization.

1.1.1 Diversification strategy

Diversification strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business. Diversification involves directions of development which take the organization away from its present markets and its present products at the same time (Johnson and Scholes, 1999).

The main strategic concern for a leader revolves around how to defend and strengthen its leadership position, perhaps becoming the dominant leader as opposed to just a leader. However, the pursuit of industry leadership and large market share is primarily important because of the competitive advantage and profitability that accrue to being the industry's biggest company (Thompson, Strickland and Gamble, 2007).

Porter (1985) suggests that a firm can gain a competitive advantage if has skills and resources that can transfer into new lines of business and markets. Diversification strategy is a risky strategy though it has been embraced by leading media houses in Kenya. The media industry in Kenya has diversified by getting into related business units and by developing the new business and buying on-going business.

According to Strickland and Gamble (2007) diversification is based on the view held by many investors and executives that bigger is better. Growth in sales is often used to measure performance in that even if profits remain stable or decline, an increase in sales

satisfies many people. The Assumption is often made that if sales increase, profits will eventually follow.

The authors continue to argue that top managers also favor diversification in a company so long as the conditions under which the company is are favorable and the environment is enabling as well. Diversification as a strategy brings about improved linkages with other stages within the firm. Better links with suppliers may be attained through large orders which may produce lower costs (quantity discounts).

Knowledge gained in one business unit is applied to problems being experienced in another business unit through sharing of information. According to Grant (1998), the critical issue in diversification is for managers to avoid the errors of the past mistakes through better strategic analysis of diversification decisions. In pursuing the diversification strategy, various challenges such as change of the organizational structure are experienced. If the corporate management does not deal with the implementation issues and challenges adequately, then the objectives desired shall not be realized.

1.1.2 Challenges in implementation of the diversification strategy

Strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan. It is the process by which objectives, strategies and policies are put into action through the development of programs, budgets and procedures. Although implementation is usually considered after strategy has been formulated,

implementation is a key part of strategic management. Strategy formulation and strategy implementation should thus be considered as two sides of the same coin (Wheelen and Hunger, 2008). Various challenges are encountered during implementation of strategy. Pierce and Robinson (2008) argue that to effectively direct and control the use of firms resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards, and control system are essential strategy implementation ingredients. One of the goals to be achieved in diversification strategy implementation is synergy between and among functions and business units. Problems of successful implementation centre around and how well or badly the existing organization responds and how adequate it's reporting proves to be.

1.1.3 Media Industry in Kenya

An industry is a group of firms producing the same principle product or more broadly, a group of firms producing products that are close substitutes to each other (Johnson and Scholes, 2006). The media industry in Kenya plays very important roles of providing information, news, entertainment, and economic growth through advertising. Media industry in Kenya consists of the print media which includes newspapers, magazines, and brochures among others. There is also the broadcasting media that entails radio stations, TV stations broadcasting. Other forms of media include outdoor media, and lately the IT based media platforms such as the web, SMS and mobile media. The media industry in Kenya today is very vibrant and commercial. Gone are the days when Kenyans relied only on one Radio station, one TV station and a newspaper. Kenyans can access

information of all kind through various media. Since the liberalization of the airwaves and easing of licensing by the government in the 1990s, many radio stations, newspapers, magazines, TV stations among others have come up. With this then, the media industry in Kenya is very competitive and commercial. According to Oganga (2009) there were ninety commercial and non-commercial radio stations in Kenya by September 2009. The government however still controls the media to an extent. The Kenya Communications Amendment Bill was assented to by the government in January 2009. The bill was introduced to streamline and introduce regulatory provisions in electronic transactions as well as broadcasting which were considered weak. Some aspects in the bill were vehemently broadcasted by the media fraternity and other sectors such as non-governmental organizations. Media Owners Association is a body that has representatives from various media houses that works with the government in handling various issues that affects the media industry and other sectors that involves the media. Media houses generate revenue through advertising of products, services and even government information. The government has become a major player in generating revenue for the various media houses through disseminating paid for information by use of media. Advertising agencies do buy media on behalf of most corporate clients while some clients do prefer to negotiate directly with the media houses.

From this background, the management of media has also changed. Various media houses in Kenya have embarked on a strategic way of managing their business. Most media houses did start by operating one core product. Down the line, the media houses have grown by embracing diversification strategy as a way of remaining competitive in

the market. The aspect of cross-media ownership has been embraced where by a media house owns radio station(s). TV station(s) and newspaper(s) among others. The media houses base on both SWOT and PESTLE analyses of the media industry to determine the positioning to take in the industry. Some of the media houses that have diversified are the Nation Media Group, The standard Group, Royal Media Services and Radio Africa who this study has focused on.

1.1.4 Radio Africa Ltd

Radio Africa Limited is a company that started its operations in Kenya in July 2000 by launching Kiss 100 Fm radio station. Then, the business of radio was very conservative and not very competitive. Most advertisers relied on TV advertising to launch and educate the market about the various products. At the inception of Kiss 100 Fm, the vision of the management then was to be the leading radio station in terms of listenership and revenue generation. Kiss 100 Fm did achieve this by differentiation in the way the radio station executed its programming in terms of hiring talented presenters who can connect with the target market and giving superior content compared to the competitors. Within a short period of existence in the market. Kiss 100 fm did get a lot of listeners especially for the 18-35 year old. Within a period of two years, almost all corporate organizations, small medium size and even entrepreneurs wanted to have their products advertised on Kiss 100. With this background, Kiss 100 became the most listened to radio station within its target market and thus attained a competitive advantage in terms

of revenue generation and listenership. It did adopt the strategy of premium pricing of its programmes. It also did expand its listenesrhip by setting up transmitters countrywide so as to reach listeners in all major towns in Kenya.

Based on intense consultations with leading research firms, Radio Africa's management strategic think tank started Classic 105.5 Fm five years ago. Classic 105.5 Fm targets mainly 25-45 years old and a secondary target of 18 -25 years old and 45 and above listeners. The station plays music from the 70s, 80s, 90s and even the early 2000 hits.
So far, Classic 105 fm has been another successful product for Radio Africa and has generated revenue and profits within the five years it has been operational. Based on Radio Africa's core competence, other radio stations that have been started by the company are Radio Jambo that is sports and politics oriented and its content is executed in Kiswahili. Radio Africa also owns 105.05Xfm that is exclusively a rock music radio station. With the Asian market looking very lucrative, Radio Africa acquired East fm which targets the Asian market two years ago. The radio stations did gain a substantial market share in their niche markets and thus have and are still generating revenues for the respective business lines.

The top management shifted their thinking towards diversifying the business. By identifying its strategic advantages, the group ventured into the newspaper business and started the Nairobi Star which turns four years in September 2010. This was a hard nut to crack but by the association it has with Kiss 100 and Classic 105, the two big radio

stations were able to push the product in terms of its content and uniqueness from the other very detailed newspapers. Nairobi Star which has changed its name to The Star, now has a countrywide distribution. Barely a year ago, Radio Africa started Classic TV and Kiss TV. The products are very exclusive in the market and various programming changes do take place from time to time. However, revenues have already started trickling in. Radio Africa Ltd has thus implemented the related diversification strategy despite the various challenges encountered.

