THE EFFECTS OF CORPORATE DIVERSIFICATION ON FINANCIAL PERFORMANCE OF NON-FINANCIAL FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN FINANCE, SCHOOL OF BUSINESS, THE UNIVERSITY OF NAIROBI

OCTOBER, 2016

DECLARATION

This Research Project is my original work and has not been presented in any other University.

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ACKNOWLEDGEMENT

I take this opportunity to thank my supervisors Dr. Mirie Mwangi and Ms. Helen Kinyua for the professional guidance to enable the completion of this study. I would also wish to give great thanks to my parents Mr. Samuel Kuria and Mrs. Nancy Kuria for the good upbringing and support in my life.

DEDICATION

I dedicate this project to my parents for the good upbringing and support.

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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA – Analysis of Variance

CARs – Cumulative abnormal returns

CMA – Capital Market Authority

ID – International Diversification

M&A – Mergers and Acquisitions

MKRT – Market Rate of Return

NEXT – Nairobi Exchange Trade

NSE – Nairobi Securities Exchange

ROA – Return of Assets

ROE – Return on Equity

ROS – Return on Sales

RPD – Related Product Diversification

SPSS – Statistical Package for Social Sciences

TPD – Total Product Diversification

U.S. – United States

UPD – Unrelated Product Diversification

ABSTRACT

Diversification refers to a process of distributing the wealth of an organization in optimal portfolios that would guarantee optimal returns. Diversification is used to maintain firm competitiveness so as to achieve value creation through economic of scope, financial economies, or market power. There is a great practice of corporate firm performance diversification in Kenya by most of the investors and companies. By diversifying, managers form internal resource markets where capital distribution is more proficient as a result of lower levels of disproportionate information. This study sought to find out the effects of corporate diversification on financial performance among non-financial firms whose shares were trading on the Nairobi Securities Exchange. The main variables that were used to measure the financial performance were related products diversification from the core products, unrelated product diversification and geographical diversification. Descriptive research design was applied using secondary data for the period 2011 to 2015. The findings show high performance was registered by firms that diversified across product lines. The study found out that geographical diversification strategy greatly influenced firm performance. The research findings also showed that on average non-financial firms listed at the NSE were diversified. Diversification strategies had a strong and positive relationship with firm performance. The findings show the relevance of the product diversification strategy in the levels of firm performance registered by non-financial firms trading at the NSE, thus the study concludes that by integrating both the product dimension of diversification into the operations of firms at the NSE, this would lead to improved financial performance. The study recommends that the listed non-financial firms listed at NSE are completely different in terms of their operations expenses that lead to the recorded firm performance. Diversification leads to better firm performance in the long run as poor performance in one market or product line is compensated by better performance in other markets and product lines. Diversification increases the market share and the growth prospects of firms. This study therefore recommends that firms pursue diversification strategy to diversify their risk exposures.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Operations in organizations expose them to various firm performances that if not well managed could lead to closure of organizations (Ebrahim & Hasan, 2008). The firm performance exposure ranges from financial, reputation, operational among others all of which may affect the future performance of an organization. A number of strategies are employed by firms to manage these firm performance exposures that range from diversification, hedging and insurance. The main aim of investors is to maximize their expected returns with the minimum possible firm performance through efficient diversification. Kamwaro (2013) established that the size of investment held by an individual in a portfolio plays an importance role in determining the level of financial performance of the portfolio. This shows that the manner in which a portfolio is diversified will affect the financial performance of a firm. This strategy has been applied by many firms in value creation across the world as firms take into account the changes posted by the dynamisms in the operating environment (Marinelli, 2011).

This study will be established on three theories: pecking order theory which explains the structure of firms in choosing how to finance their portfolio; signaling theory which explains the information content of new information released by firms into the market and the agency theory that explains the relationship between a principal and an agent. The pecking order theory states that, situations where a firms retained earnings and other internal sources of finance are insufficient to finance company activities then managers can issue debt and only issue new equity with possibility of issuing junk debt during times of their distress (Marlin, Lamont & Geiger, 2004). Therefore,

firms intending to attain high growth opportunities need to undertake major long term investment projects. The signaling theory helps explain how markets react to new information released by an organization (Oweis, 2012). It explains the optimistic level of management for the future performance of an organization. The agency theory will be used to explain the relationship between investors and managers employed in the listed firms so as to explain the influence of their relationship on firm performance and investment returns. It will also enable the explanation on the type of investments undertaken by managers.

Non financial firms do not deal in money which means that they have to find ways of accessing the required capital to finance their investments. This makes it necessary to evaluate the firm performances they are exposed to in order to evaluate the best way of minimizing exposure (Pitelis & Teece, 2009). They have to access the capital markets and financial institutions to borrow the required capital for the various investment projects. The desire for firms to post better financial performance has keept the management of firms listed at the NSE on the alert so that they utilize the resources entrusted in their management better for improved organizational performance. This has been supported by the large number of Initial Public Offerings at the NSE after the 2003-2007 which saw them increase for the period between 2006-2009 (CMA, 2009).

1.1.1 Corporate Firm Performance Diversification

Corporate firm performance diversification refers to a process of distributing the wealth of an organization in optimal portfolios that would guarantee optimal returns (Chkir & Cosset, 2001). It is used to reduce firm performance uncertainties through combination of various investment opportunities forming a portfolio (Sullivan &

Sheffrin, 2003). According to Faccio, Marchica and Mura (2011), it is not obvious that that diversification would lead to increased firm performance as previous results indicate that it lowers uncertainty thus promising better performance. A diversified firm is described as one that has investment in more than one industry which means that bad performance in one industry is compensated by better performance in another industry (Ibrahim & Kaka, 2007). Diversification therefore increases a firm's range of investment opportunities by enabling it to take advantage of more profitable business opportunities (Ibrahim and Kaka, 2007).

There are three main forms of corporate diversification that have been practiced by a number of organizations around the world. These include: the limited/geographical diversification where a firm operates all its business activities under one industry, area or geographical location. Such firms produce a single line of products; product diversification, where a firm engages in the production of more than one product or having a presence in more than one market (Kim & Mathur, 2008). Product diversification is considered a diversifcation strategy adopted by companies through expanding into new markets or starting an entirely new product line (David, 2011). Product diversification could be undertaken both in related industries and /or unrelated industries provided the diversification is based on a product offering (Jones & Hill, 2010). Rocca et al., (2009) concluded that firms dealing in unrelated product diversification have more debt than those following related diversification. Product diversification has both positive and negative impacts. On the positive side there is less motivation to sacrifice positive net present value ventures, higher borrowing capacity, reduction in taxes and economies of scale.

Related diversification is a strategy applied by an organization to expand its operations into new products and markets offering though limited to the existing investment lines (Grant, Butler, Hung, & Orr, 2011). It occurs whenever an organization's new business production lines have similarities with the existing businesses operations or activities (Lahovnik, 2011).

