

**DIVERSIFICATION STRATEGY ADOPTED BY CHRISTIAN
FAITH – BASED ORGANIZATIONS IN KENYA
CASE STUDY OF DELIVERANCE CHURCH KASARANI.**

NDEGWA DORCAS WOTHAYA

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION,
SCHOOL OF BUSINESS UNIVERSITY OF NAIROBI.**

NOVEMBER 2016

DECLARATION

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

Signed:..... Date:.....

Ndegwa Dorcas Wothaya.

D61/78941/2015

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

Signed:..... Date:.....

Dr. Winnie Njeru

Lecturer, School of Business University of Nairobi

DEDICATION

This project is dedicated to my loving parents. To my dad in Heaven, you always encouraged me in my studies, you have always been my biggest aspiration. Even though you didn't live long to see this, I finally made it. To my loving mum, for your prayers and encouragement am always thankful. You are my Heroine!

ACKNOWLEDGEMENTS

Special thanks I give to the Almighty God who has been the source of my strength, for the gift of life and wisdom and enabling me to accomplish this project.

Special acknowledgement goes to my supervisor Dr. Winnie Njeru and my moderator Prof. Evans Aosa who have worked with me throughout this project. Thank you for your professional guidance which has made this work to be a success.

To my entire family, thank you for your prayers, encouragement and a lot of understanding. You have always encouraged me throughout my academic life. To my spiritual father Bishop Dr. Jimmy Kimani, you played a great role towards the accomplishment of this project. To my colleagues for your moral support and sacrifices you had to give during my studies, I say thank you. I also acknowledge the leadership of Deliverance Church Kasarani for their willingness to give information that led to the completion of this project.

Finally, I want to thank all my lecturers from the University of Nairobi for impacting me with knowledge.

God bless you all!

TABLE OF CONTENTS

Declaration.....	ii
Dedication.....	iii
Acknowledgements.....	iv
Abbreviations and Acronyms.....	viii
Abstract.....	ix
CHAPTER ONE:INTRODUCTION.....	1
1.1 Background of the Study	1
1.1.1 Concept of Strategy.....	3
1.1.2 Concept of Diversification.....	3
1.1.3 Deliverance Church Kasarani	5
1.2 Research Problem	5
1.3 Objectives of the Study.....	9
1.4 Value of the Study	10
CHAPTER TWO:LITERATURE REVIEW.....	12
2.1 Introduction.....	12
2.2 Theoretical Foundation	12
2.2.1 Resource Based View	12
2.2.2. Upper Echelons Theory	14

2.3 Types of Diversification	16
2.4 Factors Influencing Diversification	17
2.5 Challenges of Diversification	19
2.6 Summaries of Empirical Studies and Knowledge Gaps	20
CHAPTER THREE:RESEARCH METHODOLOGY	22
3.1 Introduction.....	22
3.2 Research Design.....	22
3.3 Data Collection	22
3.4 Data Analysis	23
CHAPTER FOUR:RESEARCH FINDINGS AND DISCUSSIONS	24
4.1 Introduction.....	24
4.2 The nature of Deliverance Church Kasarani diversification Strategy	24
4.2.1 Cornerstone Academy.....	25
4.2.2 Ukombozi Retreat and Conference Centre	25
4.2.3 Ukombozi Holdings Limited	26
4.3 Factors Influencing Adoption of Diversification Strategy in DCK	28
4.4 Benefits of Diversification Strategy Adoption by DCK.....	30
4.5 Challenges Facing Diversification Strategy Adoption in DCK.....	35
4.6 Diversification Strategy Evaluation and its Future Perspective at DCK	39

CHAPTER FIVE:SUMMARY, CONCLUSIONS AND RECOMMENDATION....	41
5.1 Introduction.....	41
5.2 Summary of the Findings.....	41
5.2.1 Importance of Diversification Strategy by Deliverance Church Kasarani	41
5.2.2 Challenges Facing Diversification Strategy by Deliverance Church Kasarani ...	42
5.3 Conclusions.....	43
5.4 Recommendations for Policy and Practices.....	44
5.5 Limitations of the Study.....	46
5.6 Suggestion for Further Study	47
REFERENCES.....	48
Appendix 1	i