Radio Africa has a Group Chief Executive Officer who is responsible for meeting the shareholders and mapping the strategic way forward for the company. The broadcasting division which includes the various radio stations and the TV stations have a General Manager and level managers for the various business lines. The newspaper division has a Managing Director and a General Manager. The Star has its own sales department and a finance department that reports to the Group Financial Controller. The Sales department is divided into the agency sales and direct sales department. The agency sales department deals with the various advertising agencies in doing business while the direct sales department does business directly with the clients. Each department has its own manager.

1.2 Statement of the problem

Strategic management is the top management's responsibility which entails defining the firm's position, formulating strategies based on the environment under which the company is operating and coming up with guidelines on the execution of long-term organizational functions and processes. Hill and Jones (2001) argue that strategic

managers need to choose the organizational structure that will allow them to operate a number of businesses efficiently. A company must control the interrelations among divisions. The more the interdependent the divisions the more complex are the control and integration mechanisms required to integrate the activities and make the strategy work.

A company does concentrate on its core competencies to get a distinctive competitive advantage in relation to its competitors. Firms can also strategize to grow by using their core competencies to venture into other related or unrelated lines of business to achieve their long-term goals. The top management engages into strategy formulation for the company which involves planning and making decisions that will develop the company's strategic goals. The plans include assessing the environment, analyzing core competencies and creating goals and plans and baring in mind the challenges that it will encounter in implementing the strategy pursued. Hill and Jones (2001) argue that strategic managers need to choose organizational structures that will allow them to operate a number of different businesses efficiently. A company's choice of structure and control mechanisms depends on the degree to which a company must control the interrelations among divisions. The more the interdependent the divisions the more complex are the control and integration mechanisms required to integrate the activities and make the strategy work.

Diversification is a strategy which has its challenges during implementation. This study has brought out the various challenges that Radio Africa limited has encountered in

implementation of the diversification strategy. What challenges has Radio Africa Ltd encountered in implementation of the diversification strategy? This study has focused towards answering this question.

Various local studies about diversification strategy and challenges of implementation have been carried out. Magero (2008) has done a study on challenges in formulation and implementation of strategy- the case study of Kenya Sugar Board. Aosa (1992) did a study on aspects of strategy formulation and implementation within large, private manufacturing companies in Kenya. He argued that a study with a narrower focus would achieve greater depth thereby providing further insights into strategic management in Kenya.

Wakwoma (2007) has done a survey on product diversification adopted by firms in the banking industry in Kenya. Wakwoma has brought out the benefits of employing product diversification strategies in the banking industry and also softly did mention some challenges that the banking industry faced in diversification.

This study is unique in that it shall highlight the various challenges that Radio Africa has encountered in implementation of the diversification strategy.

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1.3 Objective of the study

The study has determined challenges in implementation of the diversification strategy at Radio Africa Ltd. It has also shown how Radio Africa dealt with the some of the challenges it encountered.

1.4 Value of the study

The environment within which the media industry operates in Kenya has become very competitive. Gone are the days we had only government controlled media. The industry has become very commercial and competitive. Every media owner wants to have the greatest share from the target market and thus high revenue generation. With this then, various media houses in Kenya have strategized on how to attain their long term objectives. The practice of strategic planning by media houses has been embraced by various media houses. This study is of great importance to the media industry because it shall be a used as a basis to show the various challenges that are encountered by a media house in implementation of the diversification strategy.

This study can also be used by competitors as a basis to decide whether to diversify or to concentrate on their core business in strategic planning. The challenges that have been brought in the study shall be a base for decision making. The competitors can also use the study to plan on how to avoid the challenges if they strategize to diversify.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Strategic Management and Planning has been practiced since time in memorial as early as the 1950s. With the ever changing turbulent business environment, the way strategic planning was done changed rapidly because it could not cope with challenges in the environment. Strategic Managers engaged in various actions that enabled them to grow and thus get a competitive advantage within their business environment. Diversification is one of the strategic plans pursued. Grant (1998) argues that during the twentieth century, especially during the first three decades after world war 11, diversification was the most prominent source of corporate growth. The implementation of strategy is also an issue in strategic management and planning. Various scholars and writers have given their views on the diversification strategy and implementation. This literature review brings out the body of knowledge on diversification strategy and the various challenges encountered during the implementation that have been written by various authors and researchers.

2.2 Theories and Concepts of Diversification Strategy

Diversification refers to seeking unfamiliar products, markets or both in pursuing growth. Every company is best at certain products; diversification requires substantially different knowledge, thinking, skills and process (Cravens et al, 1996). According to Pearce and

Robinson (2007), in the past thirty years, we have seen a virtual explosion in the extent to which single business companies seek to acquire other businesses to grow and diversify. Companies can enter growth potential, enter businesses with different cyclical considerations, diversify inherent risks, increase vertical integration, and thereby reduce costs. This way they are able to capture value added and instantly have a market presence rather than slower internal growth. Thompson, Strickland and Gamble (2007) say that a company that diversifies into businesses with competitively important value chain match-ups (pertaining to technology, supply chain logistics, production, overlapping distribution channels or common customers) gain competitive advantage potential not open to companies whose value chain are unrelated. Capturing competitive advantage potential requires that the corporate strategists spend considerable time trying to capitalize on cross-business opportunities such as transferring skills or technology from one business to another, reducing costs via sharing of common facilities and resources and using the company's well-known brand names and distribution muscle to grow the sales of newly acquired products. The strategists should also establish investment priorities and steering corporate resources into the most attractive business units. It is incumbent for the corporate management to decide on the priorities for investing capital in the company's different businesses, channel resources into areas where earnings potentials are higher and away from areas where they are lower and divest business units that are chronically poor performers or are in unattractive industry.

Grant (1998) asserts that mere linkages between businesses are not enough: the key o creating value is the ability of the diversified firm to share resources and transfer

capabilities more efficiently than alternative institutional arrangements, where the additional costs of management do not outweigh the value created.

According to Hayes, Pisano and Upton (2000) diversification should do more for a company than simply spread its business risk across various industries. Diversification cannot be considered successful unless it results in added value to the shareholders.

Hayes et al (2000) say that a move to diversify must pass through the following three tests:

The strategists must do an industry attractiveness test. The industry to be entered must be attractive enough to yield consistently good returns on investments. This depends on the presence of the industry and the competitive conditions that are conducive as good or better profits and returns on investments than the company is earning in its present business. To add onto this, the cost of entry of the target market must not be so high as to erode the potential for good profitability. A catch 22 can prevail here, however the more attractive an industry is for growth and good long-term profitability, the more expensive it can be to get into. The strategists must finally perform a better off test; diversifying into a new business must offer potential for the company's existing businesses and the new business to perform better together under a single corporate umbrella than they would perform operating as independent.

Grant (1998) adds onto this by arguing that diversification has the potential to enhance the competitive advantage of the diversified business, the original core business, or both businesses. Diversification efforts may be either internal or external. Internal diversification occurs when a firm enters a different, but usually related, line of business by developing the new line of business itself. Internal diversification frequently involves

expanding a firm's product or market base. External diversification may achieve the same result; however, the company enters a new area of business by purchasing another company or business unit. Mergers and acquisitions are common forms of external diversification.