Unrelated or conglomerate diversification is a strategy applied by organizations to expand their area of operations beyond existing strategic capabilities such that the new businesses developed have little or no similarities with existing businesses operations (Thompson et al., 2012). This strategy has been successfully applied by Companies like General Electric among others on the global scene to improve their overall performance (Kenny, 2012). Geographical diversification is the process where a firm moves to new markets outside the home markets. This may include movements to regional or geographical countries. According to various authors, geographical diversification boosts the worth of shareholders by taking advantage of specific assets, by accelerating functioning flexibility and by satiating investors' preferences for holding worldwide diversified positions.

Geographical diversification can also bring about worth through operational elasticity which enables an organization to take advantage of market opportunities as and when they arise. A globally diversified firm can shift production from one country to another country with lower cost of production as well as shift production to a country whose demand is higher.

1.1.2 Financial Performance

Financial performance measures those entrusted with managing the assets of an organization by the shareholders utilize them in the day to day operations. It represents the outcome of all the organization's operations and strategies developed to oversee the operations of an organization over a stated period of time. It is measured using financial indicators by evaluating the changes in key financial ratios. .

Good financial performance means an increment in shareholders wealth which leads to growth of investment and motivates shareholders to make additional investment for continued positive economic growth. Financial measures of financial performance of non financial firms include: ROA, ROE are used to measure a firms performance. Return on Assets measures the performance of an organization against the level of assets at a given point in time expressed as a percentage (Jones & Hill, 2010). Return on Equity (ROE) measures how well the management has utilized the resources entrusted in them by the shareholders to generate profits (Rose &Hudgins, 2006).

1.1.3 The Relationship between Corporate Diversification and Financial Performance

Several affirmations have been established between corporate diversification and financial performance. For instance, Raei, Tehrani, and Farhangzadeh (2015), established that corporate diversification strategy has no significant relationship with firm performance. Diversification strategy is applied by organization management to maintain firm competitiveness for high value creation through geographic spread of risk, product line extension and market expansion (Chen and Yu, 2012). Jahera, Oswald and Mcmillan (2015) established that corporate diversification has a significant effect on the level of financial performance recorded by firms. This was

largely because diversification provides an avenue for firms to minimize their operational costs and optimize their performance.

Kahloul and Hallara (2010) established a non-linear relationship between total firm Performance, its specific component and the diversification. According to Oweis (2012), the relationship between diversification and firm profitability indicates a negative relationship especially at relatively low diversification levels. As the diversification levels improve, the relationship improves to positive and significant

There is a great practice of corporate firm performance diversification in Kenya by most of the investors and companies. The aim behind this corporate firm performance diversification is to minimize the inherent firm performances and maximize possible returns. Diversification in Kenya is achieved by optimal selection of portfolios by investors that has optimal combinations of securities. The introduction of the derivative market segment on the NSE has further enhanced the practice of corporate diversification for companies trading on the NSE platform. This derivative market helps corporates to hedge against the firm performances associated with securities traded on the NSE floor (Jahera et al., 2015).

1.1.4 Non-Financial Firms Listed at Nairobi Securities Exchange

These are firms involved in the production of goods and services with limited participation in financial assets and liabilities as their core businesses. The sector is comprised of a number of business areas including: retailers, manufacturers, utilities, service firms like consultancies, airlines, among others (Foerster & Sapp, 2005). By diversifying, managers form internal resource markets where capital distribution is more proficient as a result of lower levels of disproportionate information (Martin &

Eisenhardt, 2001). This raises the level of investment since the diversified firms make more positive net present value than their divisions would make as distinct entities. Diversification also increases the borrowing capacity because the firms can maintain high degrees of collateral since they lower earnings instability by merging businesses with poorly linked income streams.

Diversification improves firm performance through minimization of risk exposure and optimization of returns. Diversification helps firms improve their performance because of the synergies that arise in terms of economies of scope, bargaining power, and improved internal governance (Mehmood & Hilman, 2013). Other benefits from diversification include better internal governance which leads to better utilization of resources for optimal organizational performance (Martin & Eisenhardt, 2001).

1.2 Research Problem

Firms in the NSE have shifted applied diversification in mitigating losses for optimal return and overall financial performance. The existence of an efficient market in Kenya has enabled most investors to take advantage of available information to invest in profitable investment and projects that are profitable. This has therefore forced the listed firms to diversify their investments so as to manage firm performance exposure and maximize return on investments. Listed firms are also focusing on ways of managing their firm performance exposures in order to mitigate manage their losses and optimize financial performance results (Ngugi, 2005).

The level of competition in the operating environment has increased following increased development and globalization of firms. This means that firms have to struggle to manage operating costs and at the same time optimize revenue for greater

return on investments. One of the strategies that firms have adopted is corporate firm performance diversification (Kariuki, 2013). Kenyan firms have expanded their markets geographically so as to tap into the potential of the East African and the wider African region (Ondari, Awino and Machuki, 2016). Besides regional diversification, some firms have engaged in product diversification so at to maintain their competitiveness (Mwangi, 2015). Some firms have engaged in related product diversification while others have engaged in unrelated product diversification. However, not all these firms have recorded a positive return on assets.

Several studies have been undertaken on corporate firm performance diversification on financial performance spheres. For instance, Kariuki (2013) examined how corporate diversification affects financial performance of firms listed at the Nairobi Securities Exchange. The findings indicated existence of a positive relationship between the growth and firms' size. Wanja (2013) carried out a study on the effects of foreign exchange hedging methods applied by organizations and how they affected their financial performance and established that those companies that employ hedging methods performed better, sometimes from loss making situations to profitability. In another study, Ondari, Awino and Machuki (2016) explored diversification strategies and their effects of the financial performance of firms listed at the NSE and established that diversification strategy influenced non-financial measures of organizational performance and insignificant to financial performance. This study examined diversification from strategic management perspective by considering non financial measures which may not apply for the current study. This study sought to answer one research question; what are the effects of corporate diversification on financial performance of non-financial firms listed at the Nairobi Securities Exchange in Kenya?

1.3 Research Objectives

To determine the effects of corporate diversification on financial performance of non-financial firms listed at the Nairobi Securities Exchange.

1.4 Value of the Study

The findings of this study would be useful to future scholars and researchers as it would act as empirical source of literature to their studies by being cited besides suggesting areas for further research. This would help future researchers by pointing out different areas where they can concentrate their studies on.

The findings of this study would also be relevant to the Government of Kenya especially the Capital Markets Authority and the Nairobi Securities Exchange through the Ministry of Finance in development of policies and regulations governing corporate firm performance management in listed firms for optimal investment returns. The findings of this study would guide them in their investment decision to ensure they optimize returns.

