IMPLEMENTATION OF DIVERSIFICATION STRATEGY AT THE STANDARD GROUP (K) LIMITED

BY

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DECLARATION

I declare that, this project is my own original work and has not been presented for award of any degree in any University.

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NAME: MWANGI, MUTAHI SAMUEL DATE: 17TH NOVEMBER 2010

This research project has been submitted for the course examination with my approval as the University Supervisor.

Signature: _____ _____

NAME: JACKSON MAALU DATE: 17TH NOVEMBER 2010

DEDICATION

This research is dedicated to my family that had to bear with my busy schedule of class, job and family affairs.

May God bless you all.

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I first of all thank our good Lord for enabling me complete this research proposal. I would also like to acknowledge my Supervisor for advice and tireless efforts in the supervision during my research work and writing of this project.

ABSTRACT

Sustaining business growth is one of the key challenges to the business leader. Product diversification is one of a few answers to this problem. This study therefore sought to fill this knowledge gap by investigating the diversification strategies adopted by the Standard Group. The objectives of this study were to establish how the Standard group has implemented diversification strategies and to determine the factors influencing the implementation of diversification strategy at the Standard Group.

This was a case study since the unit of analysis was one organization. Primary data was used for the study through use of interview guides that were distributed among the senior managers in the Standard Group. Content analysis was employed in analyzing the data. The analysis was based on the objectives of the study. The qualitative analysis was used to analyze the respondents' views about the types of diversification strategies adopted by the Standard Group and their effect on the performance.

This study established that the group adopts diversification strategies to maximize profits and compete effectively in the media market; diversification strategies are adopted to consolidate the company's market share and ward off competition from its rivals, so as to spread the risks occasionally by using cost of operation, to maximize on profits. From the study it s also concluded that the company employs operation such as multimedia house targeting different segments of the market. The other aspect of the company's market power was in reaching a wider market.

The study therefore recommend that the organization should also incorporate diversification in its business operations through use of technological advancements and other aspects such as innovation and benchmarking strategies to realize full benefits of diversification. The study recommends that the company should work towards leading the media industry by setting up strategic advisory

committee to oversee strategic decision that need to be undertaken to enhance the diversification strategies through various aspects of media. The study further recommends that the organization should ensure that there is full usage of the available human resource and other resources as well as ensuring that the organization fully complies with the government regulations for it to successfully realize the intended results of the diversification strategies.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The strategy of internal diversification of a company may be explained in terms of branching-out from its existing dominant areas of knowledge and key competences, and the application of these to the marketing of new and improved products and services (Kim and Kogut, 1996). Developing and investing in knowledge and related capabilities enable companies to undertake processes of expansion and diversification, and to take advantage of the evolution of markets and future opportunities in industries of rapid growth.

Kim and Kogut (1996) stated that, in evolving environments, the capability of a company to improve and renew its products and services, and to diversify within related segments, is based on the construction and accumulation of knowledge derived from past experience. Therefore, the capability to evolve and diversify is an on-going process of construction and accumulation of new knowledge extending beyond that which already exists within the company.

As a result, the knowledge held by the company must be transferred to fields of application and action that are different from the current ones, through processes by which this new knowledge takes the material form of new products or of complete new businesses (Riggs *et al.*, 1996; Helfat and Raubitschek, 2000). Within this approach, the arguments presented will have their foundations essentially in the theory postulated by Nonaka and Takeuchi (1995), who focus on the analysis of the processes by which knowledge is generated and of the particular factors of organizational design that are necessary for this generation to be undertaken successfully.

1.1.1 Concept of Diversification

A firm can be diversified by diversifying its products, entering either related or unrelated businesses, and/or pursuing international markets. Once a firm has been diversified, it cannot concern itself only with its business unit strategy, i.e. how to create a sustainable competitive advantage within its chosen marketplace, but must pursue diversification-related activities when it confronts greater competitive pressures (Narashimhan and Kim, 2002). Hitt et al. (1997) assert that, for successful diversification, firms should have coordination capability for managing internal diversity and complexity that diversification creates. The coordination requires significant internal interactions among organizational units that might be geographically dispersed and external transactions with suppliers and customer. Bowen *et al.* (1994) state the need for the existence of certain key factors in order for a company to be successful in its projects for the creation of new products or new businesses. These elements applied in a holistic way, optimize the development, promote learning, and initiate change throughout the organization.

According to Porter (1996), companies erode their competitive advantage through poor product diversification strategies. Thus, diversification often results in the decay of the very competitive advantage that made the business successful in the first place. It would seem reasonable to expect that, if a firm was able to maintain or manage its competitive advantage while diversifying, it would result in successful product diversification. Recent studies have shown that diversification effects on performance remain inconclusive (Mukherji, 1998).

1.1.2 Strategy Implementation: Six Supporting Factors

Organizations successful at strategy implementation effectively manage six key supporting factors: Action Planning, Organization Structure, Human Resources, The Annual Business Plan, Monitoring and Control and Linkage.

First, organizations successful at implementing strategy develop detailed action

plans... chronological lists of action steps (tactics) which add the necessary detail to their strategies. And assign responsibility to a specific individual for accomplishing each of those action steps. Also, they set a due date and estimate the resources required to accomplish each of their action steps. Thus they translate their broad strategy statement into a number of specific work assignments.

Next, those successful at implementing strategy give thought to their organizational structure. They ask if their intended strategy fits their current structure. And they ask a deeper question as well... "Is the organization's current structure appropriate to the intended strategy?"

Organizations successful at strategy implementation consider the human resource factor in making strategies happen. Further, they realize that the human resource issue is really a two part story. First, consideration of human resources requires that management think about the organization's communication needs. That they articulate the strategies so that those charged with developing the corresponding action steps (tactics) fully understand the strategy they're to implement.

Second, managers successful at implementation are aware of the effects each new strategy will have on their human resource needs. They ask themselves the questions... "How much change does this strategy call for?" And, "How quickly must we provide for that change?" And, "What are the human resource implications of our answers to those two questions?"

In answering these questions, they'll decide whether to allow time for employees to grow through experience, to introduce training, or to hire new employees.

Organizations successful at implementation are aware of their need to fund their intended strategies. And they begin to think about that necessary financial commitment early in the planning process. First, they "ballpark" the financial requirements when they first develop their strategy. Later when developing their action plans, they "firm up" that commitment. As a client of ours explains, they

"dollarize" their strategy. That way, they link their strategic plan to their annual business plan (and their budget). And they eliminate the "surprises" they might otherwise receive at budgeting time.

Monitoring and controlling the plan includes a periodic look to see if you're on course. It also includes consideration of options to get a strategy once derailed back on track. Those options (listed in order of increasing seriousness) include changing the schedule, changing the action steps (tactics), changing the strategy or (as a last resort) and changing the objective.

Many organizations successfully establish the above five supporting factors. They develop action plans, consider organizational structure, take a close look at their human resource needs, fund their strategies through their annual business plan, and develop a plan to monitor and control their strategies and tactics. And yet they still fail to successfully implement those strategies and tactics. The reason, most often, is they lack linkage. Linkage is simply the tying together of all the activities of the organization...to make sure that all of the organizational resources are "rowing in the same direction."
It isn't enough to manage one, two or a few strategy supporting factors. To successfully implement your strategies, you've go to manage them all. And make sure you link them together.

Strategies require "linkage" both vertically and horizontally. Vertical linkages establish coordination and support between corporate, divisional and departmental plans. For example, a divisional strategy calling for development of a new product should be driven by a corporate objective – calling for growth, perhaps -- and on knowledge of available resources -- capital resources available from corporate as well as human and technological resources in the R&D department.

Linkages which are horizontal -- across departments, across regional offices, across manufacturing plants or divisions – require coordination and cooperation to get the organizational units "all playing in harmony." For example, a strategy calling for introduction of a new product requires the combined efforts of – and thus coordination and cooperation among – the R&D, the marketing, and the manufacturing departments.