One form of internal diversification is to market existing products in new markets. A firm may elect to broaden its geographic base to include new customers, either within its home country or in international markets. A business could also pursue an internal diversification strategy by finding new users for its current product. Finally, firms may attempt to change markets by increasing or decreasing the price of products to make them appeal to consumers of different income levels.

Another form of internal diversification is to market new products in existing markets. Generally this strategy involves using existing channels of distribution to market new products. Retailers often change product lines to include new items that appear to have good market potential.

It is also possible to have conglomerate growth through internal diversification. This strategy would entail marketing new and unrelated products to new markets. This strategy is the least used among the internal diversification strategies, as it is the most risky. It requires the company to enter a new market where it is not established. The firm is also developing and introducing a new product. Research and development costs, as well as advertising costs, will likely be higher than if existing products were marketed. In effect, the investment and the probability of failure are much greater when both the product and market are new.

External diversification occurs when a firm looks outside of its current operations and buys access to new products or markets. Mergers are one common form of external diversification. Mergers occur when two or more firms combine operations to form one corporation, perhaps with a new name. Acquisitions, is a form of external growth which occurs when the purchased corporation loses its identity. The acquiring company absorbs it. The acquired company and its assets may be absorbed into an existing business unit or remain intact as an independent subsidiary within the parent company. Acquisitions usually occur when a larger firm purchases a smaller company. Acquisitions are called friendly if the firm being purchased is receptive to the acquisition. (Mergers are usually "friendly.") Unfriendly mergers or hostile takeovers occur when the management of the firm targeted for acquisition resists being purchased.

2.2.1 Diversifying into related businesses

Thompson Strickland and Gamble (2007) discuss a related diversification strategy as a situation where by the company builds around businesses whose value chains possess competitively valuable strategic fits. Strategic fits exists whenever one or more activities comprising the value chains of different businesses are sufficiently similar. Strategic fits can also be referred to as synergy. Synergy is the ability of two or more parts of an organization to achieve greater total effectiveness together than would be experienced if the efforts of the independent parts were summed. Synergy may be achieved by combining firms with complementary marketing, financial, operating, or management efforts. The strategic fits must transfer competitively valuable chain activities of separate

businesses into a single operation to achieve lower costs. Financial synergy may be obtained by combining a firm with strong financial resources but limited growth opportunities with a company having great market potential but weak financial resources. For example, debt-ridden companies may seek to acquire firms that are relatively debt-free to increase the lever-aged firm's borrowing capacity. Similarly, firms sometimes attempt to stabilize earnings by diversifying into businesses with different seasonal or cyclical sales patterns.

A diversified company must also exploit common use of well known and potent brand name to together with using cross-business collaboration to create competitively valuable resource strength and capabilities. Cross business strategic fits can exist anywhere along the value chain for example research and development and technology or relationships in sales and marketing and the distribution activities.

Rewards for managers are usually greater when a firm is pursuing a growth strategy. Managers are often paid a commission based on sales. The higher the sales level, the larger the compensation received. Recognition and power also accrue to managers of growing companies. They are more frequently invited to speak to professional groups and are more often interviewed and written about by the press than are managers of companies with greater rates of return but slower rates of growth. Thus, growth companies also become better known and may be better able, to attract quality managers. Growth may also improve the effectiveness of the organization. Larger companies have a number of advantages over smaller firms operating in more limited markets. Large size or large market share can lead to economies of scale. Marketing or production synergies

may result from more efficient use of sales calls, reduced travel time, reduced changeover time, and longer production runs. Learning and experience curve effects may produce lower costs as the firm gains experience in producing and distributing its product or service. Experience and large size may also lead to improved layout, gains in labor efficiency, redesign of products or production processes, or larger and more qualified staff departments (e.g., marketing research or research and development). Lower average unit costs may result from a firm's ability to spread administrative expenses and other overhead costs over a larger unit volume. The more capital intensive a business is, the more important its ability to spread costs across a large volume becomes.

Improved linkages with other stages of production can also result from large size. Better links with suppliers may be attained through large orders, which may produce lower costs (quantity discounts), improved delivery, or custom-made products that would be unaffordable for smaller operations. Links with distribution channels may lower costs by better location of warehouses, more efficient advertising, and shipping efficiencies. The size of the organization relative to its customers or suppliers influences its bargaining power and its ability to influence price and services provided.

Taking advantage of geographic differences is possible for large firms. Especially for multinational firms, differences in wage rates, taxes, energy costs, shipping and freight charges, and trade restrictions influence the costs of business. A large firm can sometimes lower its cost of business by placing multiple plants in locations providing the lowest cost. Smaller firms with only one location must operate within the strengths and weaknesses of its single location.

Management synergy can be achieved when management experience and expertise is applied to different situations. Perhaps a manager's experience in working with unions in one company could be applied to labor management problems in another company. Caution must be exercised, however. in assuming that management experience is universally transferable. Situations that appear similar may require significantly different management strategies. Personality clashes and other situational differences may make management synergy difficult to achieve. Although managerial skills and experience can be transferred, individual managers may not be able to make the transfer effectively.

Related diversification is also termed as concentric diversification in marketing. Kotler (1999) says that concentric diversification bears synergistic relationship to either the company's marketing or its technology. These products that are introduced share a common thread with the firm's existing products either through marketing or production. The relationship of the new product to the firm's existing products, however, may or may not mean much. All that realization does is to make it easier; it does not necessarily make it successful (Kotler, 1999). Various forms in which related diversification can be carried out include: backward integration which refers to the development into activities which are concerned with the inputs into the company's current business i. e are further back into the value chain, such as raw material, machinery and labor, forward integration which refers to development into activities which are concerned with a company's outputs i.e.(are further forward in the value chain, such as transport, distribution, repairs and servicing) and horizontal integration which refers to the development of activities which are competitive with or directly complementary to a company's present activities.

Johnson and Scholes (1999) bring out various forms in which related diversification can take place. Backward integration refers to the development into activities which are concerned with the inputs into the company's current business i.e. further back into the value chain such as raw material, machinery and labor. Forward integration refers to the development into activities which are concerned with the company's outputs i.e. are further forward into the value chain such as transport, distribution, repairs and servicing. Horizontal integration refers to the development of activities which are competitive with or directly complementary to a company's present activities.

2.2.2 Diversifying into unrelated businesses

Thompson et al (1999) say that unrelated diversification strategy discounts the merits of pursuing cross-business strategic fits and instead focuses squarely on entering and operating business in industries that allow the company as a whole to grow its revenues and earnings. Companies that pursue a strategy of unrelated diversification generally exhibit a willingness to diversify into any industry where senior managers see opportunity to realize consistently good financial results. The basic premise of unrelated diversification is that any company or business that can be acquired on good financial terms and that has satisfactory growth and earnings represents a good acquisition and a good business opportunity. The strategy of unrelated diversification emphasizes on satisfying the attractiveness and cost of entry tests and each business's prospects for good performance.