The findings of this study would also be valuable to the managers in listed firms in their firm performance management to ensure that they get optimal returns from the various investment options available at their disposal.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Literature review is concerned with existing studies conducted by previous researchers and scholars which may inform the development of the study at hand. In this chapter we discuss the theoretical underpinnings of the study, empirical review, summary and research gaps before presenting the conceptual framework.

2.2 Theoretical Review

There are a number of theories that explain corporate firm performance diversification and financial performance. These include: pecking order theory, signaling theory, and the agency theory. These theories are explained in details below:

2.2.1 Pecking Order Theory

This theory was developed by Myers & Majluf (1984) by arguing that a manager would prefer to fund a company's capital deficit by issuing safe security. The theory also states that whenever internal sources of financing that include retained earnings are so low for the firm to make substantial investments, then finance manager decide to issue debt instruments. It is therefore only during times of financial distress that financial managers will issue new equities. This theory basically is of the premise that firms with fine growth chances ought to increase debt after internal funds cease to be sufficient. A positive association between firm growth opportunities and debt are therefore likely. Project managers have the firm mandate to invest in projects that have capability to boost the firm profitability in the long run.

The Pecking Order Theory suggests that firms that intend to attain high growth opportunities need to undertake major long term investment projects. After internal sources of financing are exhausted, a majority of firms prefer to use debt financing than any form of external equity since they are linked to greater firm performances (Shyam – Sunder & Myers, 1999). This theory was relevant in explaining how the capital structure which may be influenced by the corporate diversification affects organizational performance.

2.2.2 Signaling Theory

The signaling theory is applied in explaining the information content of management actions to the market. Whenever an organizational management makes announcements, they send some signals to the market which is used by investors in making their investment decisions (Myers and Majluf, 1984). The investors use the information to predict the implied future performance expected by an organization so that it can guide their investment decisions. It is believed that the management team of an organization possesses superior information on the true value of the firm which the external parties may not access.

Secondly, another signaling theory hypothesis is implied cash flow hypothesis which is anchored on the notion that management team have more knowledge and information about an organization than external investors. It claims that the extent of diversification of firms operations communicates the managements' desire to optimize financial performance. In diversification and financial performance, this theory has been applied to hold that in cases where companies foresee investment projects with positive net present values, they will invest in them thereby signaling to the general public of their future better financial performance.

2.2.3 Agency Theory

The theory was developed by Jensen and Meckling (1976), and it holds that following the separation of management and firm ownership, there arises agent-principal relationship that needs to be managed for better management (Pratt and Zeckhauser, 1985). Following the divergent views between agents who are the managers and shareholders, the firm may undertake various diversification strategies for various reasons. In order to harmonize the aspirations of managers and the shareholders, some agency costs have to be incurred for a healthy financial position in such organizations. Agency theory argues that the effect diversification has on financial performance is a function of the power of a firm's management and the effectiveness of collective governance mechanisms. The theory asserts that personal motives of managers constitute the reason for diversification of firms. It explains that information asymmetry makes it difficult for shareholders to access, evaluate and interpret all records and details pertaining to opportunistic managerial behavior.

Without proper governance measures, there would be disagreements arising as a result of managers pursuing personal gain (agency cost) while shareholders aim to capitalize on profit making. Shareholders can, however put in place proper mechanisms for governance like creating boards of directors to check management from employing too much agency costs and over diversifying as well as accruing personal gain. Shareholders may further compel firms to use debt finance to fund new projects instead of equity. Mole (2002) argues that agency theory explains firm performance decision through determinants such as company size, liquidity, return on equity and the general prices in the economy (Inflation).

2.3 Determinants of Financial Performance

The level of financial performance recorded by any firm plays a very key role to the investors, the shareholders and the economy of the country. The key objective of shareholders in an organization is profit optimization (Kyereboah-Coleman, 2007). External and internal factors have influence on the performance of the firm. Internal factors are specific to the company while the external factors are the same for all the firms. The performance of organizations is affected by external factors like customer preferences and state of the economy.

Various authors have examined the determinants of the financial performance in different contextual setting with varying results. Shiu (2004) examined what determines performance of firms in the United Kingdom for the period 1986-1999 through examination of three indicators: investment yield, the changes in shareholders' funds and return equity. The study used panel data set testing empirically various variables on performance of insurance firms including solvency, liquidity, interest rates and return on assets.

2.3.1 Company Size

The size of assets controlled by an organization plays a key role in the investment portfolio and the level of diversification. Ahmed, Ahmed & Ahmed (2010) argued that an increase in firm size means the amount of resources at the disposal of an organization into various portfolios increases hence better organizational performance. According to Kigen (2014), the size of a firm has significant effect on the level of financial performance registered. The study examined how firm size affects the profitability of insurance companies in Kenya. The study adopted census of 48 general and long term insurance companies which cover the period of 2009- 2013

in Kenya. The study applied secondary data sourced from annual reports submitted to the Insurance Regulatory Authority (IRA). The findings indicated that firm size had no significant relationship with profitability as measured by market share of the insurance companies and profitability. The result also shows leverage had significant on profitability of insurance companies.

In another study, Lwangu (2009) assessed the relationship between corporate governance, company size and company announcements. The study was facilitated by the use of secondary data from annual reports of quoted companies from the NSE handbook and the capital market authority guidelines and found a positive correlation between company size and performance.

2.3.2 Liquidity

Liquidity plays an important role in determining an organization's ability to meet its financial obligations as and when they fall due. However, for optimal organizational performance the level of liquidity needs to be appropriate as too much liquidity may lead to misappropriation whereas low liquidity may lead to financial difficulties (Dang, 2011).

Positive relationship has been established between liquidity and financial performance of firm (Ilhomovich, 2009). Demirgüneş (2016) analyzed the effect of liquidity on financial performance among the Turkish retail industry for the period of 1998 -2015 and established that liquidity plays a big role in financial diversification strategy and overall firm performance.

2.3.3 Return on Equity

Return on Equity is a ration reflecting the percentage of firm returns on total shareholders contribution to the business. It represents the profits attributable to shareholders for their investment. Depending on the previous returns earned by the shareholders' equity, it will affect their approval of diversification strategies to be undertaken by the organization (Khrawish, 2011).

Firms with high returns of equity will motivate shareholders to approve the diversification proposals by management. Therefore, it can be summarized that better returns on equity improves chances for diversification as the shareholders will have confidence in approving more areas of investment for the management team.

2.3.4 Inflation

The general prices increases in an economy affect the general purchasing power of the currency. Naceur and Ghazouani (2005) sought to determine whether inflation impact on financial sector performance and established that inflation had a negative effect on the financial performance among organizations. This implies that an increase in inflation adversely affects financial performance of a company. In another study, Boyd, Levine and Smith (2001) the level of inflation prevailing in an economy affects the financial results posted by organizations. The study reviewed existing literature and established that inflation has significant effect on financial performance.

