PRODUCT DIVERSIFICATION AND ITS PERCEIVED EFFECT ON GROWTH OF COMPANIES:

A CASE STUDY OF NATION MEDIA GROUP

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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Date: 5th November 2011

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

Signature: ______________________ 8/11/2011

Professor Francis N. Kibera Date:

Department of Business Administration

DEDICATION

This project has been dedicated to my parents, especially my late dad Mr. Moses Onsarigo for instilling in me the value for education, my family especially my son Reagan and friends for their encouragement, guidance and support in all my education efforts.

ACKNOWLEDGEMENT

I would like to thank GOD for granting me perseverance throughout my period of study and for seeing me through the completion of the course.

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Lastly, I thank all the Senior Managers at Nation Media Group who gave me a chance to interview them during the research process. I am highly indebted for the favor I was accorded by all of you.

ABSTRACT

The main objective of this study was to identify the different product diversification strategies that have been put in place at NMG and to determine their effects on growth as perceived by NMG Management. The study adopted a case study design which provided an opportunity to examine the different product diversification strategies that have been implemented over the years. The study used primary data which was collected through a structured questionnaire from the middle and senior management staff of the Nation Media Group.

The collected data was edited, coded and analyzed using the technique of content analysis. From the results of the study, it emerged that a number of product diversification strategies are evident at NMG, these embrace market expansion which included the company going across borders to expand its operation, introduction of new product line to increase market share in broadcasting and digital divisions, and finding new users for the current product. This is evident in that these days the print newspapers can be read through the internet every day.

The study concluded that NMG has deliberately developed and implemented diversification strategies that have seen it grow to its current level. On the basis of the findings presented above; it was recommended that Nation Media Group should continue with the development and implementation of diversification strategies. Suggestions were made that a similar study be replicated for other major players in the industry.

ABBREVIATIONS

KUJ	Kenya Union of Journalist
FM	Frequency Moderation
T V	Television
CCK	Communication Commission of Kenya
BBC	British Broadcasting Corporation
NMG	Nation Media Group
KBC	Kenya Broadcasting Corporation
AMWIK	Association of Media Women in Kenya.

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CHAPTER ONE: INTRODUCTION

1.1 Background:

Since the early nineteenth Century, large companies have expanded their scope across geographical areas, across the value chain, and across products. After the 2nd world war, expansion of companies across different product markets was the most prominent source of corporate growth (Grant, 1998).

The developments on diversification were driven by the advancement of Science of management implied application of tools and principles of general management hence professional managers could run widely diversified corporations. On the same note, managers were not constrained by industry boundaries (Grant, 1998).

In the 1980s value adding ability of diversified companies was questioned and the cost of maintaining the diversified companies became an issue. This because the focus was on growth and not profitability. This called for value based planning techniques i.e. value adding through sticking to the knitting (Peters and Waterman 1982). Restructuring was seen as a means of correcting the excesses of broad diversification hence limiting business to a few closely related industries.

1.1.1 The concept of product diversification.

Diversification is a form of growth marketing strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. It is also the process of investing a portfolio across different asset classes in varying proportions depending on an investor's time horizon, risk tolerance and goals (Thornburg, 2001-2009).

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 involves entering into a promising business outside of the scope of the existing business unit. As for the case of Nation Media Group, the company has ventured into corporate level of diversification by introducing a new product to its print product called the Business daily which mainly targets the business corporates and the high end business people in the formal business market (Peters and Waterman 1982).

1.1.2 The Concept of growth

Companies adapt to a growth strategy based on investing products and sectors which are growing faster than their peers. The benefits are usually in the form of capital gains rather than dividends. To portray alternative corporate growth strategies, Ansoff (1988) presented a matrix that focused on the firm's present and potential products and markets (customers). By considering ways to grow via existing products and new products, and in existing markets and new markets, there are four possible product-market combinations as described by (Ansoff 1988)

Ansoff's matrix provides four different growth strategies:

Market Penetration - the firm seeks to achieve growth with existing products in their current market segments, aiming to increase its share. Market Development - the firm seeks growth by targeting its existing products to new market segments. Product Development - the firms develops new products targeted to its existing market segments.