Company managers spend much time and effort screening acquisition candidates and evaluating the pros and cons of keeping or divesting existing business. The managers use criteria such as whether the business can meet corporate targets for profitability and return on investments, whether the business is in an industry with attractive growth potential, wether the business is big enough to contribute significantly to the parent firm's bottom-line, whether the business has burdensome capital requirements among others. Companies that pursue unrelated diversification nearly always enter new business by acquiring an established company rather than by forming a start-up subsidiary within their own corporate structures. The types of acquisition with particular interests are those businesses that have growth opportunities, undervalued companies that can be acquired at a bargain price and struggling companies whose operations can be turned around with the aid of the parent company's financial resources and managerial know-how.

The company's financial resources can be employed to maximum advantage by investing in whatever industries that offer the best profits prospects.

Unrelated diversification may involve extension into new markets and new products by exploiting the current core competences of the organization, diversification by exploitation of core competences by simply moving into markets which already exist: It may involve the creation of genuinely new markets and the most extreme form of unrelated diversification is where new competences are developed for new market opportunities (Johnson and Scholes, 1999).

Thompson et al (2007) allege that to succeed in using strategy of unrelated diversification to produce companywide financial results above and beyond what the business could generate operating as stand alone entities. corporate executives must:

Do a superior job of diversifying into new business that can produce consistently good earnings and returns on investment, do an excellent job of negotiating favorable acquisition prices, do such a good job overseeing the firm's business subsidiaries and contributing to how they are managed-by providing expert problem solving (skills creative strategy suggestions, and high caliber decision –making guidelines to the heads of various subsidiaries),be shrewd in identifying when to shift resources out of business with dim profit prospects and into businesses with above average prospects for growth and profitability, be good at discerning when a business needs to be sold and also find buyers who will pay a price higher than the company's net investment in the business.

Synergy may result through the application of management expertise or financial resources, but the primary purpose of unrelated diversification is improved profitability of the acquiring firm. Little, if any, concern is given to achieving marketing or production synergy with unrelated diversification.

Another common reason for pursuing unrelated growth strategy is that opportunities in a firm's current line of business are limited. Finding an attractive investment opportunity requires the firm to consider alternatives in other types of other business.

Firms may also pursue a unrelated diversification strategy as a means of increasing the firm's growth rate. Growth in sales may make the company more attractive to investors. Growth may also increase the power and prestige of the firm's executives. Conglomerate

growth may be effective if the new area has growth opportunities greater than those available in the existing line of business.

Probably the biggest disadvantage of unrelated diversification strategy is the increase in administrative problems associated with operating unrelated businesses. Managers from different divisions may have different backgrounds and may be unable to work together effectively. Competition between strategic business units for resources may entail shifting resources away from one division to another. Such a move may create rivalry and administrative problems between the units.

Caution must also be exercised in entering businesses with seemingly promising opportunities, especially if the management team lacks experience or skill in the new line of business. Without some knowledge of the new industry, a firm may be unable to accurately evaluate the industry's potential. Even if the new business is initially successful, problems will eventually occur. Executives from the conglomerate will have to become involved in the operations of the new enterprise at some point. Without adequate experience or skills (Management Synergy) the new business may become a poor performer.

Unrelated diversification is also referred to as horizontal or conglomerate diversification. In horizontal diversification, new products which technologically are unrelated to a company's existing products, but can be sold to the same group of customers to whom existing products are sold. The customers for the new products are drawn from the same ranks as those of the existing product. In a competitive environment, the horizontal diversification strategy is more desirable if the present customers are favorably disposed towards the company and if one can expect this loyalty to continue for the new product

(Kotler, 1999). An important limitation of horizontal diversification is that the new product is introduced to be marketed in the same economic environment as the existing product, which leads to rigidity and instability.

2.2.3 Implementing diversification strategy

The implementation of organization strategy involves the application of the management process to obtain the desired results. Particularly, strategy implementation includes designing the organization's structure, allocating resources, developing information and decision process, and managing human resources, including such areas as the reward system, approaches to leadership, and staffing. Short-term objectives can add breadth and specificity in identifying what must be accomplished to achieve long-term objectives

In their book, Pearce and Robinson (2007) argue that many dominant product businesses face the question of what grand strategies are best suited to continue to build value. As businesses jumped on the diversification bandwagon, managers soon find challenges in managing resource needs of diverse businesses and their respective strategic missions, particularly in times of limited resources. Thompson et al (2007) say that companies that strive to grow their revenues and earnings at a double digit rates year after year (or at rates exceeding the overall market averages so that they are growing faster than the rivals and gaining market share) diversify their businesses.

In a diversified company, the strategy making challenges involve assessing multiple industry environments and developing a set of business strategies, one for each industry arena which the diversified company operates. Top executives at the diversified company must still go one step further and devise a company wide or corporate strategy for improving the attractiveness and performance of the company's overall business lineup. They must also play a role in making rational whole out of its diversified collection of individual businesses.

The task of crafting a diversified company's overall or corporate strategy falls squarely in the lap of top-level executives. The management should pick new industries to enter and deciding the means of entry. This is a first concern of diversification. The company must decide wether to enter a new business from the ground or acquire a company already in the target industry or form a joint venture or strategic alliances with another company.

Another distinct facet according to Thompson et al (2007) is initiating actions to boost the combined performance of the businesses the firm has entered. The corporate strategists zero in ways to strengthen the long-term competitive positions and profits of the business the firm has invested in. The challenge is to use the corporate parents to help the business subsidiaries by providing financial resources, supplying missing skills or technological know how or managerial expertise to better perform the key value chain activities thus providing new avenues for cost reduction. In capturing a competitive advantage potential during the implementation, the corporate strategists spend considerable time trying to capitalize on cross-business opportunities such as transferring skills or technology from one business to another, reducing costs via sharing of common

facilities and resources and using the company's well – known brand names and distribution muscle to grow sales of newly acquired products.(http://www.strategy-implementation.24xls.com/en).

It is a challenge for the management to decide on the priorities for investing capital in the company's different businesses, channel resources into areas where earnings potentials are higher and away from areas where they are lower. A new organizational structure is often necessary to meet the increased coordination and decision making requirements that result from increased diversity and size, and the divisional structure is the form that is often chosen. Some firms encounter difficulty in controlling their divisional operations as the diversity, size, and number of these units continues to increase. Corporate management may encounter difficulty in evaluating and controlling its numerous, often multi-industry divisions. Pearce and Robinson (2007) allege that when a business has grown, there is need to have different people focus on different functions within the business to become better organized, efficient and to achieve control and coordination.

A functional organization structure is one in which the tasks, people and technologies necessary to do the work of a business are divided into separate functional groups with increasingly formal procedures for coordinating an integrating their activities to provide the business's products and services. The authors continue to assert that when a firm diversifies its products, service lines, covers broad geographical areas, utilizes unrelated market channels, or begins to serve heterogeneous customer groups, a functional structure rapidly becomes inadequate. A new organizational structure is often necessary

to meet the increased diversity and size, and the divisional structure is the form often chosen. A divisional structure is one in which a set of relatively autonomous units, or divisions, are governed by a central corporate office but where each operating division has its own functional specialists. A divisional structure allows corporate management to delegate authority for the strategic management of distinct business entities. This expedites decision making n response to varied competitive environments and enables corporate management to concentrate on corporate level strategic decisions. The division usually is given profit responsibility which facilitates accurate assessment of profit and loss.

