ABSTRACT
Organizations in the course of their business face numerous and diverse challenges. In order to survive in the turbulent and uncertain world of business, the management of these organizations craft appropriate strategies. One such strategy crafted at the corporate level is diversification strategy. Organizations adopt diversification strategy for several reasons. Some include increasing their profits to supplement their income and to take advantage of emerging opportunities in other markets and regions. Diversification takes on three forms: related diversification, unrelated diversification and multinational diversification. When diversification is implemented, it affects the performance of an organization. As to whether its influence is positive or negative is a matter that management must investigate as time progresses. This is important since it forms the basis of identifying whether it is worth to continue with the diversification strategy or divest from some businesses. A measure of the performance of an organization can be in form of profits and return on equity. The purpose of this study was to determine the diversification strategy adopted by KenolKobil Ltd and the influence of this diversification strategy on the performance of KenolKobil in Kenya. KenolKobil being a Kenyan indigenous oil company has in the recent past faced several challenges due to changes in the oil industry. Such changes include the liberalization of the oil industry in 1994, increased competition from other oil companies, unfair business practices, reduced margins and exit of major oil companies from the African markets hence leaving a supply gap in those markets. Therefore it became important for the management of KK to diversify. In as much as KK has diversified into different products, business lines and different markets, it is important to investigate whether this strategy has had an influence on its performance. This research was done using a case study design and the object of the case study was KenolKobil Ltd. A case study was chosen because it offered the opportunity to do an in-depth analysis of KK. It offered an opportunity to establish the diversification strategy adopted by KK and what influence it had on its performance in Kenya. Data was collected from both primary and secondary sources. The primary source was an interview with senior management of KK and secondary source was obtained from published information on KK. The data was analyzed using content analysis and discussed to determine the diversification strategy adopted by KK and its performance. The findings were summarized and presented in this research project. It has been established that KK has adopted related, unrelated and multinational diversification strategies. The study also established that this diversification has increased the sales, net profits and shareholder equity of KK. Some of the recommendations for further research proposed were that it is important to establish reason for the decline in return on equity. In the course of conducting the research, limitations encountered were inability to access some financial information since the respondents considered it very confidential. In addition, some of the respondents did not provide some information on time due to their busy schedules.