1.1.3 Media Industry in Kenya

A media house refers to a company that is in the business of print media (such as newspapers or magazines), electronic media (such as radio station or TV station) or digital media (such as online) or all of them. The media industry in Kenya is a diverse and vibrant growing industry. It includes four major daily newspapers, more than eight TV Stations and more than 70 FM radio stations. There is also extensive cross-media ownership in Kenya, with a number of media houses owning newspapers, television stations and radio stations.

Kenya is now enjoying a vibrant media industry, offering opportunities for entrepreneurs, both local and foreign. Kenyans now have access to over eight TV channels keeping them in touch with world developments as they happen. The major media houses in Kenya are the Standard Group, the Nation Media Group, Radio Africa Group and Royal Media Services. These have been competing on various strategic business units including radio, television, and print media. Over the recent past, they have taken on aggressive growth strategies to expand their coverage and to target specific markets especially in the radio and TV industry.

These are interesting and frightening times for the news media. It is a sector being radically transformed from within and without by new and emerging technologies. These, depending on how one looks at them can either provide new opportunities for media organizations or lead to their demise. It is now widely

agreeable that most newspapers 'die' after 1 p.m. In Kenya, the shelf-life of a newspaper is still slightly longer, but there is every indication that it is growing shorter by the day. When the Kenyan newspaper shelf-life finally settles at 1 p.m, which it will, the question is whether the local news media organizations will survive the challenge (Ogola, 2008).

Despite the boundless potential the online media platform avail businesses and audiences, the speed at which it is being embraced by Kenyan news media organizations seems rather desultory. Perhaps it is the false comfort in the brand name. However, loyalty to brand name can never be infinite considering that people's expectations are always in flux. Many media houses with far more venerable profiles have had to embrace the online media platform. Initially looked at as a threat, they are now exploiting this platform as an opportunity.

1.1.4 The Standard Group Limited

The Standard Group Limited is a Kenya-based company. The Standard Group Limited, formerly known as East African Standard, was founded in 1902 and is headquartered in Nairobi, Kenya and publishes The Standard (daily and weekend editions). The Company is engaged in the publishing of The Standard, The Saturday Standard and The Sunday Standard newspapers; distribution of selected local and international magazines and periodicals, electronic broadcasting under the names of Kenya Television Network Limited (KTN) and Radio Maisha. The Company's subsidiaries include The Standard Limited, Baraza Limited, Publishers Distribution Services and lately Radio Maisha. Over the years, the Standard Group limited has pursued a turnaround strategy that has resulted in growth of both market share and profitability. As a result, the Group now boasts of a strong financial base, reengineered business operation and an enhanced corporate profile (www.standardmedia.co.ke).

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The group has now embarked on the next phase of transformation and diversification growth strategy, radio and online business being priority areas of focus. Towards this end the Group has made substantial investments in infrastructure as critical growth support pillar for both print and TV broadcast business. The Group has also made significant investment in development of valued Human Capital. A robust and scalable state of the art printing solution is already operational at our customized development at The Standard Group Centre. The impact of this information is epitomized by the quality of the bold new look Standard newspaper in terms of colour and print quality. The Bold new Standard has been well received in the market as demonstrated by sustained growth in readership and advertising (www.standardmedia.co.ke).

The Group, which owns Standard Newspaper, the Kenya Television Network (KTN) Kenya's premier private television channel, and Publishers Distribution Services (PDS), acquired Toads Media a firm that holds nationwide radio frequencies. Radio Maisha will delve into day-to-day issues that affect Kenyans would broadcast in Kiswahili and would take after the character of the Group's other platforms of boldness and authoritativeness. The radio will seek to relate with listeners' day-to-day life through news, views and entertainment. it is the surest mode of diversification adopted the Standard Media Group (www.standardmedia.co.ke).

Investment on TV broadcast has seen the acquisition of cutting-edge broadcast technology with respect to a virtual studio and Satellite Mobile News Gathering facilities (CCK, 2008). This has assured sustained market leadership of our KTN Brand. The construction development at the Standard Group Centre on Mombasa Road is on schedule and progressing well within a record one and half years. As part of growth diversification strategies and transformation into leading multimedia house, the Board of the Standard Group has decided on investment in

radio broadcast. The turnaround of the country's oldest media house is largely attributed to continued improvement in internal efficiencies and growth in circulation and advertising revenues in print, broadcast and online business.

1.2 Statement of the Problem

Sustaining business growth is one of the key challenges to the business leader. Product diversification is one of a few answers to this problem. Researchers, however, claim that most companies struggle to diversify profitably (Porter, 1996; Zook, 2001a). Zook (2001a) points out that 90 percent of companies' efforts to diversify outside of their core business have failed over the past decade. Pursuing diversification activities may enable a firm to exploit market opportunities and enjoy the benefits of economies of scale or scope. Diversification may also achieve competitive advantage for companies through economics of scale and other synergies from using the company's resources and capabilities across different product lines (Guillen, 2000). During the past three decades, a number of studies (Hitt et al., 1997; Montgomery, 1994; Perotti and Gelfer 2001) have examined issues related to diversification strategies at the corporate level, and have argued that firms can engage in such activities because they possess a particular set of competitive advantages.

The Standard group is one of the leading groups in the diversification arena in the Kenyan broadcasting industry with the publishing of newspapers, distribution of selected local and international magazines and periodicals, Publishers Distribution Services (PDS), acquired Toads Media a firm that holds nationwide radio frequencies, electronic broadcasting under the names of Kenya Television Network Limited (KTN) and Radio Maisha. The group has now embarked on the next phase of transformation and diversification growth strategy, radio and online business being priority areas of focus. Despite all these strategies, the company has not realized its optimal performance and financial stability.

Local studies have also been done in the field of diversification strategies. E.g. Mwindi (2003) conducted an analysis of the application of unrelated diversification strategy by the major oil companies in Kenya, Mwau (2005), did a study of related diversification with EABS, Njoroge (2006), did a study on building competitive advantage through diversification. A case study of Kenol/Kobil Oil Corporation, Wakwoma (2007), conducted a survey of product diversification strategies adopted by firms in the banking industry in Kenya while Munene (2008) did a research on the diversification strategies of Christian community services of Mount Kenya East region. To the best of the researcher's knowledge, no known studies, either local or international had been done on the diversification strategies adopted by the Standard Group. This study therefore sought to fill this knowledge gap by investigating the diversification strategies adopted by the Standard Group.

1.3 Objectives of the Study

The study was guided by the following objectives:

i. To establish how the Standard group has implemented diversification strategies.
ii. To determine the factors influencing the implementation of diversification strategy at the Standard Group

1.4 Value of the Study

The study would be invaluable to the Standard Group Company management in that it would provide an insight into the various approaches towards diversification strategies and how diversification could be used to enhance performance.

The study would also help the government in policymaking regarding taxation and other regulatory requirements of the Standard Group and to the academicians, the study would provide a useful basis upon which further studies on diversification strategies could be conducted.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are: concept of business diversification, rationale of diversification, types of diversification strategies, motivations for diversification, diversification and firm performance and challenges of diversification.

2.2 Concept of Diversification

In the developing economies business environment, unlike in developed economies, firms diversify into other segments through a different legal entity. By definition, diversification is a more drastic and risky strategy because of the involvement of a simultaneous departure from familiar products and familiar markets. Diversification is defined as growth and expansion of firms entering related fields and new businesses (Hitt *et al.* 2004). On the other hand, Guillen (2000), a specialist in business administration, defined diversification as "increased diversity on a whole line of products to sell through business activities of firms." In this definition, the line of products and criteria on diversity should be clarified in order to facilitate the discussion.

Diversification is a form of corporate strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit level or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry which the business is already in. At the corporate level, it is generally and it is also very interesting entering a promising business outside of the scope of the existing business unit (Khanna and Palepu, 2000).