Some firms encounter difficulty in controlling their divisional operations as they diversify. The size and number of these units continue to increase. Corporate management may encounter difficulty in evaluating and controlling its numerous, often multi-industry divisions. Under these conditions, it may become necessary to add another layer of management to improve the implementation, to add synergy and gain greater control over the diverse business interests (Pearce and Robinson, 2007). The strategic business unit is an adoption of divisional structure whereby various divisions or parts of the division are grouped together based on some common strategic elements, usually linked to distinct product/ market differences.

A holding company structure is also a form of divisional organizational structure where a corporate entity is a broad collection of often unrelated businesses and divisions such that the entity acts as a financial overseer "holding" the ownership interest in the various parts of the company but has little direct managerial involvement. This approach can provide a

cost saving over the SBU approach since the additional level of pricy management is not that much. The negative becomes the degree to which the corporate office is dependent on each business unit's management team and the lack of control over the decisions those managers make in terms of being able to make timely adjustments or corrections.

In large companies, increased diversity leads to numerous product and project efforts of major strategic significance. The result is a need for an organization that provides skills and resources where and when they are most vital. The matrix organizational structure is one in which functional and staff personnel are assigned to both a basic functional area and a project or product manager. It provides dual channels of authority, performance responsibility, evaluation and control. Although the matrix structure is easy to design, it is difficult to implement. Dual chains of command challenge fundamental organizational orientations. Negotiating shared responsibilities, the use of resources, and priorities can create misunderstanding or confusions among subordinates. These problems are heightened in an international context with the complications introduced by distance, language, time and culture.

Wheelen and Hunger (2008) argue that opportunities to build value, integration or joint venture strategies are usually found in market related, operations-related, and management activities. Each business's value chain activities or infrastructure become a source of potential synergy and competitive advantage for another business in the corporate portfolio. Strategic analysis is concerned with whether or not the potential competitive advantages expected to rise from each value opportunity have materialized.

Where advantage has not materialized, corporate strategists must take care to scrutinize possible impediments to achieving the synergy or competitive advantage. Good strategists assure themselves that their organization has ways to avoid or minimize the effects of any impediments, or they recommend against further integration or diversification and consider divestiture options.

Matching managers to diversification strategy has long been a cornerstone of strategy implementation. The basic premise underlying this body of research is that different strategies pose different management challenges that, in turn, require systematically different management skills and experiences to be implemented success-fully. Managers with backgrounds and skills matched to the critical task demands of a firm's diversification strategy, therefore, should be reflected in superior financial performance.

2.3 Empirical evidence on diversification strategy and implementation

Various studies have been carried out to bring out the aspect of strategy implementation. Others have also dealt with diversification strategy in various industries.

Magero (2008) has done a study on challenges in formulation and implementation of strategy- the case study of Kenya Sugar Board. Magero found out various challenges were encountered in undertaking the strategic moves. These include organizational culture in that it was not supportive in the direction the organization wished to go, government regulations and policies limited their autonomy and empowerment among others. During implementation, challenges such as lack of clear direction to leaders, change in organizational structure, allocation of resources among others were

encountered. He suggested that a follow up study be done to find out how the 2007-2012 strategy is being implemented since the 2004-2007 one was not a success. Aosa (1992) did a study on aspects of strategy formulation and implementation within large, private manufacturing companies in Kenya. He argued that a study with a narrower focus would achieve greater depth thereby providing further insights into strategic management in Kenya. Wakwoma (2007) has done a survey on product diversification adopted by firms in the banking industry in Kenya has brought out the element of diversification within the banking industry. Wakwoma has brought out the benefits of employing product diversification strategies in the banking industry and also softly did mention some challenges that the banking industry faced in diversification. He found out that most banks diversified to capture markets that had not been catered for. Mathenge (2008) has done a study on patterns of diversification in the small and medium enterprises sector in Nairobi City. Kinuu (2007) did a study on Management of Strategic Change at Tamoil Kenya. In his findings, there is a higher percentage of business line managers compared to employees that is concerned with the number of change programs being introduced in the organization. Many changes and the lack of clarity on the vision are seen to impacting negatively on the managers' ability to act on the vision. He recommends an evaluation of success or failure of the change program.

In his study on the analysis of unrelated diversification strategy by major oil companies in Kenya, Kirimi (2008) did find out why major oil companies are venturing into unrelated diversification of their product lines like convenience stores, cafeterias and tyre

centers. One among the reason he did this was that the oil industries did this for brand dominance within the industry thus eventually achieving a competitive advantage.

Ateng (2007) has done a study on challenges of Strategy Implementation at the Ministry of Finance in Kenya. He did find out that challenges like change in organizational structure, lack of a proper communication structure, resource mobilization were encountered during the implementation process. The ministry came up with ways to deal with these challenges such as a proper communication system, preparation of a proper service scheme for each department among others. He did make recommendations on how to deal with the challenges and suggested further studies to be done in the public sector or even replication of the study to follow up on the various changes that can be compared with the other studies.

This empirical literature has indeed mentioned some aspects that are encountered when an organization undergoes change both in the public and private sector. My study is unique since it will bring out challenges of implementation for a media company that has embraced diversification strategy.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The selection of a data collection method or methods is considered one of the most important steps in creating a research design. The selection and implementation of an appropriate research method impacts on the quality of results and the deductions made at the end of the research project. This chapter describes the methodology used in this study and the reasons for their selection. It describes the research design, data collection and data analysis.

3.2 Research Design

This research has been conducted through a case study. A case study has enabled us to have an in-depth understanding of the challenges that have been encountered in the implementation of the diversification strategy at Radio Africa. Saunders and Lewis (2007) argue that a case study strategy is of particular interest if one wishes to gain a rich understanding of the context of the research and the process being enacted. The importance of a case study in research is emphasized by Young (1960) and also Kothari (1990) who both acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. Cooper and Schindler (2003), say that the emphasis of detail in a case study provides valuable insight for problem solving, evaluation and strategy.

3.3 Data Collection

Primary data has been collected by use of a comprehensive interview guide. Face to face in-depth interviews have been conducted to three top managers in the organization. The managers were the General Manager for the Broadcasting Division who has been at Radio Africa since its inception, The Group Financial Controller, and The Star Newspaper General Manager. Each interviewee shall had a different set of questions administered them.

3.4 Data Analysis

Data collected is qualitative. Content analysis is used to identify repetitive issues that have been mentioned from all the three interviewees. This is a research technique for the objective, systematic and description of the manifest content of communication (Cooper and Schindler). I have made conclusions and recommendations based on the collected information. This technique has been used by researchers in similar studies including Magero (2008), Ateng (2008), among others.