ABBREVIATIONS AND ACRONYMS

CEO: Chief Executive Officer

CFA: Competitive Force Approach

CIA: Central Intelligence Agency

DCK: Deliverance Church Kasarani

EAK: Evangelical Alliance of Kenya

FBOs: Faith – Based Organizations

LCC: Local Church Committee

NGOs: Non-Governmental Organizations

NPF: Not For Profit

RBV: Resource Based View

SPSC: Strategic Planning Steering Committee

TMT: Top Management Committee

URCC: Ukombozi Retreat and Conference Centre

ABSTRACT

Organizations are deemed to be open systems meaning that they operate within an environment which is dynamic in nature. These organizations are required to evaluate themselves time to time and align themselves strategically in order to remain relevant. In order for this to happen, organizations adopt different strategies. One of the major strategies undertaken is diversification, the focus of this study. The study concentrated on finding out the importance of diversification and the challenges facing diversification as a strategy adopted by Christian Faith-Based organizations. The study employed a case study of Deliverance Church Kasarani. Primary data was collected by use of prepared interview guide and also secondary data from church magazines and other published relevant materials. Content analysis which enabled an in-depth analysis was used to analyze the collected data. The study found that diversification at Deliverance Church Kasarani has been a success. This was supported by many benefits that have been achieved as a result of diversification. These benefits included; growth, customer satisfaction, customer loyalty, economic and financial stability, job creation, professionalism and strong relationships with other organizations. The key challenges were found out to be financial challenges, employee turnover, unsupported policies, resistance to change and limited physical facilities. In order to overcome these major challenges the study concluded with pointing out some recommendations such as; strategic evaluation and analysis, employee motivation and development, review of policies, improvement in systems and structures, cost saving, internal control measures, proper marketing, cost leadership and benchmarking.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The church can be termed as a unique religious institution with an earthly management and a divine mission. While it is governed by a divine rule, it also has assets and other resources to manage. The church congregation are the main stakeholders whose demands for answerability and translucence towards their contributions have to be ensured (Smith, 2011). Chapter five of the Constitution of Kenya (2008) highlights the fundamental rights and freedoms for the Kenyan individual which implies that the constitution guarantees freedom of religion and worship. Religious organizations have been considered in the past as Non-profit making organizations from which their main source of financing has been through donations and member contributions. However, today most religious organizations are shifting to other commercial activities inform of business such as establishment of schools, guest houses , hospitals and in the recent past religious organizations have shifted to real estate business.

For corporate organizations sustainability includes economic, environmental and social aspects; for charitable and philanthropic organizations, sustainability can be termed as approach to ensure continuity of services to the community. The church is amongst these philanthropic organizations (Weerawardena, McDonald, & Mort, 2010). Hastings (2002), argues that in order to maintain church's sustainability, the church need not only to be concerned about the numbers of the congregation but also to focus more on the aspect of

people and making them feel part of it and ensure better leadership which will also focus on the entrepreneurial aspect by the organization. This study therefore focused on the importance of these extra activities embraced by Christian FBOs and their challenges.

Two main theories were used to guide this study. The first theory was the Resource Based View (RBV) which emphasizes the firm's resources as the integral determinant of performance and competitive advantage (Peteraf and Barney, 2003; Barney, 1991). Diversification can be considered by a firm as a way of ensuring maximum utility from existing resources and capabilities. In support of this aspect of diversification is RBV. Top management are obliged to ensure success of the organization. The second theory identifies firms as a reflection of top management. This theory of information processing that allows managers to act on the basis of their interpretation of the situation at hand is called the Upper Echelons Theory (Cho & Hambrick, 2006; Hambrick, Cho & Chen, 1996).

Diversification strategy defines the direction and the scope of organization's transactions which it is expected to undertake. Diversification strategy is explained to be the basic corporate foundation (Rumelt, 1991). An organization that is in need of maximizing its performance are expected to have an explicit direction. Vertical and horizontal integration are part of these strategies. Vertical integration is deemed to be mostly undertake in related diversification because it allows for benefits to be spread out with more ease and it is not so complex when it comes to controlling it. Horizontal strategy is argued to have a

probable increase in the organization's business scope, in most cases, horizontal strategy involves unrelated business fields (Varadarajan 1986).

The study focused on a Christian FBO by the name of Deliverance Church Kasarani (DCK) DCK is a registered church organization in Kenya under the umbrella of Deliverance Church a member of Evangelical Alliance of Kenya. The church was registered in 1984 when it was founded and it is located in Nairobi County, Kasarani sub-region. It is amongst the churches referred to as Pentecostal churches. DCK is presided by a Bishop who is assisted by other leaders as part of the management team.