The diversification strategy of a company is a corporate strategy intended to increase profits by increasing sales volume. This increase in sales volume is brought about by launching new products and identifying new market segments. Diversification strategy can be implemented at the business unit level as well as the corporate level. In case of business unit level, the strategy can be implemented for the expansion of the company by coming up with a new segment, related to the existing business. In case of corporate level, however, the target area is a new business, which is not related to the existing business unit (Guillen, 2000). Some of the most prominent diversification strategy examples include a company specializing in pencil production opting for production of erasers or a company specializing in alcoholic beverages entering the airlines sector.

The theoretical perspective that has come to be known as the resource-based view of the firm suggests that sustainable competitive advantage often originates inside the firm, and that strategy at the firm level is therefore driven by firm-specific resources and capabilities. The resource-based view of the firm suggests that diversification arises as firms attempt to leverage non-tradable firm-specific resources, among them human resources. What sparks firm diversification, and why do diversified firms exist? Studies of diversification have long been a mainstay of economics as well as strategic management research (Hoskisson and Hitt, 1990).

Economic theory generally assumes that firms are organized with a single product focus and face a homogeneous factor market. Based on those assumptions, a market power view (Edwards, 1955) of diversification emphasizes the benefits a firm may reap at the expense of its competitors and customers. More skeptical views offered by agency theorists emphasize the benefits that diversification offers to firm managers themselves, often at the expense of its shareholders.

In order for firm-specific resources and capabilities to generate competitive advantage, they must be valuable, relatively rare, and relatively inimitable or immobile, enabling the firm to earn rents. The effectiveness of firm strategies depends on the utilization and exploitation of existing resources. To the extent that firms have pools of underused resources, these create unique, firm-specific opportunities for exploitation (Montgomery, 1994). Diversification is one such strategy for exploiting existing firm-specific resources: firm diversification can be understood as a process through which managers first identify resources that are unique to their firm, and then decide in which markets those resources can earn the highest rents. Some firm resources are 'indivisible' and therefore 'sticky', and, particularly if they are intangible, difficult or impossible to trade in the market. Firms with these kinds of resources may seek to deploy them in product markets through diversification.

2.2.1 Internal 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 (Fluck and Lynch 1999).

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. Johnson & Johnson added a line of baby toys to its existing line of items for infants. Packaged-food firms have added

salt-free or low-calorie options to existing product lines (Markides and Williamson, 1994).

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 (Perotti and Gelfer 2001). 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.

2.2.2 External Diversification

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 (Khanna and Palepu 1997). These firms are usually of similar size. One goal of a merger is to achieve management synergy by creating a stronger management team. This can be achieved in a merger by combining the management teams from the merged firms.

Acquisitions, a second form of external growth, occur 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 (Coase, 1937). Acquisitions are called friendly if the firm being purchased is receptive to the

acquisition. Unfriendly mergers or hostile takeovers occur when the management of the firm targeted for acquisition resists being purchased.

2.3 Rationale of Diversification

According to Yiu, Bruton, Lu, (2005), there are two dimensions of rationale for diversification. The first one relates to the nature of the strategic objective: diversification may be defensive or offensive. Defensive reasons may be spreading the risk of market contraction, or being forced to diversify when current product or current market orientation seems to provide no further opportunities for growth. Offensive reasons may be conquering new positions, taking opportunities that promise greater profitability than expansion opportunities, or using retained cash that exceeds total expansion needs.

The second dimension involves the expected outcomes of diversification: management may expect great economic value (growth, profitability) or first and foremost great coherence and complementary to their current activities (exploitation of know-how, more efficient use of available resources and capacities). In addition, companies may also explore diversification just to get a valuable comparison between this strategy and expansion (Ghatak and Kali, 2001).

2.4 Factors Influencing the Implementation of the diversification

The performances of various sizes of diversified firms outside manufacturing environments (e.g., wholesalers and retailers) remain unexplored despite indications that size and institutional factors influence diversification effectiveness. For example, Khanna and Palepu, (2000) acknowledges that opportunities for improving performance through diversification are more limited for wholesalers and retailers than for manufacturers. Perotti and Gelfer (2001), are among those who argue that firm size contributes to the performance of diversified firms.

The literature suggests that an organization's core function provides the dominant focus for basing diversification decisions (Khanna and Palepu 1997). This core consists of a collection of processes and activities related to the primary task firms have been organized to accomplish. Embedded within each institutional type, specific core competencies create synergies for business segments throughout the organization as production and distribution expand through multiple products or single product lines.

Diversified firms are classified as related or unrelated based on the company's preexisting products and activities. The difference between related and unrelated diversification is viewed as "the relative distance between the knowledge needed to operate in the new domain and the degree of knowledge available in the current domain. While the bulk of evidence suggests that large manufacturing firms pursuing related diversification outperform both large undiversified firms and large firms supporting an unrelated diversification strategy, the validity of generalizing across institutional types and sizes remains questionable. Differences among institutional types as well as firm size may indeed affect diversification performance (Yiu, Bruton, Lu, 2005).

2.5 Types of Diversification Strategies

The strategies of diversification can include internal development of new products or markets, acquisition of a firm, alliance with a complementary company, licensing of new technologies, and distributing or importing a products line manufactured by another firm. Generally, the final strategy involves a combination of these options (Thomsen and Pedersen, 2000). This combination is determined in function of available opportunities and consistency with the objectives and the resources of the company. Diversification strategy of a company may include several plans, ranging from development of a new product

to licensing of new technologies, or a combination of one or more of these plans. Basically, there are three different types of diversification strategies.

2.5.1 Concentric Diversification

In case of concentric diversification strategy, the technology used in the industry remains the same, while the marketing plan changes to a significant extent. This strategy requires technological similarities between the two business ventures (Ramirez 1995). Technical knowledge turns out to be an advantage when it comes of concentric diversification strategy.

This means that there is a technological similarity between the industries, which means that the firm is able to leverage its technical know-how to gain some advantage. For example, a company that manufactures industrial adhesives might decide to diversify into adhesives to be sold via retailers. The technology would be the same but the marketing effort would need to change. It also seems to increase its market share to launch a new product, which helps the particular company to earn profit.

The goal of such diversification is to achieve strategic fit. Strategic fit allows an organization to achieve synergy (Manikutty, 2000). In essence, 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.

2.5.2 Horizontal Diversification

According to Lins and Servaes (2002), horizontal integration occurs when a firm enters a new business (either related or unrelated) at the same stage of production as its current operations. The company adds new products or services that are

technologically or commercially unrelated (but not always) to current products, but which may appeal to current customers. In a competitive environment, this form of diversification is desirable if the present customers are loyal to the current products and if the new products have a good quality and are well promoted and priced (Lins and Servaes, 2002). Moreover, the new products are marketed to the same economic environment as the existing products, which may lead to rigidity and instability. In other words, this strategy tends to increase the firm's dependence on certain market segments.

In case of horizontal diversification strategy, the technology used is not at all related to the existing business of the company. Though the existing products are not related to the new venture, the current customer base of the company is taken into consideration when coming up with these new products (Fisman and Khanna, 2004). This strategy proves to be advantageous in a competitive market scenario, wherein the company has a loyal customer base.

2.5.3 Conglomerate Diversification (or Lateral Diversification)

As in the case of horizontal diversification, even lateral diversification strategy stresses on products, which are not related to the existing line of products. The only exception in this case, however, is that the company targets a new segment of customers, instead of catering to its existing loyal customers. The company markets new products or services that have no technological or commercial synergies with current products, but which may appeal to new groups of customers.

The conglomerate diversification has very little relationship with the firm's current business (Fisman and Khanna, 2004). Therefore, the main reasons of adopting such a strategy are first to improve the profitability and the flexibility of the company, and second to get a better reception in capital markets as the

company gets bigger. Even if this strategy is very risky, it could also, if successful, provide increased growth and profitability.

Diversification strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business. The purpose of diversification is to allow the company to enter lines of business that are different from current operations. When the new venture is strategically related to the existing lines of business, it is called concentric diversification (Comment and Jarell, 1995). Conglomerate diversification occurs when there is no common thread of strategic fit or relationship between the new and old lines of business; the new and old businesses are unrelated.

Conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business. Synergy may result through the application of management expertise or financial resources, but the primary purpose of conglomerate diversification is improved profitability of the acquiring firm (Goto, 1982). Little, if any, concern is given to achieving marketing or production synergy with conglomerate diversification. One of the most common reasons for pursuing a conglomerate 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 business.

Probably the biggest disadvantage of a conglomerate 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 (Ghatak and Kali, 2001). Such a move may create rivalry and administrative problems between the units.

2.6 Motivations for Diversification

As noted by Perotti and Gelfer (2001), firms diversify to grow and survive in a sustainable fashion. Naturally, even though there might be risk, the decision as to whether or not to diversify depends on corporate strategy and is critical in the growth of firms. A number of papers that give different reasons for diversification: Firms might diversify when their objectives can no longer be met within the product-market scope defined by expansion (Hoskisson *et al.*, 2001); Firms might diversify because the retained cash exceeds total expansion needs; Firms might diversify when diversification opportunities promise greater profitability than expansion opportunities Li and Wong (2003) suggested that firms might continue to explore diversification when the available information is not reliable enough to permit a conclusive comparison between expansion and diversification.

Markides and Williams (1994) suggested that companies seek to diversify as external and internal inducements for growth. "*External inducements*" mean conditions or opportunities in a firm's external environment, such as a downward shift in demand in a firm's primary market. "*Internal inducements,*" on the other hand, indicate conditions within a firm that prompt it to diversify. A very typical internal inducement would be a firm's desire to utilize its resource base.

One of the main advantages of diversification identified in the management literature is the synergy that it creates. By moving into new areas, opportunities emerge to develop new inter-relationships through the actual process of working on new services and markets. This synergy makes it is possible to produce a combined return on resources that is greater than the sum of the parts (Ansoff, 1988). The likely success of the diversification strategy will be the fit between the different business units and their working relationships. The impetus is on the

managers of the different units to understand their inter-relationships so the probability of synergy can be increased.

There are several reasons why firms choose to diversify in order to provide channels for growth, profits and employment. These include: the need for financial resources (Li and Wong, 2003), limited capability to compete in export markets, high-transactional cost due to the underdevelopment of infrastructure, and most importantly, the Chinese government's support for the idea of a business group' with a core firm at its centre.

Private businesses in China generally do not enjoy the sort of privilege and favorable treatment (e.g. bank loans and other resources) from the central and local governments like their state-owned or state-affiliated counterparts. Private businesses have to develop their own social network to obtain necessary resource for them to survive and compete in the market. An important way to develop this network is to diversify into un-related businesses in order to gain access to resources necessary for the firm to perform which are otherwise difficult to obtain due to the deficiency of the market system and the insufficient government support (Zhao and Luo, 2002).

As stated, despite a rich body of researched topics in the strategy literature is the relationship between firm performance and diversification, there continues remaining some argument about the diversification and performance relationship. However, some researchers believe that the relationship between and diversification and performance is moderated by the type of diversification being pursued (Dess et al., 1995). In particular, related and unrelated diversification both have an impact on firm performance, although in opposite directions. The commonly accepted rule of thumb is that related diversification is associated with

higher levels of performance, while unrelated diversification tends to result in lower performance.

2.7 Diversification and Firm Performance

A common feature of the industrial landscape of most emerging economies is the existence of diversified business groups. Many contemporary studies of business groups (Khanna and Rivkin, 2001) have established that diversification is beneficial in emerging markets, unlike in developed economies where diversified companies are valued at a discount. Khanna and Palepu (2000) have also examined the extent of diversification and firm value, arguing that beyond a threshold diversification is beneficial. The predominant rationale for the existence of groups that researchers explore in literature relates to transaction cost economics and weaknesses in market institutions. The resource perspective which is our focus is relatively underutilized perspective by researchers, and we believe has a potential to enhance our understanding of group existence and performance link. Guillen (2000) argues that pooling and distribution of heterogeneous resources through related and unrelated diversification is an important role of business groups through which they add value to affiliated firms. But there are no studies that examine the performance impact of either of the two diversification strategies (related/unrelated) in business groups in emerging markets.

Li and Wong (2003) suggested that when analyzing the performance effects of corporate diversification strategies, one should keep in mind the different institutional contexts in the emerging economies. Specifically, the lack of well-established product markets, financial markets, and labor markets, coupled with the lack of necessary laws and regulations and inconsistent enforcement of contracts may make it difficult for firms to pursue resource building and leverage alone in emerging economies.

On the one hand, resource-based theory suggests that since related diversification is inherently positioned to identify, develop, and leverage resources, it would lead to superior performance. On the other hand, considerations of the institutional environment predicts that unrelated diversifications in emerging economies can help firms internalize market institutes and manage institutional relations. As a result, contrary to the common belief in the developed economies that single/concentration strategy and related diversification strategy are more effective than unrelated diversification and high diversity strategy, Li and Wong (2003) found that it was the joint effect of both related and unrelated diversification strategies that are affecting firm performance.

In other words, the "match" between the related and unrelated diversification was more important than the specific kind of strategy firms adopt. They found that firms that pursue single/dominant strategies (low in both related and unrelated diversification) and high diversity strategies (high in both related and unrelated diversification) outperform pure related and unrelated strategies, since the latter lack the "consistency" between the two strategic dimensions Manikutty, (2000) argues that resource allocation can be handled much more efficiently in internal capital markets than external capital markets. Thus, diversified firms by this very logic are at an advantage because of their ability to create sizeable internal capital markets. Nonaka, (1991) work suggests that inefficiencies in the external capital market (as in many emerging economies) should make internal capital markets much more attractive. Ramirez (1995) emphasize that in the absence of well developed external capital markets internal capital markets have potential to create value.

The resource-based view seems to suggest that firms diversify into related industries and related diversification leads to superior rents (Montgomery 1994). The firm resources include the factors of production, services created from the

factors of production and the specialized competencies it has created over time. According to the resource-based view, firms diversify in response to the excess capacity in the resources they possess. Therefore, as long as the firm can find profitable ways of exploiting its unutilized resources, it has incentive to expand (1994).

The unutilized resources of the firm offer the potential to exploit scale and scope benefits. The exploitation of economies of scale is available through the exploitation of firm-specific resources into related industries. Nayyar (1993) contends that benefits of positive reputation and economies of scope are exploitable from related diversification, but are unavailable from unrelated diversification. These conditions of resources strongly point to diversification that is related and therefore the RBV suggests a positive relation between firm performance and related diversification. Thomsen and Pedersen (2000) conjectures related diversification to be a better strategy in comparison to unrelated diversification.

2.7.1 Transaction Costs

Transaction costs theory (Coase, 1937) predicts that the optimal firm structure will be dependent upon the institutional context. Most developed economies have strong and well developed institutions with efficient product, labour and capital markets. Hence, the market structure would be a much more efficient mechanism for transactions. In this light, there are higher costs associated with diversified firm structure and therefore it is predicted that conglomerates would be poor performers in strong and mature market.

Emerging markets are characterized by underdeveloped institutions and weak capital, labour and product markets. Transaction costs theory predicts that diversified group structure is a beneficial organization form in emerging

economies. Interestingly the diversification literature predominantly attributing the value gain/loss arguments to transaction costs rationale and the institutional voids argument is comprehensively researched in the finance and strategic literature in both emerging and developed market context.

The assumptions of emerging markets are that the capital market structure is imperfect and underdeveloped. Khanna and Palepu (1997) suggest that these imperfections exist in the labor, capital and product markets as well. Transaction cost economics predicts that internal capital markets would be an efficient alternative under these conditions. Therefore, firms will have incentive to diversify. The transaction cost economics theory also predicts that diversified firms will outperform focused firms in imperfect markets. Therefore, in Kenyan business environment it is expected that diversified business groups will have superior performance. Hence, firms that are not diversified will be valued poorly. Because transaction cost economics predicts favourable effects of diversifying as a strategy, it follows that firms that have a dominant diversified structure would be valued more by the market. In developing countries diversification strategy is typically executed through the group structure although many focused business entities also emulate the group structure. Perotti and Gelfer (2001) show that industrial groups commonly exist in emerging markets. Therefore, a positive impact of group affiliation (and therefore diversification) on firm value is expected and is a well researched proposition by authors examining business groups in emerging markets (Lins and Servaes, 2002).