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CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

In this chapter, qualitative data has been collected which consists of words and observations and not numbers. Analysis and interpretation is important because it brings order and understanding to the study. I did interview various managers at Radio Africa Ltd and the data has been presented in form of a summary of the questions I asked. I have analyzed how the interviewees focused on various similar challenges that are experienced in the various business lines. I have identified consistencies and differences from the data.

4.2 Strategy of Radio Africa

Radio Africa started Kiss 100 Fm radio station in Kenya ten years ago. This was in order to grow beyond Uganda it had dominated for 6 years. Radio Africa had a strategy that was tailored towards being the most successful radio business in East Africa. The vision at the moment is to become the largest media player in Kenya within the next ten years. When Kiss 100 was launched, it had to continually fight the force of conservatism due to the position it had taken as a radio station. It was an uphill task to attract local investors in the beginning due to the positioning the company had taken. Kiss had been issued with

a license then it was taken away. Initially no advertiser wanted even to put a free ad in the view that the station was risky.

Within a period of one year, Kiss 100 had grown in terms of Listenership and thus revenue in terms of adverting started trickling in the business. With this then kiss 100 kept growing and it could not make it all things for all men. Radio Africa had to segment the listening audiences to cater for different groups thus introduced other radio stations, The Star newspaper and two TV stations. Radio Africa conducted and still conducts strategic analysis on a continuous basis so that it can strategically perform its business. It has basically survived by doing a SWOT and PESTLE analysis of the media industry in Africa. The management has used its success factors in its core business to diversify into other related lines of business. However in pursuit of the diversification strategy various challenges were encountered. This report has brought out the challenges encountered by Radio Africa in implementation of the diversification strategy. Three top managers from the different business lines have been interviewed about the challenges encountered. Some challenges were experienced by all the business lines while other challenges were exclusively experienced.

4.3 Challenges encountered during the implementation of diversification strategy at Radio Africa

Upon doing interviews with three managers at Radio Africa to establish various challenges that have been encountered by the organization in pursuit of diversification

strategy, we came up with various challenges that were encountered by all the products during the implementation. Other challenges were encountered by individual products. The challenges are discussed as below:

4.3.1 Government regulations and Bureaucracy

This challenge was encountered by all the products. Government regulations and bureaucracy slowed down the process of giving out licenses. The frequencies for the radio station, the license to start the TV stations and even that of newspaper were delayed thus interfering with the planning of the projects. There also have been new regulatory challenges from Communications Commission of Kenya (CCK). This has interfered with the different products within Radio Africa in freely bringing out the role to which media is meant to.

4.3.2 Financial challenges

This made the company to borrow and thus financial costs have been encountered due to the borrowing. Financial institutions were conservative about doing business with the media house due to uncertainty. This meant looking for investors to invest in the various new products that came up. The aspect of financial constrains was encountered across the board for all products. For The Star, it was a challenge sharing a printing press machine with a competitor. The shareholders had to work at buying a printing machine so that the newspaper can be printed and availed to the readers without delay. The printing press

machine is also used to make business for other printing material. There is also the challenge of high group operation costs relaying on different revenue streams.

4.3.3 Organization restructuring

The introduction of other products at Radio Africa saw the complete overhaul of the structure of the organization. There was some sort of restructuring every time a new product was added onto the company. The company started with employees of about ten people. Over the years, the organization has almost four hundred employees. All departments were affected in one way or another. With the growth of the company, the board appointed a Chief Executive Officer for the group, a General Manager for the broadcast division, a General Manager for Nairobi Star and a Group Financial Controller.

The sales department has a group Direct Sales Manager and a Group Agency Sales Manager. These changes had financial implications which had to be fulfilled by the company. The sales people also had to be added various roles in terms of selling. This meant that the sales people had to wear different hats when doing business with various clients. This was applicable for the agency department and the Group Direct Sales Manager. Various presenters in the programming department were also changed from one station to another. The introduction of Classic 105.5 Fm and other radio stations also saw the shifting of various presenters from one station to another. The administration department was also affected in that more roles were added to the employees.

4.3.4 Saving Costs

It was a challenge for the company to come up with mechanisms that would ensure the saving of cost across the board. This has been and is still being realized by the group through harmonization of back office operations. The back office was restructured to cater for the group rather than individual entity's eliminating costs that were shared.

4.5.5 Sharing and allocation of resources within the various business lines

This is a big challenge that has to be exercised by all the business lines within the group. This has to be done strategically to accommodate the implementation of the new products. The existing employees were informed about the upcoming changes every time a new product was launched. This was done to psychologically prepare them for the changes. Resource sharing is experienced in terms of communication tools like the phones, laptops, computers, studios for production of news and adverts, sharing of human resources in that the broadcast division and the print division have to share information. The reading of news is done by one news anchor for all the English Radio stations at the same time.

Costs are also shared and allocated strategically in the implementation of the diversification strategy. The company uses profits made by the cash cows like Kiss 100 and Classic 105.5 to sustain the other upcoming stars. A product like The Star has broken

even and it can now sustain itself in terms of settling its costs. There is a significant value chain match ups within the products at Radio Africa. This is to ensure that all the products succeed in the market. The use of the well known brands of Kiss 100 and Classic 105 fm has been of significant importance in strategically pushing other brands within the market like the Star and two TV stations. There is a symbiotic and complimentary association within the various business lines. The products feed on and grow with each other by sharing resources, expertise and clientele who we deliver to a unique customer experience across the board.

4.3.6 Change of the initial strategy of the various products due to slow reception by the market

Classic 105, The Star newspaper, Radio Jambo all changed from the initial strategy due to negative reception from the target market. This was a challenge because it meant that the strategic think tank had to go back to the drawing board to integrate the preferences of the various target markets. The market meant the advertisers, the listeners, readers etc. The Star newspaper changed plans and went into political news as a driver for the newspaper. The newspaper had to find a point of difference or even within political news as this was what everyone was doing. It began to write on politics and human stories and thus some employees had to leave.

4.3.7 Competition especially for the newspaper section

The effect of competition in the media industry has been a challenge to Radio Africa in the implementation of the various projects. Not all products were affected by competition. Classic 100 and Kiss 100 were not deeply affected. Jambo Fm and The Star newspaper were and are still a challenge due to the stiff competition within which they operate. The Star newspaper was almost impossible since it was against two worthy newspapers the Daily Nation and the Standard newspapers. Radio Jambo is also competing with major players in the industry like Radio Citizen and Kenya Broadcasting Corporation Kiswahili radio stations among others. The limiting factor within the radio section was the pricing of the various programmes within the stations. TV was also affected by the competition despite the content being very exclusive. The fear of trying out new products by advertisers is being experienced by the TV stations and thus advertisers would rather stick to what they have always done.

4.3.8 Courts through libel

This is an exclusive challenge that has not been experienced by all the products. Libel awards that sometimes border on censoring the media and have the effect of chilling democracy in the country. The position the group has taken in terms of changing the way media brought out issues from a conservative way of broadcasting to a lot of fearless charismatic way has had Radio Africa be criticized from all corners of the country; government, businessmen and even religious organizations.

4.3.9 Losses encountered in the early stages of the new products launch

This was experienced by all the products launched by the company. It was and is still a challenge to initially sustain the new products in the market due to the rise in media costs at the expense of the products not bringing in revenues. All the products launched have did not make profits within a short period.