Diversification - the firm grows by diversifying into new businesses by developing new products for new markets.

Selecting a Product-Market Growth Strategy

Grant (1998), diversification efforts may be either internal or external. Internal diversification occurs when a firm enters a different market but usually related, line of business by developing the new line of business itself. Internal diversification frequently involves expanding a firm's product or market base. External diversification may achieve the same result; however, the company enters a new area of business by purchasing another company or business unit. Mergers and acquisitions are common forms of external diversification.

1.1.3 Media industry in Kenya

The history of Kenyan media is closely tied to the political and economic interests of the colonial government and white settler communities. In 1963, majority of broadcasts on government-owned radio and television stations were imported British and American programmes, but this was set to change. Kenyan culture was promoted via the mass media under the presidency of Jomo Kenyatta. More programmes were broadcasted in Swahili and there was a focus on African music and dance. Likewise, newspapers covered more African traditions and culture.

The press later suffered under the one-party state (KANU), which was written into the Constitution in 1982. Journalists were arrested and imprisonment as state officials was worried about the media challenging the government. In 1992, the press expanded due to multi-party politics and pressure from Kenyan activists and the international community. The most dramatic developments of the media sector took place between 2000 and 2007. The period is characteristic of proliferation of ethnic language FM stations across the country, expansion of TV stations from Nairobi to all major towns across the country and exponential growth in telecommunication. The scarcity of broadcasting frequencies and development of the broadcasting sub sector CCK has been unable to satisfy the high demand for frequencies in recent years. The total number of pending applications for broadcast frequencies was 470 for FM sound and 138 for TV broadcasting in 2006 (CCK Annual Report 2006/2007).

The electronic media has developed very sophisticated platforms for enhancing citizen participation in media. Both radio and TV stations have live interviews during news bulletins, live discussion shows, live guest forums, live breakfast shows and debates, phone-ins and sums during live talk shows. Most call-ins and platforms are charged at a higher rate than the normal rate set by mobile phone service providers. Interactive media optimizes the public sphere by providing a platform for free discussion. According to the Chairman of KUJ, interactive media encourages expression of divergent opinion and dialogue on matters of public interest, and a culture of tolerance and respect for different opinion which are important ingredients for freedom, promotes of democracy, freedom of speech and right to information. The interactive platform encourages Kenyans expand the limits of their rights and freedoms thus empowering them to set the agenda for issues that concern them. The interactive media enables marginalized communities to participate in national conversations. According to Jane Thuo, Executive Director, Association of

Media Women in Kenya (AMWIK) interactive media provided platforms for journalists to articulate different issues in the society.

The Media consists of the print media, radio and Television and it is growing and expanding in Kenya and a greater variety of interests is being represented (BBC World Service Trust) Radio is the most influential form of media in Kenya as radios can be found in very remote areas unlike televisions which are concentrated in urban areas. Stations operate mainly in Nairobi and its surrounding areas. The broadcasts of most commercial radio stations are made up of light entertainment, including talk shows, phone-ins and music. It is currently estimated that 90% of the Kenyan people have access to radios and 60% to TV receivers. The liberalization of broadcasting media has led to the emergence of a number of private TV and radio stations which include Nation, Family, Citizen, Kameme, Capital, Kiss, KBC (English & Swahili) radio stations among others and KTN, KBC, Metro, Nation, Citizen, Family TV stations (CCK Annual Report 2006/2007).

Niche theory dictates that in markets with high levels of competition, media organizations will produce differentiated products (Dimmick, 2003).This has been demonstrated by the players of the media industry in Kenya. For instance, Citizen TV has come up with the best African programmes and it is commanding in that line, talk shows that impact to communities e.g. former Luis live.

The subdivision of the nation into distinct language and culture groups affects the market structure for media products much more significantly than it would for most other types of Products. This has led to upcoming of many vernacular FM stations which serve the market segments. African products are becoming popular and TV stations are focusing on that and advertising-to-editorial ratios are high. However, the market is saturated with radio stations, TV and newspapers suggesting that on average, potential revenues through advertisements are reducing over time (Daily Nation December 1st 2008).