According to Alimi (2014), inflation plays an important role in the performance of financial institutions and other institutions in an economy. The findings indicated a significant relationship between inflation and financial performance. The above findings therefore indicate that inflation negatively affects financial performance of a company.

2.4 Empirical Literature Review

Several studies have been conducted on corporate firm performance diversification and financial performance. For instance, Owies (2012) looked at the relationship between corporate diversification and financial performance of firms. The focus of the study analyzed was on how revenue diversification relate with firm profitability. The findings indicated that there existed a negative insignificant relationship between revenue diversification and profitability. The study was conducted through an event methodology by looking at the response of stock markets to mergers and acquisitions. In general, study findings indicated that the cumulative abnormal returns (CARs) to acquirers and targets show that M&A that are non-diversifying and/or diversifying within closely-related credit intermediation activities increase the value of the merged firms.

Doaei, Anuar, and Ismail (2014) conducted a study on corporate diversification and financial performance examining the relationship between product diversification and international diversification among manufacturing in Malaysia. The scope of the study comprised 102 for the period 2006 to 2010. The study variables included Return on Assets (ROA) combined with various forms of diversification including: total product diversification (TPD), related product diversification (RPD), unrelated product diversification (UPD), and international diversification (ID). The results indicated no significant relationship existed between diversification.

In another study, Xiaorong (2007) conducted a study in china with the intention of establishing the relationship between corporate diversification and financial performance. The aim of the study was to identify factors that explain firms'

diversification. The results indicated no significant relationship between corporate diversification strategies and financial performance.

Afza, Slahudin and Nazir (2012) conducted a study in Pakistan with the aim of establishing the relationship between diversification and financial performance. The scope of the study was 65 firms classified as either diversified or non-diversified. The dependent variable was measured in terms of Return on Assets and ROE. The findings show better performance among non-diversified firms compared to the diversified firms. However, non-diversified posted low performance with high return whereas diversified firms had high performance with low returns.

In Belgium and Turkey, Boz, Yigit and Anil (2013) sought to establish the interaction between corporate diversification and firm performance and established varying degree of diversification had different effects on financial performance of firms. The related to the period 2007-2011 with a scope of 114 business groups in Belgium and 118 business groups in Turkey. The results indicated that diversified firms recorded high performance compared to undiversified firms.

Kariuki (2013) examined the effects of corporate diversification on performance of firms whose shares are trading at the NSE through a descriptive research design. The population comprised all the 60 listed firms at the NSE hence a census. From the findings, the findings indicate that all the variables under study had a positive relationship with firm performance including the control variable firms' size.

Mwangi (2015) in another study sought to establish how corporate diversification affected financial performance of listed manufacturing firms in Kenya. The population of his study constituted all of the 19 manufacturing firms listed at NSE. A

census approach was used and secondary data was used for five years (2010-2014). The data was gathered from financial statements records. Regression model was used in the analysis of data collected. The findings indicate that corporate diversification had a positive relationship to the financial performance of listed manufacturing firms in Kenya. The size of a firm and its growth were found to have a negative relationship to the financial performance of listed manufacturing firms. The correlation analysis results were found to be weak but moderate between corporate diversification and financial performance of the manufacturing firm listed at NSE.

Ondari, Awino and Machuki (2016) conducted a study to determine the effects of diversification on non-financial performance of firms at the NSE and established that diversification influenced non-financial measures of organizational performance and insignificant to financial performance. The target population of the study were all the 59 publicly quoted companies. Of the 59 companies only 35 responded and this indicated a response rate of approximately 60%. The findings of the study revealed a statistically significant results on the influence of diversification strategy on the non-financial measures of organizational performance and statistically non-significant results on financial performance. The findings also show that diversification relatedness had a statistically significant effect on organizational performance while the mode of entry into diversification did not have a statistically significant effect.

2.5 Conceptual Framework

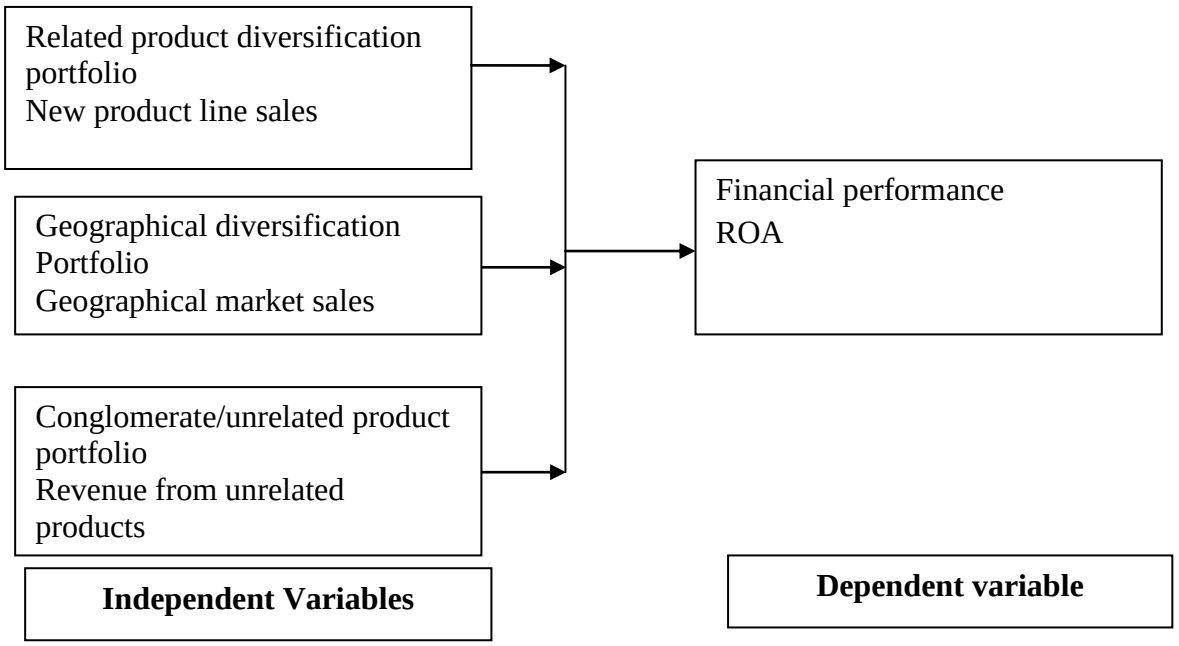

Figure 2.1: Conceptual Framework
(Source: author, 2016)

2.6 Summary of the Literature Review

The literature review assessed a number of studies undertaken on diversification and financial performance of firms. Some of these studies were done on international scale for example Doaei, Anuar, and Ismail (2014) did a similar study in Bursa Malaysia and obtained consistent results as (Owies, 2012). Xiaorong (2007) conducted a study in China and obtained consistent results as (Doaei, Anuar & Ismail, 2014). Afza, Slahudin and Nazir (2012) undertook a study in Pakistan.