While recognizing the contributions of transaction cost economics and institutional theory literature in the examination of business groups, the hypothesis brings into perspective the resource-based view to explain diversified business groups. Khanna and Palepu (2000) in their work examine the benefits of group affiliation and the extent of diversification question. To our knowledge the

direction of diversification question in business groups has not been examined in prior literature. We seek to address this gap through the hypothesis and present evidence as to the diversification strategy that is beneficial for business groups.

2.7.2 Diversification and Firm Value

There are many and contradictory theoretical arguments in the literature to explain the relationship between the diversification strategy and firm performance, suggesting that diversification may have both value enhancing and value reducing effects. The diversification strategy is a considerable and interesting topic of study in the literature of the firm value, but there is significant divergence on whether or not diversification can be conducted to make long-run competitive advantage (Markides and Williamson, 1994). Nowadays there is a debate in the finance literature whether or not corporate diversification is a value maximization strategy for shareholders.

The firm's choice to diversify is undertaken when the benefits of diversification overcome its costs, aid the firm stay focused when the opposite occurs. On the one hand, some theoretical arguments points to diversification as a value-increasing strategy for the firm. For instance, Fluck and Lynch (1999) argue that diversification permits marginally profitable projects, which cannot get financed as stand alone units, to be financed. Matsusaka (2001) shows that the firm chooses to diversify when the gains from searching for a better organizational fit outweigh the costs of reduced specialization. On the other hand, the evidence obtained in the corporate finance literature, such as the point that multi-segment firms trade at a discount, in relation to a portfolio of single-segment firms, have led researches to believe that diversification destroys value.

Consequently the economic literature has focus on the impact of different levels and types of diversification on firm value. To examine this impact is crucial to

distinguish between related and unrelated diversification. The firms who follow the related diversification try to exploit economies of scope through the sharing of physical and human resources across similar lines of business while unrelated diversification pursues search for achieve economic advantage by being able to distribute capital and other financial resources in an internal market more efficiently (Helfat and Eisenhard, 2004).

As a result of the fact that there is no clear evidence regarding which type of diversification is better, diversification into related business is frequently argued to provide better value and then must be preferred by the firm (Markides and Williamson, 1994). Furthermore the research conducted to explain the effects of different levels and types of diversification on firm value has driven to a curvilinear relationship between diversification and the value of a firm. The curvilinear model posits that some diversification is better than none (Palich, Cardinal and Miller, 2000).

2.8 Implementation of the Diversification Strategies

Li and Wong, (2003), stipulates that the two principal objectives of implementing diversification strategy are improving core process execution, and/or enhancing a business unit's structural position. Guillen, (2000) on the other hand posit that the fundamental role of implementing diversification strategy is for corporate managers to create value for stockholders in ways stockholders cannot do better for themselves. The additional value is created through synergetic integration of a new business into the existing one thereby increasing its competitive advantage. Diversification strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business. The purpose of diversification is to allow the company to enter lines of business that are different from current operations. Different diversification strategies (concentric vs. conglomerate) require different skills on the part of a company's top managers, and that the factors should be taken into consideration before firms are joined.

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According to Natsvlishvili and Grigolashvili, (2010) despite the fact that the probability of their successful implementation often is not very high, the benefit gained in case of achievement of set goals never leaves the place for regret. Numerous circumstances complicate the forecasting of diversification. The number of these circumstances increase as a result of global economic crisis and additional specific circumstances appears when transitional country's company operates on a global market. For those the decrease of risk sometimes is a vital issue. The author argues that the following difficulties create basis for the elaboration of successful diversification strategy: insufficient amount of advanced strategic inputs, which is mainly expressed by the fact that during the decision-making process the existing conditions do not foster the implementation of in-depth analysis and complete utilization of its results in the decision-making process. Many transitional economy's companies are well aware of this weakness and they do not pursue international diversification strategy if they cannot obtain the partner foreign firm having connections with the influential groups of that country; b) very often the board of directors insistently demands from the highest executive managers the quick assimilation of new markets (Hitt, Boyd and Li, 2004).

There are many reasons for pursuing a diversification strategy, but most pertain to management's desire for the organization to grow. Companies must decide whether they want to diversify by going into related or unrelated businesses. They must then decide whether they want to expand by developing the new business or by buying an ongoing business. Finally, management must decide at what stage in the production process they wish to diversify (Perotti and Gelfer, 2001). Although the diversification of industrial organizational level strategic analysis and in the core competitiveness and corporate diversification strategy based on strength of analysis of their own strengths, and many companies at home and abroad to

implement the process of diversification strategy has played an important guiding role.

At present, resource-based enterprise development strategy of diversification of the business development process of the great role and importance, as industry analysis. Resource-based diversification strategy of the main ideas embodied in the various areas such as grasping the valuable resource is the basis for a successful diversification strategy. According to RBV theory, enterprises are the tangible and intangible resources of the different combinations. As the enterprise has the experience, master of the assets and technology, and accumulated long-term organizational culture different, so there is no two the same company (Lins and Servaes, 2002). However, not all of the resources of enterprises have diversified work, and only to this valuable resource be able to play a key role in advancing the strategy. At the same time, the diversification in different circumstances, different forms of resources, the role is different, even if the same kinds of resources, the role is also often different.

It also entails grasping the characteristics of resources that are the key to successful diversification strategy. The unique nature of those business owners to engage in diversification of the unique resources, unique to restrict competition and create value. If the enterprise's resources are not unique to the competitors can easily access, so even if the value-creating diversification is temporary.
Successfully transplanted a valuable resource is the determinants of the success of diversification strategy implementation (Fisman and Khanna, 2004). Enterprises in implementing the process of diversification strategy are to essentially have their own resources to new industries and effective transplant, to re-obtain a competitive advantage process. However, because the competitive environment and industry in which different characteristics, the original resources, but also has

the different characteristics, so these resources, the value after transplantation may change.

Implementing the enterprise resource-based diversification strategy process, prevent the managers guilty of the following two types of common errors, these errors are often the main reason for failure of corporate diversification. First, over-use of their own resources in the high-profit industry, the ability to compete. The reason why some industries have higher profit margins because of high barriers to entry in these industries limits the enterprises to enter (Manikutty, 2000).

2.9 Challenges of Diversification

Although the widespread interest in diversification is understandable given the massive changes occurring in the defence market, much of the academic literature concerned with corporate strategy is sceptical of the merits of diversification. Indeed, as Campbell has recently noted: "Every textbook, article and researcher concludes that diversification is to be treated with caution". In reviewing the evidence on diversification, Howe has concluded that as a strategy it "has not lived up to expectations" (DTI, 1993). One recent study of strategic response to recession by Whittington, for example, concluded that diversification had little positive impact on performance. Indeed, Kastens has voiced a widely held view that diversification is basically a negative strategy involving companies running away from fundamental problems) (Howe, 1986).

The difficulties involved with diversification have been well aired in the literature (Kastens, 1973). Diversification is often viewed as a panic measure, which suffers from a lack of strategic planning. Moreover, management skills may not be easily transferable to a new area of business. It is generally agreed that to

attempt simultaneously to enter new markets and develop new products is a risky strategy, which should be avoided if at all possible.

The degree of relatedness of the new area of business with a company's existing business has also been thought to be of some importance to the likely success of diversification. A recent study by Very, for example, argues that the key to successful diversification is building on the core competences of a business and that superior performance through diversification is primarily based on relatedness (Ansoff, 1988).