Political influence is manifested in the industry. Relations between the state and press in Kenya have also attracted international attention and have been recorded in the US Department of State's report on Human Rights Practices for Kenya for 2003. Government officials were reported to have put pressure on journalists to not cover certain issues and some editors and journalists were believed to have practiced self-censorship because of government pressure or bribes. This reduces the integrity of the institutions.

1.1.4 The Nation Media Group

Nation Media Group is the largest Independent Media House in East and Central Africa. It was established in 1959 with Taifa Leo newspaper as their first newspaper. In March 1960, The Nation newspaper was established with the prime objective of reporting the political scene without fear or favorite editorial view point was to foster goodwill and understanding between the different races and communities.

The Nation newspaper therefore filled a big gap that existed in terms of a lively, vigorous, inquisitive, cheerful and sometimes controversial newspaper. The recent re-launch of DN2 issue seem to cover more on women and children who were earlier on been sidelined is now more colorful and full of humour. The nation newspaper has persistently kept their style of reporting and has been able to increase its customers thus contributing to growth of the company circulation and growth as a whole.

The good quality products and efficient production of NMG has seen the company diversify in other product lines apart from newspaper production. In 1997 NMG launched Nation Carrier division to help in the smooth running of its circulation department. By opening a carrier division NMG is seen to have diversified internally and thus increasing the fast delivery of their newspapers hence contributing to company growth. In October and December 1999 NMG launched its Radio and Television channel respectively. This internal diversification also led to the change of its name from Nation newspaper to Nation Media Group Limited.7

Nation Media Group Ltd was started to provide/serve the people of Kenya with news as they happen, but with time the company diversified by opening more new divisions in the neighboring countries. For instance, in 1992 Monitor publications in Uganda were launched followed by Mwananchi communications in Tanzania. NMG has also launched The East African newspaper to serve not only Kenyan customers but also to reach its customers in Uganda, Tanzania, Rwanda, and South Sudan. We can therefore conclude that Nation Media Group Has diversified and achieved one of its goals as a One Stop Shop Media of Africa For Africa'(Daily Nation December 1st 2008).

1.2 Research Problem

Organizations cannot be oblivious of the environment within which they operate. They have to be conscious of the environment in which they operate and respond to various factors in the environment in order to remain relevant. Organizations are faced with turbulence in their external environment (Kotler, 2000). One of the strategies of handling this is diversification.

Diversification is the key strategy to company growth and should be well planned by the top management through thorough research on the market issues and by consulting their juniors in order to contribute to positive growth and sustainability (Peters and Waterman 1982). This study mainly covers nation media Goup and how it has embraced diversification over the years. We have seen NMG venture in new print product line i.e. the Business daily and the stating up it digital division and broadcasting which has seen the company grow.

Diversification of company product could be a risky take but with proper planning and strategizing, it can turn out to be most profitable to the company because it involves both the product and market development (Ansoff matrix). Product diversification has been viewed by most companies as risky but for NMG this has earned the company great success and growth as a company through venturing into broadcasting, digital, courier and even expansion of its print product i.e. The Business daily which targets the same market but in a different niche (Grant 1998).

1.3 Objectives of the study

The objectives of the study are;

1. To identify strategies of company diversification that lead to growth.
2. In what ways does product diversification influence company growth?

1.4 Value of the study

Due to the high risks explained above, many attempts of companies to diversify led to failure. However, there are a few good examples of successful diversification and this applies to Nation Media Group which has keenly taken diversification as its growth strategy. This study will assist both top and middle level managers to discover ways in which they can achieve more growth in the company by implementing different diversification strategies. This study will enable staff members in understanding the best strategy to put in place and its effects in different market situations hence providing insight on challenges facing growth. I find it important as the study will increase body of knowledge in this area.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

A literature review involves the systematic identification, location and analysis of documents containing information related to the research problem being investigated. It should be extensive and thorough because it is aimed art obtaining detailed knowledge of the topic being studied.

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. 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 (Hill & Jones G (2001).

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.