1.1.1 Concept of Strategy

Johnson and Scholes (2002) define strategy as the direction and scope of an organization over a long term that works to achieve advantage for the organization through configuration of its resources within a dynamic environment to satisfy the need of the markets and ensuring stakeholder expectations 'fulfillment. Sengupta and Chandan (2003) says that a strategy is a series of related decisions and actions which points out what is expected to be done and the ways of how to do it. The main aim of crafting a strategy is to assist the organization in achieving its goals.

Pearce and Robinson (2006), states that there are grand strategies, which are mainly referred to as 'master or business strategies' that provide basic direction for strategic actions. They further explain that there are fifteen principal grand strategies, namely: concentrated growth; market development; product development; innovation; horizontal

integration; vertical integration; concentric diversification; conglomerate diversification; turnaround; divestiture; liquidation; bankruptcy; joint ventures; strategic alliances; and consortia. Any of these strategies could serve as basis for achieving the major long-term objectives of a single firm, while with firms of multiple businesses, industries, product lines or customer groups, usually combines several grand strategies.

Mintzberg, (1987) considers a strategy as a plan, which act as a cause of action, a ploy, which works to outsmart prevailing competitors, a pattern because it portrays a constant behavior, a position since it works as a mediation force with the environment from which an organization operates from and as a perspective since it perceive the world in an intrinsic way. Pearce and Robinson (1997) define strategic management as a collection of judgments and actions which are formulated to achieve organization's objectives after proper implementation. From all these definitions a strategy can be simply termed as set of actions undertaken by the management to ensure organization's sustainability and success.

1.1.2 Concept of Diversification

Walker (2004) distinguishes strategy in a single business firm from that in multi business firms. He explains that business strategy concentrates on achieving superior performance in a product market but the strategy of a multi business firm involves managing a portfolio of businesses. This difference implies that crafting of a strategy requires a careful approach for the success of any firm. The corporate-level strategy of all multi business companies ought to show how and why the corporate parent adds value to its business. Strategic issues such as the allocation of resources between businesses, the creation of synergy through

linkages amongst the businesses and the choices faced when creating a corporate portfolio are fundamental in designing the strategy.

Campbell et al (2002) defines diversification as business growth that involves developing new products for new markets. Johnson, Scholes & Whittington (2005) define diversification as a strategy that enables the organization to penetrate into both current markets and products and services. From this study, an organization is termed to be diversified if it is involved in more than one line of business. Diversification is therefore considered as a number of businesses under one corporate umbrella.

Porter (1987) argues that, a diversified organization has two levels of strategy which are business unit and corporate strategy. Competitive strategy is concerned with how the organization will be able to create competitive advantage in each of the businesses in which it competes. Corporate strategy concentrates on two different questions of what businesses the organization should be in and how the organization should manage the bunch of business units. Corporate strategy is what makes the corporate whole add up to more than the sum of its business unit parts. Corporate strategy choice have been observed as part of the organization's legacy.

1.1.3 Deliverance Church Kasarani

There are over four thousand registered churches in Kenya (CIA World Fact book, 2006). The old denominations mainly referred to as the mainstream churches are: the Roman Catholics, Anglican Church, Full Gospel Churches, Presbyterian Church of East Africa, Methodist and Baptist. Lately, Kenya has witnessed the mushrooming of what are referred

to as Pentecostal churches. In Kenya, the most popular ones include; Nairobi Pentecostal Church, Nairobi Lighthouse Church, Redeemed Gospel Church, Deliverance Church, Jesus is Alive Ministries and the Jubilee Christian Centre.

Deliverance Church Kasarani (DCK) which form the context of this study is therefore a registered religious organization in Kenya under the umbrella of Deliverance Church one of the Pentecostal Churches in Kenya founded in 1970 by Dr, Joe Kayo as an indigenous ministry which targeted the youths. The church has since grown by planting many churches across the country and the region. Deliverance Church is headed by a general overseer of the church, Bishop Mark Kariuki, who acts in the capacity of presiding Bishop of Deliverance Churches. The church is also a member of EAK a national umbrella organization consisting of over thirty churches and para-church organizations. EAK major role is to make the presence of the Gospel available to all communities in Kenya through the member churches. The presiding Bishop of Deliverance Churches currently act as the EAK's chairman.