Warnings concerning the potential pitfalls of diversification have been echoed by some studies of the defence industry. The Mckinsey report by the electronics sector group of the NEDC has argued that there is overwhelming evidence that British defence companies are poorly prepared to enter civilian markets. The problems, which were identified, included a lack of ability to create new products, control costs or market civilian activities adequately (Syedain, and Beresford, 1990).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the methodology that was used in gathering the data, analyzing the data and reporting the results. Here the researcher aimed at explaining the methods and tools used to collect and analyze data to get proper and maximum information related to the subject under study. It discussed the research design, population size and sample and the method of data collection used. Once data had been collected the chapter discussed how the data was analyzed.

3.2 Research Design

This was a case study since the unit of analysis was one organization. This was a case study aimed at getting detailed information regarding the types of diversification strategies adopted by the Standard Group and their effect on the performance. According to Yin (2003) a case study allows an investigation to retain the holistic and meaningful characteristics of real life events.

Kohati (2004) noted that a case study involves a careful and complete observation of social units. It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily data collected from such a study is more reliable and up to date. The case study design is employed since the researcher seeks to collect study in depth information and do a full analysis of the types of diversification strategies adopted by the Standard Group and their effect on the performance.

3.3 Data Collection

Primary data was used for the study. Primary data is facts, assumptions or premises obtained directly from the field. In order to establish the types of diversification strategies adopted by the Standard Group and their effect on the performance, interview guides were distributed among the senior managers in the Standard Group, who included the Group Strategy Advisor, heads of various departments - Finance and Administration, ICT, Marketing, Commercial and Editorial.

The interview guides had open-ended questions. The use of an open-interview strategy enabled better exposure of the interviewees' personal perspectives, their deeper thoughts, emotions and ambitions (Bromley, 1986; Paton, 1990). This less structured approach allows the interviews to be much more like conversations than formal events with predetermined response categories, permitting the respondents' views to unfold, rather than the predisposition of the researcher (Marshall and Rossman, 1997, p. 80). The interview guides will be administered on a face to face basis.

3.4 Data Analysis

The data collected using interview guides was qualitative in nature. Content analysis was employed in analyzing the data. Kohati (2004) describe it as any technique used to make inferences by systematically and objectively identifying specific characteristics and messages. Content is defined by Creswell (2003) as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends. According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study the existing information in order to determine factors that explain a specific phenomenon. According to Kothari (2000), content analysis uses a set of

categorization for making valid and replicable inferences from data to their context.

The analysis was based on the objectives of the study. The qualitative analysis was used to analyze the respondents' views about the types of diversification strategies adopted by the Standard Group and their effect on the performance using the perspective of Marshall and Rossman (1997, p. 111), who see qualitative data analysis "as a search for general statements among categories of data".

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and interpretations of the data from the field. It presents analysis and findings of the study as set out in the research methodology on the diversification strategies adopted by the Standard Group. The data was gathered exclusively from an interview guide as the research instrument. The interview guide was designed in line with the objectives of the study. To enhance data quality of data obtained, unstructured questions were used whereby interviewees indicated their views and opinions about the diversification strategies adopted by the Standard Group.

4.2 Response Rate

Rate	Frequency	Percent (%)
Responded	4	66.7
Not responded	2	33.3
Total	**6**	**100**

Source: Research data, (2010)

From the target population of six (6) respondents, four (4) interviewees completed the interview guide making a response rate of 66.7%. This commendable response rate was made a reality after the researcher made personal interviews and visits to request the interviewee to fill-in the interview guide as well as insisting the importance of participating in the study.

4.3 General Information

4.3.1 Name of Department

The study sought to establish the interviewees' departments. From the findings, the interviewees indicated that they worked as heads of Finance and Administration, ICT, Commercial and Editorial departments.

4.3.2 Interviewees' Designation in the Department

On the interviewees' designation in the departments, the interviewees held positions such as Business Managers, Administration Officer, ICT Manager and Managing Editor, Daily.

4.3.3 Interviewees' Total Work Experience in Years

The study, in an effort to establish the interviewees' competence and conversance with matters regarding Standard Group Limited, asked questions on the years that the interviewees had worked for the organization. According to the interviewees' response, all of them had worked for the organization for at least three (3) years with the highest number of years worked being seventeen (17) years. The interviewees' responses hence had the advantage of good command and responsibility being that they head of departments and experience and aptitude owing to their years of experience in the organization.

4.3.4 Involvement in Diversification Strategies

The study sought to establish who are involved in diversification strategies in the company. From the study, the management staff who includes operational managers, deputy Chairman (Group Strategy Advisor) and the Board of Directors are involved.

4.4 Diversification Strategies

The study sought to investigate the implementation of diversification strategy at the Standard Group (K) Limited. The interviewees indicated that the organization

undertakes diversification strategies to spread risks in many forms of media such as radios, TVs, print. They also indicated that the group adopts diversification strategies to maximize profits and compete effectively in the media market, while others indicated that diversification strategies are adopted to consolidate the company's market share and ward off competition from its rivals, so as to spread the risks occasionally by using cost of operation, to maximize on profits by making use of idle capacity.

On some of the diversification strategies employed by the Standard Group Limited, the interviewees indicated that the company was investing in all the multi-media platforms such as radio broadcast, Television broadcast, online journals and distribution of magazines/books. Others were expansion by introducing new revenue fronts such as radios.

The interviewees were required to indicate the approach of diversification take by Standard Group Limited. From the study, the company employs operation such as multimedia house targeting different segments of the market. The company also employs live expansions which include Move magazine in PDs and Eve magazine, other innovations such as Radio Maisha, redesigning in areas such as new look of KTN Leo, KTN Prime and station promotions.

The study investigated the market power effects of increasing levels of diversification and found that superiority was the company's market power in large number of audience and hence higher revenues. The other aspect of the company's market power was in reaching a wider market. Other interviewees felt that the media market felt presence of the company because of its presence in all areas of the media business.

The study sought to investigate the role of diversification in sustaining business growth where the respondents indicated that diversification enabled spread of risk, competitiveness in growing market, moving accolades to the company, increasing market share and helps to raise the company's profile.

The study sought to investigate some of the benefits realized through diversification around the core business (concentric diversification) in the company. The respondents indicated that it helps in that some sectors of the business which are doing well lift those which are just beginning to grow. There is also use of already available human resource and lowering of costs as s result of diversification in sustaining business growth. It was also clear that diversification influenced sustainability of business growth by tapping additional revenue from additional areas as magazine distribution.

On the ways that development and investing in knowledge and related capabilities has enabled the Standard Group Limited to undertake strategies of diversification, the interviewees indicated that there was introduction of the online services to reach wider markets, maximization of profits through mopping up of advertisement revenue across all the media platforms, the Standard Group was at par with the latest TV, Radio and present technologies from broadcasting using a simple flight OB to state of art printing press.

The study required to know the effect of accumulation of knowledge derived from past experience in enhancing capability of the Standard Group Limited to improve and renew its operations. The interviewees indicated that with past experience at hand, KTN was able to be a pioneer of live transformation on TV, it has aided in the more focused-approach in the target audiences viewers and readers.
The respondents were required to highlight the benefits realized when the Standard Group Limited expands into related lines. They indicated that more

profits were realized from the same resources, lower costs were experienced, there was ready human resource, the group consolidated its market share, maintained its presence in the market, earned additional revenue and minimized cost of operation.

The study sought to investigate the effect of government regulation on diversification strategies. The interviewees indicated that the threat by government to limit the number of media outlets a company or individual may operate has negatively affected the diversification in the media business. This therefore means Standard may consider diversification areas other than the media. This also infers that there will be availability of frequencies when needed, while at the same time it means that no one can bank frequencies with anticipation of future diversification.

The study also sought to investigate the some of the diversification motivations of the Standard Group Limited. The interviewees indicated higher percentage of elite Kenyans which implies prone to accept changes, the pace of economy in Kenya is faster reaching the right market in the right time hence more revenue. Others are strengthening the presence in the country's media market so that it has a competitive edge against other media players, to be established as a regional media and to beat competition. They also indicated that there is realization that there is untapped potential in the market especially in Kiswahili radio services and women and magazine leadership.