4.3.10 Technical challenges encountered in bringing to the two TV projects to life

Programming TV is entirely different from radio thus new skills were needed by the team. The initial building of a content library was tedious as each item had to be captured, logged and metadata entered. The technical difficulties with the play out software made the channel go off air severally, which had to be sorted out with little or no experience with the particular software. Negotiations for content were complicated the team had to budget with arbitrary figures since they were new in the content market.

competition within the industry and government regulation and bureaucracy. Some challenges were exclusively experienced by individual products. Libel is a challenge that was experienced by one of the radio stations. The technical set up of the two TV stations had challenges that were experienced by the TV business only since this was a completely technically different business that needed a lot of learning by the team.

5.3 Conclusion

Based on this study, we can conclude that to achieve long term prosperity and dominance in the market share of the business, strategic managers plan the establishment of objectives that drive the organization towards achieving them. Diversification is a strategy that can drive a company towards achieving all the above mentioned aspects. However, diversification can only be fruitful if the environment under which the organization is operating within is enabling. The strategic planners must do a thorough background study of the environment within which the company wishes to diversify. Some challenges can be avoided during the implementation if proper background study is carried out. For Radio Africa, the challenge of changing the initial strategy to a strategy that is receptive to the market could have been avoided if the strategic planners had consulted with the market more. On the other hand, it can be a strategy that can be used to test the market so as to fine tune the product as the implementation process goes on.

Synergy within the various business lines creates great value within the group. Synergy saves on costs, exploits common use of a well known brand to promote the other

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of the study, conclusions drawn by the researcher and recommendations based on the research results. It also gives policy implications of the study on the current practice by the government, media houses and the various stakeholders within the media industry. The stakeholders include the various targets for the various products, the advertisers, and the competitors within the media industry.

5.2 Summary of the study

This study was done to bring out the various challenges encountered by Radio Africa Ltd in implementation of the diversification strategy. It was a qualitative kind of study where by content analysis has been carried out based on the various challenges that were brought out by the three managers interviewed from the different business lines. The data has been analyzed by bringing out the challenges that were repetitively encountered within all the business lines during implementation. Other challenges were encountered by individual products. Based on the findings of the study, the various challenges that are encountered across the board when an organization strategically diversifies in other related business lines are, change in the organization's structure, sharing of resources, experiencing losses at the early stages of the product launch, incurring of high costs,

upcoming brands through association. The existence of synergy at Radio Africa has enabled the success of various products like The Star newspaper which was promoted to the market by its sister radio stations kiss 100 and classic 05. The star and the radio stations helped to push and promote the programming of the TV stations. Allocation of resources within the organization is another key aspect that has to be considered keenly. The management should be able to identify potential profit earning products and thus channel resources to these business lines. However, a time line within which the organization expects to start getting profits from the supported business lines must be set. Some challenges cannot be avoided by an organization that has strategized to diversify. The response of the diversified company to the challenges is the determinant of wether the organization will succeed eventually or not.

The role of the government in allocation of frequencies and the laws governing this allocation come into sharp focus. The government has put into law the procedures and processes where by no organization will be awarded more than one frequency to broadcast from one location. This has been negatively received by those players in the industry who have already heavily invested into the media industry in the country.

5.4 Recommendations

This study has brought various aspects that should be factored by various stakeholders within the media industry in pursuit of diversification strategy. The various stakeholders that this study should be recommended to are the media strategic planners, the government, the media industry as a whole and the advertisers.

The strategic managers of various media houses within the media industry need to realize that the application of strategic management practice is very important for survival of the media business. It is important to have a vision and a mission statement that should guide the operations of the business. Whichever strategy that the organization takes up, proper planning is key to the success of the strategy. Adequate SWOT and PESTLE analyzing must be done before introduction of project in the market. The various challenges brought out by this study are very important aspects to note for any media house that has a dream of diversifying its business. The strategic planners should be bold enough to reposition from the initial strategy if it has been rejected by the market targeted. This should be done without hesitation since the product will have undergone testing by the target market.

The media industry has become very competitive especially for the radio industry. The media industry has become commercial and thus needs to be adequately managed. The needs and expectations of the various stakeholders within the industry change at a very fast pace due to technology. It is vital for each media house to create a competitive advantage for itself by identifying its core competencies and using its success factors to enable the organization to work towards its vision. Media houses should also realize that the error of being everything to everyone is long gone and thus need for segmentation of the various products to target different markets.

The media industry has become a revenue generating sector for the government through paying of taxes. Thus, the government should provide an enabling environment for the

media industry to grow. This should be done by limiting the barriers that have been created as far as frequencies and license allocation are concerned. The government should also consult with media experts so as to ensure that the various budgets provided by the government for media business is adequately handled.

The advertisers and media buyers are spoilt for choice by the competitive media industry. It is important for the advertisers to identify what they need out of advertising and book media that can help them achieve their objectives. The advertisers should have an ethical way of dealing with the various competitors within the media industry to avoid vices such as bribery by media houses in favor of business. The government should also regulate the operation of various media houses so as to avoid dominance by one agency in the industry. The advertisers should however take advantage of the diversification of media houses and ask for group discounts as a result of buying media across all the business lines.

5.5 Recommendations for further research

This study has exclusively focused on the various challenges encountered by a radio station in implementation of the diversification strategy. Further studies should be done to survey the various challenges that are encountered by media houses that have diversified. Another study can be done to determine how the various media houses or a particular media house has responded to the various challenges encountered in pursuit of the diversification strategy. Another study can also be done to bring out the various

reasons why media houses have strategically diversified to other lines of related business. A further study can also be done to establish the relationship between various financial institutions and media houses based on the hypothesis that financial houses were not receptive to doing business with various media houses initially.

5.6 Implications on policy and practice

The media industry is a very important industry in Kenya and all over the world. This is because the media plays the role of disseminating information to the humanity through different kinds of media. The media informs, entertains and contributes to economic growth through advertising. Media houses have diversified so as to provide different services within one roof. The conclusion from this study is that various challenges are encountered by media houses in implementation of the diversification strategy. Various stakeholders have to work hand in hand with the media to ensure that the various challenges are well responded to adequately since diversification is a growth strategy that is being pursued by various organizations. These stakeholders include the financial institutions, the government, advertisers and the competitors, the media owners association.