Boz, Yigit and Anil (2013) did a comparison of Belgium and Turkey and contradicting results as (Owies, 2012 & Doaei, Anuar & Ismail, 2014). Kariuki (2013) based the study on Nairobi Security Exchange NSE and obtained consistent findings as (Boz, Yigit & Anil, 2013). Ondari, Awino and Machuki (2016) in their study in Kenya also obtained consistent results with (Kariuki, 2013 & Mwangi, 2015).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodologies adopted to achieve the objective of study. The areas covered in the study included: research design, population, instruments of data collection and data analysis.

3.2 Research Design

Research design refers to the plans laid by a researcher to ensure exhaustive achievement of the research objectives (Mugenda & Mugenda, 2012). Descriptive research design was applied which is used to build a profile on a phenomenon under study (Cooper and Schindler, 2003). Descriptive design is concerned with the role played by independent variables in explaining the variations in the dependent variable (Mouton & Marais, 1992). This design was adopted because the study sought to establish the effects of corporate diversification on financial performance of non-financial firms listed at the Nairobi securities exchange.

3.3 Population of the Study

Population refers to summation of the entire group of people or things that one wishes to investigate. Data available at the NSE shows that there are 66 Companies listed at the NSE as at 31st December 2015 and out of which 46 are the non-financial firms which were the target population in this study. The researcher included all the 46 non financial firms in the study.

3.4 Data Collection

Data collection refers to methods and means of retrieval and obtaining of the meaningful figures and information that will aid the study (Gill et al., 2008). The study collected secondary data. According to Bryman (2001), secondary data is efficient because it reduces time and costs of undertaking a study. The study used longitudinal data for a period of five years from 2011 to 2015.

3.5 Data Analysis

Data analysis is a detailed process that involves cleaning up collected research data before undertaking to deduce it so as to give meaningful interpretations and explanation (Kothari, 2004). Data collected was coded into SPSS, after which the analysis began. The analysis was enhanced by descriptive measures of central tendency including means, mode, mode and the multiple regression analysis. The study used Statistical Package for Social Sciences Version 22.0 for data analysis. The study used multiple regression analysis to generate the coefficients which measured the relationship between corporate firm performance diversification and financial performance. The analysis was done at 0.05 level of significance. The model took the form of:

$Y= \beta_0+ \beta_1X_1+\beta_2X_2+\beta_3X_3 +€$

Where:

Y = Financial Performance (Return on Assets)

X_1 = Related product diversification Portfolio,

X_2 = Geographical diversification Portfolio,

X_3 = Conglomerate/Unrelated product diversification Portfolio,

ε = Error term/Erroneous variables,

β_0 = the minimum change in Y when the rest of the variables are held at a constant zero,

β = measure of the rate of change i.e. β_1 measures the rate of change in Y as a result of a unit change in X_1.

3.6.1 Inferential Statistics

In order to test the significance of the model in measuring the effects of corporate firm performance diversification on financial performance of firms listed at the Nairobi Securities Exchange in Kenya; this study conducted an Analysis of Variance (ANOVA).The study will compare the F calculated figure to the F- critical. If the critical value if higher than F- calculated, then the conclusion will be that the model is not fit to explain the variations in financial performance. The test was carried out at 95% confidence level and 5% significant level.

3.6.2 Operationalization of Study Variables

Table 3.1: Operationalization of the study Variables

Variable	**Measure**
Financial Performance	Return of Assets
Related product diversification	Sales from product diversification as a percentage of total sales
Geographical diversification	Sales from Geographical diversification as a percentage of total sales
Conglomerate/Unrelated product diversification	Sales from Conglomerate diversification as a percentage of total sales

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings based on secondary data from NSE. The objective of this research study was to determine the effects of corporate diversification on financial performance of non-financial firms listed at the Nairobi Securities Exchange. The study is organized into descriptive statistics, correlation analysis, regression analysis and discussion of findings. This is followed by a presentation of results from inferential analysis.

4.2 Response Rate

The target sample was 46 non-financial listed firms at the Nairobi Stock Exchange, out of which 26 firms whose data was available were studied. The data was analyzed to find out the relationship between diversification and firm performance. This transpired into response rate of 56.5%. The response rate concurred with the stipulation of Babbie (2004) who asserted that return rates of above 50% are acceptable

4.3 Descriptive Statistics

The study analyzed financial performance in a period of 5 years in relation to the selected diversification strategies as measured by related product diversification, geographical diversification and conglomerate diversification. Diversification was calculated using the specialization ratio (Rumelt, 1982). Undiversified $SR \geq 0.95$, moderately diversified $0.7 \leq ASR \leq 0.95$ and highly diversified $SR < 0.7$. These statistics are will illustrated in the Table 4.1.

Table 4.1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
		Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Related Diversification	130	0.00	2753889	666377.6	853914.1	1.256	.48	.49	.94
Geographical Diversification	130	0.00	20213905	3910008.8	5399052.3	1.58	.39	1.58	.76
Conglomerate Diversification	130	0.00	738870.5	165374.4	267076.4	1.861	.75	2.76	1.48
Return on Assets	130	-.42	.65	.1015	.166	.582	.21	2.86	.42

From the findings in Table 4.1, related diversification had a minimum value of 0.00 with a maximum value of 2753889, the mean was 666377.6, standard deviation being 853914.1, kurtosis was 1.256 and skewness was 1.256. The findings on geographical diversification indicated a minimum value of 0.00, a maximum value being 20213905, the mean was 3910008.8, standard deviation being 5399052.3, Skewness was 1.58 and Kurtosis was 1.58. The findings of conglomerate diversification on the other hand had 0.00 as minimum and maximum value of 738870.5 the mean was 165374.4, standard deviation being 267076.4, Skewness was 1.861and Kurtosis was 2.76. For Return on Assets (ROA), the minimum value was -0.42, with a maximum of 0.65, the mean was 0.1015, standard deviation was 0.166, and skewness was .582 with Kurtosis of 2.86.

4.4 Correlation Analysis

This study conducted a correlation analysis in order to determine the strength of the relationship between corporate diversification and financial performance of non-financial firms listed at the Nairobi securities exchange. This strength ranges from negative one to positive one.

Table 4.2: Correlation Analysis

		Return on Assets	Related	Geographical	Conglomerate
Return on Assets	Pearson Correlation	1			
	Sig. (2-tailed)				
Related Diversification	Pearson Correlation	.893	1		
	Sig. (2-tailed)	.029			
Geographical	Pearson Correlation	.871	.154	1	
	Sig. (2-tailed)	.019	.042		
Conglomerate	Pearson Correlation	.506	.389	.430	1
	Sig. (2-tailed)	.043	.014	.028	

From the findings of correlation analysis shown in the Table 4.2, the Pearson correlation between related diversification and Return on Assets was 0.893, with p value of 0.029. This indicates that there was a strong positive correlation between related diversification and Return on Assets among non financial listed firms at the NSE. Since the p value; 0.029 is less than 0.05, this clearly implies that there is a statistically significant positive association between related diversification and performance of non financial firms listed at NSE.