Diversification is the riskiest of the four strategies presented in the Ansoff matrix and requires the most careful investigation. Going into an unknown market with an unfamiliar product offering means a lack of experience in the new skills and techniques required.

Therefore, the company puts itself in a great uncertainty. Moreover, diversification might necessitate significant expanding of human and financial resources, which may detracts focus, commitment and sustained investments in the core industries. Therefore a firm should choose this option only when the current product or current market orientation does not offer further opportunities for growth Kotler P. (1997).Due to the high risks explained above, many attempts of companies to diversify led to failure. However, there are a few good examples of successful diversification:

2.2 Classification of 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.

2.2.1 Internal diversification.

A business could also pursue an internal diversification strategy by finding new users for its current product. For example, Arm & Hammer marketed its baking soda as a refrigerator deodorizer. Finally, firms may attempt to change markets by increasing or decreasing the price of products to make them appeal to consumers of different income levels.

Another form of internal diversification is to market new products in existing markets. Generally this strategy involves using existing channels of distribution to market new products. Retailers often change product lines to include new items that appear to have good market potential. 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 (Aaker and Day, 1990).

It is also possible to have conglomerate growth through internal diversification. This strategy would entail marketing new and unrelated products to new markets. According to (Kotler 2000), 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.

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. 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. (Hill & Jones (2001)

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. 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.

2.2.3 Vertical diversification

Diversification strategies can also be classified by the direction of the diversification. Vertical integration occurs when firms undertake operations at different stages of production. Involvement in the different stages of production can be developed inside the company (internal diversification) or by acquiring another firm (external diversification). Vertical integration is usually related to existing operations and would be considered concentric diversification. According to Kotler (1997),a company pursuing vertical intergartion is normally motivated by a desire to strengthen the competitive position of its original or core business (Hill and Jones, 2001).Since servicing is an important part of many products, having an excellent service department may provide an integrated firm a competitive advantage over firms that are strictly manufacturers.

Some firms employ vertical integration strategies to eliminate the "profits of the middleman." Firms are sometimes able to efficiently execute the tasks being performed by the middleman (wholesalers, retailers) and receive additional profits. However, middlemen receive their income by being competent at providing a service. Unless a firm is equally efficient in providing that service, the firm will have a smaller profit margin than the middleman. If a firm is too inefficient, customers may refuse to work with the firm, resulting in lost sales (Kotler, 1990).

Vertical integration strategies have one major disadvantage. A vertically integrated firm places "all of its eggs in one basket." If demand for the product falls, essential supplies are not available, or a substitute product displaces the product in the marketplace. This type of strategy can be a good one if the company has a strong competitive position in a growing, attractive industry. A company can grow by taking over functions earlier in the value chain that were previously provided by suppliers or other organizations ("backward integration"). This strategy can have advantages, e.g., in cost, stability and quality of components, and making operations more difficult for competitors. However, it also reduces flexibility, raises exit barriers for the company to leave that industry, and prevents the company from seeking the best and latest components from suppliers competing for their business.

A company also can grow by taking over functions forward in the value chain previously provided by final manufacturers, distributors, or retailers ("forward integration"). This strategy provides more control over such things as final products/services and distribution, but may involve new critical success factors that the parent company may not be able to master and deliver. For example, being a world-class manufacturer does not make a company an effective retailer.Some writers claim that backward integration is usually more profitable than forward integration, although this does not have general support. In any case, many companies have moved toward less vertical integration (especially backward, but also forward) during the last decade or so, replacing significant amounts of previous vertical integration with outsourcing and various forms of strategic alliances.

2.2 .4 Horizontal diversification

Horizontal diversification occurs when a firm enters a new business (either related or unrelated) at the same stage of production as its current operations. For example, Avon's move to market jewelry through its door-to-door sales force involved marketing new products through existing channels of distribution. An alternative form of horizontal integration that Avon has also undertaken is selling its products by mail order (e.g., clothing, plastic products) and through retail stores (e.g., Tiffany's). In both cases, Avon is still at the retail stage of the production process. Horizontal integration or diversification involves the firm moving into operations at the same stage of production. Horizontal integration can be either a concentric or a conglomerate form of diversification (Ansoff 1988).