The government's involvement in the media industry is through its agency, the Communications Commission of Kenya (CCK), which was established in February 1999 through the Kenya Communications Act, 1998, to license and regulate telecommunications, radio communications and postal services in Kenya. In this regard, CCK has been charged with issuing and regulating the technical aspects of the broadcast industry in Kenya. The government also

does regulate the licensing of print media business in Kenya. From the study, the challenge of government bureaucracy and regulation has been encountered. Despite the liberalization, frequency allocation is still perceived by industry players to be corrupt and susceptible to political manipulation. The government should give the media industry an enabling environment in its pursuit of diversification if it so wishes to increase its market share. Oganga (2008) asserts that CCK has also in the recent past proposed legislations which would further reduce the attractiveness of the industry such as the Kenya Communications Amendment Bill (2007) that was assented to in January 2009. The bill was introduced to help streamline and introduce regulatory provisions in electronic transactions as well as broadcasting which were considered weak. However, certain aspects of the bill such as powers giving the Minister for Communications powers to shut down a station considered to broadcast undesirable content were vehemently opposed by broadcasters with the government finally giving in and reversing the provisions of the section. Recently in 2009 also, CCK also proposed the Kenya Communications (Broadcasting) regulations which amongst other regulations proposed that, the commission will not only regulate content of radio stations but also that all licensees, except the public broadcaster shall not be assigned more than one broadcasting frequency. This proposed regulation will also have a negative impact on the industry growth and thus hindering diversification. The firms already hold more than one frequency for broadcasting to other geographic regions and also for developing new stations targeting different segments of audiences. This study is expected to help inform policy change by the government when negotiating with stakeholders on the proposed new regulations. (Ogangah, 2009)

The financial institutions should give the media industry an enabling environment in terms of doing business. The media industry has become very commercial and various

media houses make profits through advertising. The financial institutions should allow media houses to borrow funds to be able to undertake projects that they have forecasted.

The Media Owners Association should also work with synergy to ensure that the media efficiently performs its roles to the public. It should also set rules that will guide the operation of responsible journalism and media buying from various clients. The advertisers and media buying professionals should educate the sales force on the various needs of the clients. They should also do business in a professional way and reject temptations of being bribed while media buying.

This study is important to those involved in general strategic management for various businesses. This is because various strategic management elements have been discussed as far as diversification and implementation are concerned. The study has brought out the various challenges that are encountered during implementation of the diversification strategy. It is important for the managers to do an intense background study under which it is operating before making any strategic move. The management should make sure that the team involved in the implementation is action oriented and has a lot of synergy. It should be brave enough to change the strategy if need be within a set time frame. Usually change in the initial strategy is done when the results are not forth coming within after a set period. The management should also be able to identify various challenges that are being encountered during the implementation process and come up with mechanisms that will adequately deal with the challenges.

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Appendix 1: LETTER OF INTRODUCTION

JULLIE LUSENO
SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI
7TH AUGUST 2010

Dear Respondent,

RE: MBA RESEARCH PROJECT

As part of the fulfillment of the requirement for the degree of Master of Business Administration of the University of Nairobi, am required to complete a research project.

My chosen topic of study is challenges in the implementation of diversification strategy at Radio Africa Ltd. I would be grateful if you could kindly spare some of your time for me to conduct an in-depth interview with you. An interview guide is here attached for your easy reference and to help you to prepare accordingly. The information you give will be treated with utmost confidentiality and will be used sorely for this research. A copy of the research project will be made available to you on request.

Your cooperation will be highly appreciated.

Thanking you in anticipation.

Yours Faithfully,

Jullie Luseno
Student

Dr.Zack Awino, PhD
Supervisor

Appendix 2: Interview guide

Questions to the General Manager of the broadcast division.

1. How long have you worked for Radio Africa?
2. Why did Radio Africa start Kiss 100 fm?
3. Did you have a strategy? If yes what was it?
4. What is the vision of Radio Africa?
5. How often do you rethink and redo the strategy of Radio Africa?
6. What challenges did you encounter while implementing the entry of Kiss Fm in the market?
7. What did you do to survive in the radio market in terms of generating revenues and being successful to the target market?
8. Why did Radio Africa start Classic 105 Fm?
9. How did the competitors, clients and listeners react to the coming up of Classic 105.5 Fm?
10. What challenges did you encounter at the beginning and in the process of implementing the new product?
11. Was Kiss 100 Fm affected initially?
12. Did you change the programming strategy of classic 105 Fm after some time?
13. Why did you change?
14. If so, how were the employees, clients and listeners affected by the change
15. Radio Africa did launch Radio Jambo a Kiswahili Radio Station two years ago. What challenges did you encounter given that this market is very competitive?
16. Radio Africa also did start two TV stations simultaneously about a year ago. Classic TV and Kiss TV. Why did you venture into this?
17. What challenges did you encounter?

18. How is the ongoing implementation process for the two TV stations?

19. How many employees are there in the broadcast division of Radio Africa now?

QUESTIONS TO THE GENERAL MANAGER OF THE STAR NEWSPAPER.

1. When was The Star started?

2. Why was it started?

3. What is the vision of the star?

4. Did you and still have a strategy in dealing with the stiff competition?

5. Did your association with some of the leading radio stations help you in penetration of the market?

6. What challenges did you face in the initial implementation of the various plans you had for The Star newspaper?

7. Did you change some plans in the process of implementation? If yes why did you change and did that help achieve your objectives?

8. What kind of relationship do you have with the broadcast division in your daily operations?

QUESTIONS TO THE GROUP FINANCIAL CONTROLLER

1. How did you handle the change in structure due to the venturing of Radio Africa into other lines of business?

2. How did you save on costs?

3. How does the relationship between the different business lines help the group in its financial management?

4. What financial challenges have you encountered due to the diversification of Radio Africa to other lines of business?

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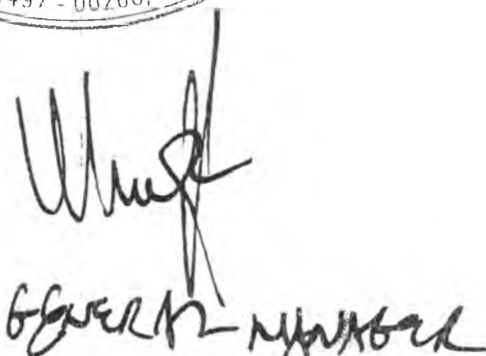

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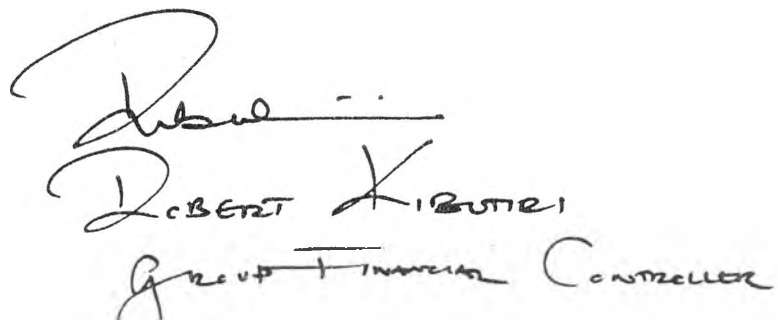

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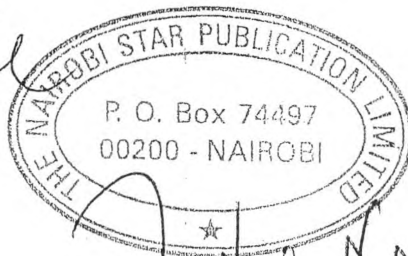

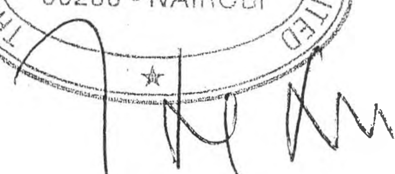

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