The findings of the study further indicate that Pearson correlation between geographical diversification and performance of non financial firms listed at NSE was 0.871, the p value being 0.019. It can be inferred that a strong positive correlation exists between geographical diversification and financial performance on non financial firms listed at NSE.

The findings of the study further show that Pearson correlation between conglomerate diversification and performance of non-financial firms listed at NSE was 0.506, the p value being 0.043. It can be inferred that a strong positive correlation exists between conglomerate diversification and financial performance on non-financial firms listed at NSE.

4.5 Regression Analysis

To establish the total effect of the various diversification strategies on the level of financial performance of non financial firms listed at the NSE, the study conducted a multiple regression analysis. The coefficient of determination (R-Square) resulting from the multiple regressions was used to determine the variations in financial performance that could be attributed to corporate diversification of listed firms. The findings were as illustrated in Table 4.3.

Table 4.3: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.981[a]	.961	.933	.02088

a. Predictors: (Constant), Related Diversification, Geographical Diversification, Conglomerate Diversification

The findings of the model summary indicate that the value of R is 0.981, R square is 0.961 and adjusted R square is 0.933. The findings indicate that 93.3% of financial

performance of non-financial firms listed at the NSE explained by the independent variables in the study.

Table 4.4: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	116.3	3	38.767	49.429	.000[b]
Residual	98.82	126	0.784		
Total	215.12	129			

a. Dependent Variable: ROA

b. Predictors: (Constant), Related Diversification, Geographical Diversification, Conglomerate Diversification

Analysis of Variance (ANOVA) statistics of the processed data at 5% level of significance shows that the value of calculated F is 49.429 and the value of F critical at 5% level is 2.68 Since F calculated is greater than the F critical (49.429 >2.68), this shows that the overall model was significant.

Table 4.5: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.341	0.166		2.054	.042
Related Diversification	0.139	0.069	0.121	2.014	.046
Geographical Diversification	0.106	0.051	0.096	2.078	.039
Conglomerate Diversification	0.097	0.046	0.071	2.109	.037

a. Dependent Variable: ROA

$Y = 0.341 + 0.139X_1 + 0.106X_2 + 0.097X_3 + \varepsilon$

Whereby: Y = Financial Performance X_1 = Related Product Diversification X_2 = Geographic Diversification; X_3 = Conglomerate Diversification

From the findings of the regression analysis if all the diversification variables were held constant at zero, financial performance would be at 0.341. An increase in related product diversification would lead to an increase in the financial performance by

0.139. An increase in geographic diversification would lead to an increase in financial performance by 0.106 while an increase in conglomerate diversification would lead to an increase in financial performance by 0.097. These findings show that related diversification had the highest coefficient followed by dominant geographical diversification while conglomerate diversification had the least effect. From the P-values, diversification was significant in explaining the variations in financial performance. Related diversification, geographic diversification and conglomerate diversification were statistically significant as their p-values were less than 0.05.

4.6 Discussions of Findings

The findings of regression analysis indicated that 93.3% of financial performance of non-financial firms listed at the NSE explained by the independent variables in the study. The findings of the study further indicated a positive relation between related product diversification and financial performance of non financial firms listed at NSE. The findings of the study further indicated that positive relationship exists between geographic diversification and financial performance of non financial listed firms at NSE. These findings contradict the study by Doaei, Anuar, and Ismail (2014) who examined diversification and financial performance in Bursa Malaysia by examining the relationship between product diversification and international diversification with financial performance in manufacturing firms listed in Bursa Malaysia and found out that product diversification and unrelated diversification were not significant; however, related diversification and international diversification had negative impact on financial performance.

The findings of correlation analysis indicate that the Pearson correlation between related diversification and return on assets was 0.893, with p value of 0.029.

Therefore, a strong positive correlation exists between related diversification and return on assets among non financial listed firms at the NSE. Since the p value; 0.029 is less than 0.05, this clearly implies that statistically significant association exists between related diversification and performance of non financial firms listed at NSE. These findings are consistent with Ondari, Awino and Machuki (2016) who examined the effect of diversification strategy on performance of companies listed in the NSE and established that diversification strategy influenced non-financial measures of organizational performance and insignificant to financial performance and found out that diversification relatedness had a statistically significant effect on organizational performance whereas mode of entry into diversification did not have a statistically significant effect.

The findings of the study further established that that the Pearson correlation between geographical diversification and performance of non financial firms listed at NSE was 0.871, the p value being 0.019. It therefore implies that a strong positive correlation exists between geographical diversification and financial performance on non financial firms listed at NSE. The findings concur with Mwangi (2015) who examined the effect of corporate diversification on the financial performance of listed manufacturing firms in Kenya and found out that corporate diversification had a positive relationship to the financial performance of manufacturing firms in Kenya listed at NSE. The findings above however contradict with Afza, Slahudin and Nazir (2012) who examined diversification and corporate performance from an evaluation of Pakistani firms and established that the non-diversified firms performed better than the diversified firms.

The findings of the study further established that that the Pearson correlation between conglomerate diversification and performance of non-financial firms listed at NSE

was 0.506, the p value being 0.043. It therefore implies that a strong positive correlation exists between conglomerate diversification and financial performance on non-financial firms listed at NSE. The findings concur with Faccio, Marchica and Mura (2011) who indicated that it is not obvious that diversification would lead to increased firm performance as previous results indicate that it lowers uncertainty thus promising better performance. Diversification therefore increases a firm's range of investment opportunities by enabling it to take advantage of more profitable business opportunities (Ibrahim and Kaka, 2007).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings, conclusion and recommendations of the study based on the objective of the study which was to establish the effects of corporate diversification on financial performance of non-financial firms listed at the Nairobi Securities Exchange.

5.2 Summary of the Findings

From the descriptive analysis of product diversification on firm performance, the study found out that firms that diversify across product lines were likely to have higher financial performance than non-diversified firms. In differentiating between the scopes of diversification and observing the difference between related and unrelated diversification, the study found that related diversification had a higher effect on financial performance of non-financial firms than unrelated diversification.

The study found out that geographical diversification strategy had a considerable influence on a firm's financial performance. The variable was positive and statistically significant. On the other hand, related product diversification strategy had the greatest influence on financial performance of non financial firms and the p value was less than 0.05 therefore statistically significant.