This strategy alternative category involves expanding the company's existing products into other locations and/or market segments, or increasing the range of products/services offered to current markets, or a combination of both. It amounts to expanding sideways at the point(s) in the value chain that the company is currently engaged in. One of the primary advantages of this alternative is being able to choose from a fairly continuous range of choices, from modest extensions of present products/markets to major expansions each with corresponding amounts of cost and risk.

2.3 Diversification strategies

2.3.1 Concentric diversification

Concentric diversification occurs when a firm adds related products or markets. The goal of such diversification is to achieve strategic fit. Strategic fit allows an organization to achieve synergy. 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. Breweries have been able to achieve marketing synergy through national advertising and distribution. By combining a number of regional breweries into a national network, beer producers have been able to produce and sell more beer than had independent regional breweries.

Financial synergy may be obtained by combining a firm with strong financial resources but limited growth opportunities with a company having great market potential but weak financial resources. For example, debt-ridden companies may seek to acquire firms that are relatively debt-free to increase the lever-aged firm's borrowing capacity. Similarly, firms sometimes attempt to stabilize earnings by diversifying into businesses with different seasonal or cyclical sales patterns. (Hill & Jones 2001).

Management synergy can be achieved when management experience and expertise is applied to different situations. Perhaps a manager's experience in working with unions in one company could be applied to labor management problems in another company. Caution must be exercised, however, in assuming that management experience is universally transferable. Situations that appear similar may require significantly different management strategies.

In this alternative, a company expands into a related industry, one having synergy with the company's existing lines of business, creating a situation in which the existing and new lines of business share and gain special advantages from commonalities such as technology, customers, distribution, location, product or manufacturing similarities, and government access.

2.3.2 Conglomerate diversification

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. Little, if any, concern is given to achieving marketing or production synergy with conglomerate diversification (Ansoff 1988).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.

Firms may also pursue a conglomerate diversification strategy as a means of increasing the firm's growth rate. As discussed earlier, growth in sales may make the company more attractive to investors. According to (Aaker, 1991) in Managing brand Equity, growth may also increase the power and prestige of the firm's executives, conglomerate growth may be effective if the new product has growth in the market.

Caution must also be exercised in entering businesses with seemingly promising opportunities, especially if the management team lacks experience or skill in the new line of business. Without some knowledge of the new industry, a firm may be unable to accurately evaluate the industry's potential. Even if the new business is initially successful, problems will eventually occur. Executives from the conglomerate will have to become involved in the operations of the new enterprise at some point. Without adequate experience or skills (Kotler, 1990) the new business may become a great success to the company.

This category of corporate strategy alternatives for growth involves diversifying into a line of business unrelated to the current ones. The reasons to consider this alternative are primarily seeking more attractive opportunities for growth in which to invest available funds (in contrast to rather unattractive opportunities in existing industries), risk reduction, and/or preparing to exit an existing line of business (for example, one in the decline stage of the product life cycle). Further, this may be an appropriate strategy when, not only the present industry is unattractive, but the company lacks outstanding competencies that it could transfer to related products or industries. However, because it is difficult to manage and excel in unrelated business units, it can be difficult to realize the hoped-for value added, determined in function of available opportunities and consistency with the objectives and the resources of the company.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The research methodology is the process by which the research will be carried out. This chapter discusses the proposed research design, the population of the study, sample design, data collection and data analysis (Olive and Abel 2003).

3.2 Research Design

A case study research design was used in this study so as to answer the key question on how diversification has contributed to growth of NMG. This kind of design was used because the study involved an in depth study of the firm's diversification strategies that have been initiated over the years. The choice of the Nation Media Group was appropriate because it is the largest Media House in East and Central Africa and is aimed at being the 'Media of Africa for Africa'. This case study involved a careful and complete examination of NMG and it embraced depth rather than breadth of a study (Cooper and Schindler, 2000).

3.3 Sample design

The sample and sample design of respondents was drawn from the Nation Media Group employees of Marketing, Advertising , Production and Editorial departments who are middle managers and senior graduate employees who are involved in the strategies formulation for the company and decision making process for NMG.