4.5 Diversification Strategies and Performance

The respondents were required to indicate the type of diversification that results in higher levels of performance. They indicated that online series, social media and different media reaching different market segments resulted in high levels of performance. Further, they indicated that the diversification strategies were somehow related to the core business of the company as it helps in consolidating

the market and that the company had build enough capacity and it got a competitive edge.

On the type of diversification strategies that affect performance of Standard Group, the interviewees indicated that more responsibilities gave fresh challenges to staff and therefore it removes monotony, at time it brings out unnecessary competition and conflict and it leads to higher performance.
The respondents were required to indicate that effects of diversification on performance of the Standard Group limited. From the responses, diversification enhanced profits and it generally led to higher performance.

From the study, diversification has enabled the organization to take advantage of the evolution of markets and future opportunities in industries of rapid growth in that it has been able to lap to the emerging market such as short message texting, sending breaking news to subscribers, it has enabled it to favorably compete, online scenarios has reached wider markets even in the diasporas, it has also onslaught of social media and it has also helped the company remain as one of the leaders in the media industry.

On the ways of employing diversification strategies that has helped the company yield financial success, the study found that the company adopted ways such as tapping on the advertisement revenue that would otherwise be going to other companies, increasing job portfolio of human resource, promotions, lowering costs on incurred than starting a fresh recruitment and that it has captured a wider market both in the upper and lower income brackets.

4.6 Discussion

According to Khanna and Palepu, (2000), diversification seeks to increase profitability through greater sales volume obtained from new products and new

markets. The diversification strategy of a company is a corporate strategy intended to increase profits by increasing sales volume. these findings correlate with the study findings that Standard group adopts diversification strategies to maximize profits and compete effectively in the media market, while others indicated that diversification strategies are adopted to consolidate the company's market share and ward off competition from its rivals, so as to spread the risks occasionally by using cost of operation, to maximize on profits by making use of idle capacity and that the company was investing in all the multi-media platforms such as radio broadcast, Television broadcast, online journals and distribution of magazines/books.

Fluck and Lynch (1999) observed that at the business unit level, it is most likely to expand into a new segment of an industry which the business is already in. In case of business unit level, the strategy can be implemented for the expansion of the company by coming up with a new segment, related to the existing business. in line with these prior findings, the study established that the company employs operation such as multimedia house targeting different segments of the market. The company also employs live expansions which include Move magazine in PDs and Eve magazine, other innovations such as Radio Maisha, redesigning in areas such as new look of KTN Leo, KTN Prime and station promotions.

Yiu, Bruton, Lu, (2005) found that differences among institutional types, the competitive edge of the company, the target market, economy as well as firm size may indeed affect diversification performance. These findings are similar to those in the study that some of the diversification motivations of the Standard Group Limited were higher percentage of elite Kenyans which implies prone to accept changes, the pace of economy in Kenya is faster reaching the right market in the right time hence more revenue. Others are strengthening the presence in the country's media market so that it has a competitive edge against other media players, to be established as a regional media and to beat competition and that

there is realization that there is untapped potential in the market especially in Kiswahili radio services and women and magazine leadership.

Guillen, (2000) stated that diversification strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business. The purpose of diversification is to allow the company to enter lines of business that are different from current operations. Perotti and Gelfer, (2001) also posit that there are many reasons for pursuing a diversification strategy, but most pertain to management's desire for the organization to grow. in line with these studies, the study found that diversification has enabled the organization to take advantage of the evolution of markets and future opportunities in industries of rapid growth in that it has been able to lap to the emerging market such as short message texting, sending breaking news to subscribers, it has enabled it to favorably compete, online scenarios has reached wider markets even in the diasporas, it has also onslaught of social media and it has also helped the company remain as one of the leaders in the media industry.

CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to establish how the Standard group has implemented diversification strategies and to determine the factors influencing the implementation of diversification strategy at the Standard Group.

5.2 Summary of the Findings

5.2.1 Implementation of the Diversification Strategies

The study found that Standard group adopts diversification strategies to maximize profits and compete effectively in the media market, while others indicated that diversification strategies are adopted to consolidate the company's market share and ward off competition from its rivals, so as to spread the risks occasionally by using cost of operation, to maximize on profits by making use of idle capacity and that the company was investing in all the multi-media platforms such as radio broadcast, Television broadcast, online journals and distribution of magazines/books. Others were expansion by introducing new revenue fronts such as radios.

The study also found that the company employs operation such as multimedia house targeting different segments of the market. The company also employs live expansions which include Move magazine in PDs and Eve magazine, other innovations such as Radio Maisha, redesigning in areas such as new look of KTN Leo, KTN Prime and station promotions. The study found that superiority was the company's market power in large number of audience and hence higher revenues. The other aspect of the company's market power was in reaching a wider market.

Other interviewees felt that the media market felt presence of the company because of its presence in all areas of the media business and that diversification enabled spread of risk, competitiveness in growing market, moving accolades to the company, increasing market share and helps to raise the company's profile.
The study also established that diversification helps in that some sectors of the business which are doing well lift those which are just beginning to grow. There is also use of already available human resource and lowering of costs as a result of diversification in sustaining business growth. It was also clear that diversification influenced sustainability of business growth by tapping additional revenue from additional areas as magazine distribution. The study also found that there was introduction of the online services to reach wider markets, maximization of profits through mopping up of advertisement revenue across all the media platforms, the Standard Group was at par with the latest TV, Radio and present technologies from broadcasting using a simple flight OB to state of art printing press. With past experience at hand, KTN was able to be a pioneer of live transformation on TV, it has aided in the more focused-approach in the target audiences viewers and readers.

The study also found that more profits were realized from the same resources, lower costs were experienced, there was ready human resource, the group consolidated its market share, maintained its presence in the market, earned additional revenue and minimized cost of operation. The threat by government to limit the number of media outlets a company or individual may operate has negatively affected the diversification in the media business. This therefore means Standard may consider diversification areas other than the media. This also infers that there will be availability of frequencies when needed, while at the same time it means that no one can bank frequencies with anticipation of future diversification.

5.2.3 Factors Influencing the Implementation of the Diversification Strategy

On some of the diversification motivations of the Standard Group Limited, the study found that higher percentage of elite Kenyans, which implies prone to accept changes, the pace of economy in Kenya is faster reaching the right market in the right time hence more revenue. Others are strengthening the presence in the country's media market so that it has a competitive edge against other media players, to be established as a regional media and to beat competition and that there is realization that there is untapped potential in the market especially in Kiswahili radio services and women and magazine leadership.

On the type of diversification that results in higher levels of performance, the study found that online series, social media and different media reaching different market segments resulted in high levels of performance. The diversification strategies were somehow related to the core business of the company as it helps in consolidating the market and that the company had build enough capacity and it got a competitive edge. More responsibilities gave fresh challenges to staff and therefore it removes monotony, at time it brings out unnecessary competition and conflict and it leads to higher performance.

From the study, diversification has enabled the organization to take advantage of the evolution of markets and future opportunities in industries of rapid growth in that it has been able to lap to the emerging market such as short message texting, sending breaking news to subscribers, it has enabled it to favorably compete, online scenarios has reached wider markets even in the diasporas, it has also onslaught of social media and it has also helped the company remain as one of the leaders in the media industry. On the ways of employing diversification strategies that has helped the company yield financial success, the study found that the company adopted ways such as tapping on the advertisement revenue that would otherwise be going to other companies, increasing job portfolio of human resource, promotions, lowering costs on incurred than starting a fresh recruitment

and that it has captured a wider market both in the upper and lower income brackets.

5.3 Conclusions

This study concludes that the group adopts diversification strategies to maximize profits and compete effectively in the media market, diversification strategies are adopted to consolidate the company's market share and ward off competition from its rivals, so as to spread the risks occasionally by using cost of operation, to maximize on profits by making use of idle capacity and that the company was investing in all the multi-media platforms such as radio broadcast, Television broadcast, online journals and distribution of magazines/books. Others were expansion by introducing new revenue fronts such as radios.