From correlation analysis results, the Pearson correlation between related diversification and return on assets was 0.893, with p value of 0.029. This indicates that strong positive correlation exists between related diversification and return on assets among non financial listed firms at the NSE. Since the p value; 0.029 is less

than 0.05, this clearly implies that statistically significant association exists between related diversification and performance of non financial firms listed at NSE. Moreover, Pearson correlation between geographical diversification and performance of non financial firms listed at NSE was 0.871, the p value being 0.019. It can be inferred that a strong positive correlation exists between geographical diversification and financial performance on non financial firms listed at NSE. The findings of the study further show that Pearson correlation between conglomerate diversification and performance of non-financial firms listed at NSE was 0.506, the p value being 0.043. It can be inferred that a strong positive correlation exists between conglomerate diversification and financial performance on non-financial firms listed at NSE.

5.3 Conclusions

The research findings showed that on average non-financial firms listed at the NSE were diversified. There existed a strong positive relationship between diversification strategies and firm performance. The findings point to the importance of the product diversification strategy in explaining firm performance of non-financial firms listed on the Nairobi Securities Exchange, thus the study concludes that by integrating both the product dimension of diversification into the operations of firms at the NSE, this would lead to improved financial performance.

The study further concludes that firms with a high level of geographical and product diversification face higher level of operating in the short run which improve with passage of time leading to improved long term firm performance. Furthermore, the firms at the low end of the diversification strategy record lower financial performance while those at the high end of diversification record a higher financial performance more so in the long run.

The research findings showed that 93.3% of financial performance of non-financial firms is attributable to the three independent variables which are related product diversification, geographical diversification and conglomerate diversification. The study thus concludes that other than product and geographical diversification, there were other factors that had an impact on a firm's performance that can be pursued by firms for better financial performance.

5.4 Recommendations

The study recommends that the listed non-financial firms listed at NSE are completely different in terms of their operations expenses that lead to the recorded firm performance. Diversification leads to better firm performance in the long run as poor performance in one market or product line is compensated by better performance in other markets and product lines.

Diversification increases the market share and the growth prospects of firms. This study therefore recommends that firms pursue diversification strategy to diversify their risk exposures.

Firms should study their client base and levels of consumption when choosing a diversification strategy. This will help them understand whether the customers can consume their new products. Studying the customers will also help the firms know if they can acquire new customer base by selling them related and unrelated products at a lower price.

The study recommends that firms should diversify so as to increase their market stability and to prevent over reliance on a single product. This will in turn boost their future profitability and enhance their predictability about the future and thus boost their financial strengths through making profitable investments decisions

5.5 Limitations of the Study

This study relied on secondary data which related to the past. The operating environment may not be similar to the future thus introducing uncertainty in the application of research findings. Secondary data is historic in nature and thus may not be a true representation of the current market situation.

The study concentrated on three variables: related product diversification, geographic diversification and conglomerate diversification. These variables guided the analysis and conclusions. The study did not include other control variables like macroeconomic factors hence future scholars may expand to establish how diversification reacts to firm performance in their presence.

The study was also limited by the accessibility to data as not all data for the target firms could be accessed hence the reduced response rate. Another challenge involved lack of disclosure on some financial statements where data was missing.

5.6 Recommendation for Further Study

The study concentrated on firms listed at the NSE. In order to generalize the findings to firms that have cross listed across regional markets like East Africa, the study recommends that further studies expand the scope to cover East Africa.

The study only focused on the non financial firms listed at NSE and its findings are limited to that. Future scholars should look at conducting a study research on the effects of corporate diversification on financial performance of all firms listed at NSE both financial and non financial.

The study focused on a sample of 26 firms out of the 46 non financial firms listed at NSE as of 2015. Future research should conduct a study on the effects of corporate

diversification on the financial performance of non financial firms listed at NSE focusing on the firms that were not included in this study sample of 26 non financial firms.

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APPENDICES

APPENDIX ONE: NON FINANCIAL FIRMS LISTED AT NSE

1. A. Baumann & Co Ltd
2. ARM Cement Ltd
3. Atlas Development & Support Services Ltd
4. B.O.C Kenya Ltd
5. Bamburi Cement Ltd
6. British American Tobacco Kenya Ltd
7. Car & General (K) Ltd
8. Carbacid Investments Ltd
9. Centum Investment Co Ltd
10. Crown Paints Kenya Ltd
11. E. A. Cables Ltd
12. E.A.Portland Cement Co. Ltd
13. Eaagads Ltd
14. East African Breweries Ltd
15. Eveready East Africa Ltd
16. Express Kenya Ltd
17. Flame Tree Group Holdings Ltd
18. Home Afrika Ltd
19. Hutchings Biemer Ltd
20. Kakuzi Ltd
21. Kapchorua Tea Co. Ltd
22. KenGen Co. Ltd
23. KenolKobil Ltd
24. Kenya Airways Ltd
25. Kenya Orchards Ltd
26. Kenya Power & Lighting Co Ltd
27. Kurwitu Ventures Ltd
28. Longhorn Publishers Ltd
29. Marshalls (E.A.) Ltd
30. Mumias Sugar Co. Ltd
31. Nairobi Securities Exchange Ltd
32. Nation Media Group Ltd
33. Olympia Capital Holdings ltd
34. Safaricom Ltd
35. Sameer Africa Ltd
36. Sasini Ltd
37. Standard Group Ltd
38. The Limuru Tea Co. Ltd
39. Total Kenya Ltd
40. TPS Eastern Africa Ltd
41. Trans-Century Ltd
42. Uchumi Supermarket Ltd
43. Umeme Ltd
44. Unga Group Ltd
45. Williamson Tea Kenya Ltd
46. WPP Scangroup Ltd

Source: (NSE, 2016)

APPENDIX II: RAW DATA

Company Name	PBT	TOTAL ASSETS	ROA= (net income/total assets)	RELATED	GEOG	CONGLOM
KENGEN-2011	3,651,307	160,993,223	0.015876		1,098,590	
2012	4,045,190	163,144,873	0.017357		554,565	
2013	4,093,074	188,673,282	0.015186		554,565	
2014	4,157,948	250,206,000	0.011633		527,000	
2015	8,690,012	342,520,000	0.01776		294,254	
KOBIL-2011	1,908,196.45	30,372,909	0.043978			
2012	4,676,901.45	45,974,304	0.07121	725,000.60	14,050,399	
2013	-8,977,964.30	32,684,166	-0.19228	705,561.40	14361112	
2014	2,048,864.75	28,121,673	0.051	558,419	9,547,413	
2015	-2,807,690.50	29,277,302	-0.06713	551,739.10	9,433,206	
NMG -2011	1,949,300	3,324,200	0.586397			
2012	2,612,700	4,031,500	0.648071			
2013	2,615,700	4,449,900	0.587811			
2014	2,418,100	4,256,700	0.568069	193.7565	3,140.30	
2015	2,076,600	3,933,800	0.527887	55.86882	3,003.70	
CAR AND GENERAL -2011	340,334.29	3,871,293	0.061539	128,365.70	2,073,759	
2012	412,437.1	5,562,239	0.051905	1,912,06	1,810,66	