3.4 Data Collection

Data was collected by use of a semi-structured questionnaire to determine the growth level that has brought about by product diversification in NMG. The primary data targeted both the top and middle level management since they are the strategy formulators and implementers respectively. The questionnaire were hand delivered to the respondents and the exercise was conducted in a week's time, all those available in the office premises in that department at that period had equal chances to participate in the study. The research will be carried out in one department a day.

3.5 Data Analysis

Before analysis, the data was checked for completeness and consistency. The data analysis involved content analysis where appropriate pie charts and graphs could be used to more succinctly depict the research findings.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This is a chapter on data analysis and interpretation. In this chapter, the researcher presents the findings of the analysis and their interpretations. The chapter begins with an Introduction then a presentation on the different product diversification strategies that have been put in place to influence company growth in NMG

4.2 Diversification at Nation Media Group

Nation Media Group Ltd was started to provide/serve the people of Kenya with news as they happen, but with time the company diversified by opening more new divisions in the neighboring countries. For instance, in 1992 a Monitor publication in Uganda was launched followed by Mwananchi communications in Tanzania. NMG has also launched The East African newspaper to serve not only Kenyan customers but also to reach its customers in Uganda, Tanzania, Rwanda, and South Sudan. We can therefore conclude that Nation Media Group Has diversified and achieved one of its goals as a One Stop Shop Media of Africa For Africa', below is a presentation of different diversification strategies that have been put in place in Nation Media Group and how is has influenced growth.

4.3 Internal diversification

A company can pursue internal diversification by finding new users for its current product and by use of its existing channels of distribution to market new product. From the findings it is well depicted that Nation Media Group in through its distribution channels, it also distributed other magazines that are not published by NMG and this is the Parents magazine among other, through this the company is able to make more revenue hence growth in terms of company resources.

From the findings it was demonstrated that The Nation newspaper has filled a big gap that existed in terms of a lively, vigorous, inquisitive, cheerful and sometimes controversial newspaper. The recent re-launch of DN2 issue seem to cover more on women and children who were earlier on been sidelined is now more colorful and full of humor

4.4 External diversification

This kind of diversification strategy 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. These firms are usually of similar size. One goal of a merger is to achieve management synergy by creating a stronger management team.

In 1992 Monitor publications in Uganda were launched followed by Mwananchi communications in Tanzania.NMG has also launched The East African newspaper to serve not only Kenyan customers but also to reach its customers in Uganda, Tanzania, Rwanda, and South Sudan. Hence Nation Media Group has diversified and achieved one of its goals.

4.5 Horizontal Diversification

This category involves expanding the company's existing products into other locations and/or market segments, or increasing the range of products/services offered to current markets, or a combination of both. From the findings this strategy is demonstrated by the fact that the nation Newspaper can also be read online hence more convenient and covers a larger market. The diversification of the digital division has brought more revenue to the company through online selling of space and thus able to reach a wider and larger market hence increases in market share.

4.5 Concentric Diversification

In this alternative, a company expands into a related industry, one having synergy with the company's existing lines of business, creating a situation in which the existing and new lines of business share and gain special advantages from commonalities such as technology, customers, distribution, location, product or manufacturing similarities. From the questionnaire findings, it was observed that a good quality products and efficient production of NMG has seen the company diversify in other product lines apart from newspaper production. In 1997 NMG launched Nation Carrier division to help in the smooth running of its circulation department. By opening a carrier division NMG is seen to have diversified internally and thus increasing the fast delivery of their newspapers hence contributing to company growth.

4.6 Conglomerate Diversification

This category of corporate strategy alternatives for growth involves diversifying into a line of business unrelated to the current ones. The reasons to consider this alternative is primarily seeking more attractive opportunities for growth in which to invest available funds (in contrast to rather unattractive opportunities in existing industries), risk reduction, and/or preparing to exit an existing line of business (for example, one in the decline stage of the product life cycle) Nation Media Group Ltd was started to serve the people of Kenya with news as they happen, but with time the company diversified by opening more new divisions in the neighboring countries

CHAPTER FIVE: SUMMARY, FINDINGS AND CONCLUSIONS

5.1 Introduction

This is the last chapter of the research report and it contains the introduction, summary of findings, discussion of findings, the conclusion, recommendations and suggestions for future research.