From the study it s also concluded that the company employs operation such as multimedia house targeting different segments of the market. The company also employs live expansions which include Move magazine in PDs and Eve magazine, other innovations such as Radio Maisha, redesigning in areas such as new look of KTN Leo, KTN Prime and station promotions. It also established that superiority was the company's market power in large number of audience and hence higher revenues. The other aspect of the company's market power was in reaching a wider market. The media market felt presence of the company because of its presence in all areas of the media business and that diversification enabled spread of risk, competitiveness in growing market, moving accolades to the company, increasing market share and helps to raise the company's profile.

It was clear from the study that diversification helps in that some sectors of the business which are doing well lift those which are just beginning to grow. There is also use of already available human resource and lowering of costs as s result of diversification in sustaining business growth. It was also clear that diversification influenced sustainability of business growth by tapping additional revenue from

additional areas as magazine distribution. It is deduced that there is introduction of the online services to reach wider markets, maximization of profits through mopping up of advertisement revenue across all the media platforms, the Standard Group was at par with the latest TV, Radio and present technologies from broadcasting using a simple flight OB to state of art printing press. With past experience at hand, KTN was able to be a pioneer of live transformation on TV, it has aided in the more focused-approach in the target audiences viewers and readers.

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On the type of diversification that results in higher levels of performance, the study concludes that online series, social media and different media reaching different market segments resulted in high levels of performance. The diversification strategies were somehow related to the core business of the company as it helps in consolidating the market and that the company had build enough capacity and it got a competitive edge. More responsibilities gave fresh challenges to staff and therefore it removes monotony, at time it brings out unnecessary competition and conflict and it leads to higher performance.

From the study, diversification has enabled the organization to take advantage of the evolution of markets and future opportunities in industries of rapid growth in that it has been able to lap to the emerging market such as short message texting, sending breaking news to subscribers, it has enabled it to favorably compete, online scenarios has reached wider markets even in the diasporas, it has also onslaught of social media and it has also helped the company remain as one of the leaders in the media industry. On the ways of employing diversification strategies that has helped the company yield financial success, the study found that the company adopted ways such as tapping on the advertisement revenue that would otherwise be going to other companies, increasing job portfolio of human resource, promotions, lowering costs on incurred than starting a fresh recruitment and that it has captured a wider market both in the upper and lower income brackets.

5.4 Recommendations

The study found that the group adopts diversification strategies to maximize profits and compete effectively in the media market, diversification strategies are adopted to consolidate the company's market share and ward off competition from its rivals, so as to spread the risks occasionally by using cost of operation, to maximize on profits by making use of idle capacity and that the company was investing in all the multi-media platforms such as radio broadcast, Television

broadcast, online journals and distribution of magazines/books. This study therefore recommends that the organization should enhance its diversification strategies in order to realize even more profits and market share.

The study found that the company employs operation such as multimedia house targeting different segments of the market. The media market felt presence of the company because of its presence in all areas of the media business and that diversification enabled spread of risk, competitiveness in growing market, moving accolades to the company, increasing market share and helps to raise the company's profile. The study therefore recommend that the organization should also incorporate diversification in its business operations through use of technological advancements and other aspects such as innovation and benchmarking strategies to realize full benefits of diversification.

The study deduced that there is use of already available human resource and lowering of costs as a result of diversification in sustaining business growth. It was also clear that diversification influenced sustainability of business growth by tapping additional revenue from additional areas as magazine distribution. It is deduced that there is introduction of the online services to reach wider markets, maximization of profits through mopping up of advertisement revenue across all the media platforms, the Standard Group was at par with the latest TV, Radio and present technologies from broadcasting using a simple flight OB to state of art printing press. It is against this observation that the study recommends that the company should work towards leading the media industry by setting up strategic advisory committee to oversee strategic decision that need to be undertaken to enhance the diversification strategies through various aspects of media.

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its market share, maintained its presence in the market, earned additional revenue and minimized cost of operation. The threat by government to limit the number of media outlets a company or individual may operate has negatively affected the diversification in the media business. The study further recommends that the organization should ensure that there is full usage of the available human resource and other resources as well as ensuring that the organization fully complies with the government regulations for it to successfully realize the intended results of the diversification strategies.

5.5 Suggestions for Further Studies

This study has explored the diversification strategies adopted by the Standard Group. The study found and analyzed data with a focus on Standard Group. There are other media companies in Kenya whose orientation in the broadcasting industry is close to that of Standard Group limited but differ in their diversification strategies. There is therefore need to do another comprehensive study to investigate the diversification strategies in the broadcasting industry in Kenya. Further, a similar study should be carried out to investigate the effect of diversification strategies on performance of organizations in Kenya.

5.6 Limitations of the Study

The researcher encountered various limitations that tended to hinder access to information sought by the study which include:

The researcher encountered problems of time as the research was being undertaken in a short period that limited time for doing a wider research. However the researcher countered the limitation by carrying out the research across all the departments within the Standard Group limited which enabled generalization of the study findings.

The respondents approached were reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image

about the company. The researcher handled the problem by carrying with him an introduction letter from the University and assured them that the information they gave would be treated confidentially and it was to be used purely for academic purposes.

The researcher also encounter problems in eliciting information from the respondents as the information required was subject to areas of feelings, emotions, attitudes and perceptions, which could not be accurately quantified and/or verified objectively. The researcher encouraged the respondents to participate without holding back the information they had as the research instruments did not bear their names.

Lack of sufficient funds limited the researcher from accessing all the institutions in Kenya to collect data for study. The researcher however limited himself to the Standard Group Limited due to inadequacy of funds.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

September 2010

The Human Resource Manager,
The Standard Group Limited,
P.O Box 30080 - 00100,
GPO, Nairobi.

Dear Sir/ Madam,

RE: MBA RESEARCH PROJECT

I am a Postgraduate student at the School of Business, University of Nairobi pursuing a Master of Business Administration (MBA) degree program.

Pursuant to the pre-requisite course work, I would like to conduct a research project to assess the types of diversification strategies adopted by the Standard Group Limited and their effect on the performance. The focus of my research will be the Standard Group Limited and this will involve interviewing members of the senior management team.

I kindly seek your authority to conduct the research at the Standard Group Limited through research interviews and use of relevant documents. I have enclosed an introductory letter from the University. Your assistance is highly valued. Thank you in advance.

Yours faithfully,

Mwangi Mutahi Samuel

APPENDIX II: INTERVIEW GUIDE

Diversification Strategies Adopted by the Standard Group Limited

Kindly answer the following questions

Part A: Background Information

1. Name of department:.....
2. What is your designation?.....
3. What is your total work experience in years?.....
4. Who is involved in the diversification process at your company? (titles).....

SEC B: Diversification strategies

5. Why does the Standard Group Limited diversify?

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6. What are some of the diversification strategies employed by the Standard Group Limited?

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7. What approach of diversification does the Standard Group Limited take?

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8. What is the market power affects of increasing levels of diversification?

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9. What is the role of diversification in sustaining business growth?

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10. Which are some of the benefits realized through diversification around the core business (concentric diversification) in your company?

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11. In what ways has development and investing in knowledge and related capabilities enabled the Standard Group Limited to undertake strategies of diversification?

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12. Of what effect is accumulation of knowledge derived from past experience in enhancing capability of the Standard Group Limited to improve and renew its operations?

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13. What benefits are realized when the Standard Group Limited expands into related lines?

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14. What is the effect of government regulation on diversification strategies?

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15. What are some of diversification motivations of the Standard Group Limited?

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SEC C: Diversification and Performance

16. In your opinion what type of diversification result in higher levels of performance?

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17. In what way does diversification affect performance of the Standard Group Limited?

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18. How has diversification helped the Standard Group Limited to take advantage of the evolution of markets and future opportunities in industries of rapid growth?

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19. In what ways has employing diversification strategies helped your company yield financial success?

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THANK YOU!