	5			2	5	
2013	380,794.29	5,705,400	0.04672	2,087,679	2,039,944	
2014	451128.57	6,901,430	0.045757	2,324,092		
2015	428,317.22	7,818,484	0.038348	2,753,889	2,523,032	
MARSHALL-2011	181,501	403,568	0.449741			
2012	-165,527	392,629	-0.42159	9,366	1,002,747	
2013	-110,029	294,564	-0.37353	14,233	1,126,374	
2014	-2,481	298,291	-0.00832	116164	1,292,522	
2015	-20,393	286,917	-0.07108	21094	1,425,853	
SAMEER-2011	96,948	2,370,933	0.04089			
2012	186,454	2,458,887	0.075829	60,139.85	737,008	26,827.09
2013	401,189	2,831,926	0.141666	30,305.36	768,002	34,698.33
2014	-89,097	2,719,397	-0.03276	35,721.70	578,021	33,807.89
2015	-141,714	2,497,020	-0.05675			
TPS EAST AFRICA-2011	615,891	11,516,544	0.053479			
2012	493,588	11,183,940	0.044134			
2013	451,011	13,517,985	0.033364			
2014	165,783	13,168,419	0.012589			
2015	-141,339	13,581,474	-0.01041			

EA CABLES- 2011	262,642.86	4,518,445	0.040689			
2012	449,614.28	4,993,032	0.063034			
2013	745802.15	6,248,642	0.083548			
2014	1,041,990.02	6,809,265	0.153025			
2015	1,338,177.89	7,369,888	0.181574			
TOTALKENYA-2011	1,308,864.31	30,233,364	0.030304			
2012	-102,051.44	35,146,746	-0.00203		6,629,625	
2013	-288,774.27	32,939,025	-0.00614		6,805,978	
2014	1,874,681.42	39,951,497	0.032847		8,855,091	
2015	863,030.88	41,304,328	0.01463		5,643,961	
CENTUM -2011	2,292,383	9,559,377	0.239805			
2012	1,189,405	10,041,242	0.118452			
2013	1,034,098	13,642,741	0.075798			
2014	3,055,370	20,272,837	0.150713			
2015	7,942,432	38,555,000	0.206003			
KQ -2011	3,538	56,529	0.062587			
2012	1,660	53,676	0.030926			
2013	-7,864	71,855	-0.10944			

2014	-3,382	84,901	-0.03983			
2015	-25,743	101,432	-0.2538			
LONHORN-2011	127,746	411,405	0.310512			
2012	-22,465	264,585	-0.08491			
2013	93,918	385,866	0.243395			
2014	94,933	434,320	0.218578			
2015	71,717	380,378	0.188541			
BAT -2011	826,173.10	11,121,561	0.052			
2012	294,654.54	13,750,545	0.015			
2013	4,379,502.84	15,176,495	0.202			
2014	4,517,227.10	16,985,923	0.351			
2015	11,571,005.91	19,013,390	0.426			
E.ABREWERIES-2011	9,,023,660	34202944	0.263827			
2012	11,186,113	31,687,489	0.353014			
2013	6,522,200	31,113,616	0.209625			
2014	6,858,608	35,405,293	0.193717			
2015	9,535,000	42,009,009	0.226975			
EVEREADY- 2011	-123,994	358,481	-0.34589			
2012	70,084	454,965	0.154043		228,002	
2013	45,092	497,778	0.090587		151,673	
2014	177,589	357,764	0.496386		67,237	
2015	77,710	860,359	0.090323		33,839	

CARBACID 2011	439,131.43	1,512,166	0.203279			
2012	431,707.14	1,739,985	0.173677			
2013	556,124.29	2,012,816	0.193404			
2014	679,344.29	2,204,399	0.215724			
2015	739,173.85	2,454,724	0.210786			
UMEME- 2011	23,009.34	559,249.16	0.041143			
2012	57,110	451,576	0.126468			
2013	83,667	509,273	0.164287			
2014	101,674	742,472	0.13694			
2015	105,857	1,364,343	0.077588			
SAFCOM- 2011	13,158,973	79,737,036	0.16503	1,050,239	11,113,638	404,536.40
2012	12,627,607	84,283,777	0.149823	956,525.60	16,353,929	738,870.50
2013	17,539,810	92,265,128	0.190102	1,249,219	20,213,905	73,065.64
2014	23,017,540	96,338,359	0.238924	15,110.50	235,000	550.0222
2015	31,871,303	104,767,293	0.30421	21,508.83	235,481	10,639.03
KAKUZI- 2011	549,936	3,466,163	0.158658			
2012	379,357	3,425,677	0.110739			
2013	165,028	3,570,362	0.046222		607,875	
2014	160,205	3,680,033	0.043534		1,689,91	

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2015	527,687	4,185,969	0.126061			
ATHI RIVER 2011	-343,930.43	12,037,565	-0.02			
2012		13,441,193	0			
2013	-1,397,679.50	13,976,795	-0.07			
2014	3,457,222.07	16,133,703	0.15			
2015	9,667,894.39	18,290,611	0.37			
BOC KENYA LIMITED -2011	113,338.57	2,019,810	0.039279			
2012	215,148.57	1,816,803	0.082895			
2013	281,962.86	1,989,541	0.099206			
2014	289,480.00	2,633,093	0.076957			
2015	399,876.64	2,617,959	0.106921			
BAMBURI 2011	8,370,000.00	26,366,000	0.222218			
2012	6,974,285.70	43,038,000	0.113435			
2013	5,247,142.87	43,016,000	0.085387			
2014	5,575,714.	40,991,000	0.095216			

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2015	1,888,128.97	49,316,000	0.0268			
CROWN PAINTS KENYA LIMITED 2011	130,595.71	1,972,337	0.04635			
2012	184,288.57	2,215,352	0.058231			
2013	190,775.71	2,258,263	0.059135			
2014	305,490.00	2,945,434	0.072602			
2015	348,522.82	3,088,397	0.078994			
EAST AFRICA PORTLAND CEMENT 2011	561,558.56	12,037,565	0.032655			
2012	342,622.85	13,441,133	0.017843			
2013	-	13,976,795	0			
2014	1,519,379.96	16,133,703	0.065922			
2015	1,211,753.49	17,103,318	0.049594			
THE KENYA POWER AND LIGHTING CO 2011	4,694,981.39	150,566,859	0.021827			
2012	2,971,601.41	160,993,223	0.012921			
2013	4,032,285.65	163,144,873	0.017301			
2014	7,500,194.21	188,673,282	0.027827			

2015	7,119,878.10	194,962,289	0.025563			
UNGA GROUP LIMITED 2011	337,390.00	5,064,420	0.046634			
2012	630,061.43	5,708,897	0.077255			
2013	497,421.43	6,410,259	0.054318			
2014	725,742.77	8,316,927	0.061083			
2015	833,807.79	8,989,847	0.064925			