5.2 Summary of findings

The study adopted a case study design which provided an opportunity to examine the different product diversification strategies that have been implemented over the years. The study used primary data which was collected through a structured questionnaire with the respondents, specifically the middle and senior management staff of Nation Media Group.

The collected data was edited, coded and analyzed. Content analysis was done on the collected data. From the results of data, it emerged that a number of product diversification strategies are evident at Nation Media Group, these include but are not limited to market expansion which included the company going across borders to expand their operation, introduction of new product line to increase market share in broadcasting and digital, finding new users for the current product and this is evident in the these days the print newspapers can be read through the internet.

The study concluded that Nation Media Group has deliberately developed and implemented diversification strategies that have seen it grow to its current level. On the basis of findings presented above, it was recommended that Nation Media Group should continue with the development and implementation of diversification strategies since it defines who they are and who they want to be perceived as. Suggestions were made that a similar study be replicated for other major players in the industry.

Nation Media Group Ltd was started to provide/serve the people of Kenya with news as they happen, but with time the company diversified by opening more new divisions in the neighboring countries. For instance, in 1992 Monitor publications in Uganda was laughed followed by Mwananchi communications in Tanzania. NMG has also launched The East African newspaper to serve not only Kenyan customers but also to reach its customers in Uganda, Tanzania, Rwanda, and South Sudan. We can therefore conclude that Nation Media Group Has diversified and achieved one of its goals as a One Stop Shop Media of Africa for Africa.

The company has promoted product diversification by holding a strategy meeting session where by employees from different department are invited to participate in reviews through team work and continuous bonding sessions undertaken by the organization. Each department is given the freedom to organize its own bonding sessions at locations of their choice to discuss new strategies that can be put to place to foster growth of the company and in particular their department.

Effort is being made to treat every team member with mutual respect and a true sense of fairness in all dealings; this is guided by the group's mantra which states that everybody is important and should be treated as such. From the study, it has also been established that Nation Media Group promotes participative policy change. In some situations, employees are actually engaged in crafting the desired policy changes, these promotes acceptability and even ownership of the changes hence little resistance during the implementation process. The intended change is always communicated in advance to all the stakeholders before it is finally implemented. The company also attempts to incorporate views of all stakeholders concerning diversification while developing its policies. Respondents have however admitted that some diversification strategies that have been recommended have never been implemented even though others such as the launching up the Metro newspapers were not forthcoming hence led to its closure.

5.3 Discussion of findings

From the findings of the study, it is evident that NMG has fully employed product diversification strategies through the several expansions that it has made both internally and externally. NMG has ventured into business beyond the Kenyan border and this seen the company grow. The introduction of new product line in print, the recently launch of Business daily and Q fm in the broadcasting division is able to serve new market but through the same channel of distribution The findings also concurs with the views of Ansoff (1984) who argued that the firms grow by diversifying into new businesses by developing new products for new markets.

In general, the findings of this study tend to agree with those of other researchers.

Nation Media Group Ltd was started to serve the people of Kenya with news as they happen, but with time the company diversified by opening more new divisions in the neighboring countries. For instance, in 1992 Monitor publication in Uganda was launched followed by Mwananchi communications in Tanzania. NMG has also launched The East African newspaper to serve not only Kenyan customers but also to reach its customers in Uganda, Tanzania, Rwanda, and South Sudan. Diversification of company product could be a risky take but with proper planning and strategizing, it can turn out to be most profitable to the company because it involves both the product and market development.

5.4 Conclusion

From the study, it can be concluded that Nation Media Group has embraced product diversification strategies which have seen it grow over the years but still has great potential of further growth if it can continue with the same strategy and implement more new ideas from its employees so as to keep the momentum of growth. It can also be concluded that the company has rich cultural dimensions which include effective communication, creativity of employees, teamwork, change of policies and work orientation hence able to achieve product diversification.

The company has also demonstrated adequate handling of these product diversification strategies with results pointing that of all the departments, the Marketing department has a number of areas to work on being the champions of the product diversification and company growth. Nation Media Group Ltd was started to provide/serve the people of Kenya with news as they happen, but with time the company diversified by opening more new divisions in the neighboring countries. For instance, in 1992 Monitor publication in Uganda was laughed followed by Mwananchi communications in Tanzania. NMG has also launched The East African newspaper to serve not only Kenyan customers but also to reach its customers in Uganda, Tanzania, Rwanda, and South Sudan. We can therefore conclude that Nation Media Group Has diversified and achieved one of its goals as a One Stop media shop.

5.5 Recommendations

On the basis of findings presented above, it is recommended that Nation Media Group Should continue with the improvement of their product through implementation of different diversification strategies. The company should come up with better ways of researching these strategies before they are implemented so as to give the expected results.

5.6 Suggestions for future studies

This was an enlightening study, I would suggest that a similar study be replicated for the entire industry. The same study can also be replicated by other Media companies in Kenya and beyond.

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APPENDICES

Appendix 1: Questionnaire cover letter

From: Jenipher Kerubo

Department of Business Administration

School of Business

Cell No. 0723927257

Date: 28th August 2011

To whom is responding to this questionnaire

Dear Respondent,

<u>Subject: The Questionnaire</u>

I am an MBA student at the University of Nairobi Currently carrying out a research on product diversification and its effect on growth of companies, a case study of Nation Media Group. This is a partial fulfillment of the requirements of this degree course. The research is purposely for academic purposes.

Will highly appreciate if you could spare some time to provide the information required in the attached questionnaire. Your response will be treated wit strict confidentiality and in no instance will your name be mentioned anywhere I this research. Your cooperation will be highly appreciated

Yours Faithfully,

Jenipher Kerubo

Appendix II

QUESTIONNAIRE

SECTION ONE: PERSONAL PROFILE

Please give answers in spaces provided and tick (√) the box that matches your response to the question where applicable.

Gender: Male ( ) Female ( )

Age bracket: 20-29( ) 30-39( )

40-4 ( ) 50-59 ( )

Over 59 years ( )

Department /section that you are you based...

Q1. Which of the following best describes your position?

Top Management ( ) Middle Management ( )

Q2. Length of continuous service with NMG?

Less than 5 years..............................

Between 5-10 years...........................

Between 11-20 years..........................

Over 20 years.................................

Q3. Length of time in current position?

Less than 5 years...........................

Between 5-10 years.........................

Between 11-20 years.......................

Over 20 years.................................

SECTION B: DIVERSIFICATION AND ITS EFFECTS ON COMPANY GROWTH

Q4. What do you understand about product diversification in relation to company growth?

....

....

....

Q5. What are the diversification strategies that companies put n place to trigger growth?

....

....

....

Q6. Please indicate the areas NMG has embraced diversification as a growth strategy

(i) Print

....

....

....

(ii) Broadcasting

....

....

....

(iii) Digital

....

....

....

Q 7. From your answer above in Q4, how often are these strategies reviewed?

Quarterly ( )

Semi-annually ( )

Every 2 years ( )

Other (please specify)............................

Q8. From question 4 above, from your personal view, how have these strategies been received by the market?

Market response	Respondents feeling(tick)
They have served a market that was not well served	
They have added no much value	
Product diversification has been positively received because clients get value for their money especially in advertising	

Q 9. Which other diversification strategy can be put to place?

Strategy	**Reason**

Q 8. In your opinion, does diversification assist in achievement of company growth?

(Please tick)

Achievement	**Yes**	**No**
General company expansion		
Increase in revenue		
Increase in market share		

Q10. Kindly list the benefits of diversification to NMG

1...

2...

3...

Q 10. What are the challenges faced in diversification and how do you handle them?

(State briefly)

Challenge	How it is handled

Q 11. Which other growth strategies other than diversification can be employed by NMG to enhance company growth? (List)

a...

b...

Thank you for your cooperation.