Deliverance church as a whole embrace a structure where by different branches operate autonomously at their local levels. DCK is a member of Deliverance Church and it has been in operation since 1984 when it was founded. The church is presided over by a Bishop, Dr. Jimmy Kimani .The Church has exponentially grown to a registered membership of over one thousand five hundred. This has seen the organization plant new other churches in the locality, establishment of Cornerstone Academy, Ukombozi Retreat and Conference

Centre (URCC) and a real estate project as part of its strategic business units. DCK is led by a chief executive officer in the position of Bishop who is assisted by a local church committee (LCC) who plays the key role of top management. The LCC are assisted by the school board and the URCC board. Middle-level managers are selected from the different strategic business units who comprises of the pastors, the school head teacher, the human Resource and administration manager, finance manager, URCC manager and Ruiru project manager. These form a committee of professionals who actively work to ensure that the organization is successful.

The spirit of team-work is embraced where by the management and the staffs who comprises of teachers, chefs, marketers, accountants, counsellors and junior staffs work together. The organization also has a selected finance committee that ensures that the organization's resources are well utilized and proper investment decisions are made. DCK is guided by five strategic pillars that represent the key areas in which an organization must excel in order to achieve its mission of making Christ known to all: Soul-winning, Systems and Structures, People, Finances and compassion. Its vision is to lead at least twenty five thousand people to Christ in Kasarani and its environment by the year 2017 and deliver value to customers. The core –values of the organization are: passion, accountability, integrity and discipline, team-work, innovation and empowerment.

1.2 Research Problem

Most NFP organizations and churches in particular are pursuing diversification as a corporate strategy since the traditional sources of funds such as donor aid have been gradually diminishing (Johnson, Scholes & Whittington, 2005). One factor that has

aggravated this position is globalization, since it has increased the levels of competition and consequently impacted on organizations' corporate strategies. According to Salamon and Anheier (1997) most NFP organizations have been forced to redefine their strategic goals and objectives in order to align with the changing operating environment for survival. Barna (1997), argues that evolution of strategies which works to guarantee long-term commitment and contributions is of great importance. As a comparison with the developed countries NFP organizations have become effective and efficient in resources mobilizing by the application of business-like models.

Stern and Stalk (1998) have explained that to achieve successful diversification, appropriate strategies must be selected and relevant tools and techniques applied to successfully manage the diversified portfolio. As a consequence, unlike the past years, churches today have embraced professionalism as part of their work practice to achieve competitive advantage and so as to respond appropriately to the changing operating environment. The strategic position of a firm is therefore concerned with the strategy impact to the external environment from which it operates, the organization's capability which entails the resources and competences, finally with the stakeholders' expectation and influence (Johnson, Scholes & Whittington, 2005).

DCK have adopted business – like models, apart from offering spiritual welfare to the society, it has also diversified to other commercial activities through mobilization of its resources. It can be said to be one of the fast growing church organization especially in its locality. Besides the main stream churches which have previously been identified with

establishment of other commercial activities, DCK as an evangelical church has also adopted this strategy which may have ensured its sustainability for over thirty years. It was therefore necessary to evaluate how diversification have been of importance to DCK and also find out the key challenges that have been faced by DCK in the process of implementing diversification as a strategy adopted.

Kiiru, (2010) observed that so as to sustain charitable organizations such as churches, there was a need to ensure resources mobilization since it was observed that despite the fast growth of the church, it was still found to be straining in his study on how churches owned business promote sustainability of the church. Kung'u (2007) researched on the challenges of implementing strategy in main stream churches in Kenya and her main finding was that the greatest challenge of strategy implementation in mainstream churches in Kenya was in the culture that was unsupportive of strategy implementation.

Obwoye (2006) who surveyed the strategic management practices of Christian Churches in Kenya however made the observation that the church was making a good effort to embrace strategic management practices. She also noted that older and more established churches showed a greater appreciation of strategic management. Kenas (2012) did a research on strategy implementation and control in churches in Nairobi where he found that most of these strategies were very poorly implemented. Evaluation and control of the selected strategies was not carried out at all in some churches while in the churches where it was carried out, most of the times it was not adequately done. The study revealed that most church leaders do not have sufficient training and skills on the subject of strategy

evaluation hence monitoring of strategy was not carried out by most churches as part of strategy evaluation and control.

Most studies globally done in the area of diversification as a concept in strategic management have focused on profit – making organizations as compared to NPFs which include the FBOs. Little research has been done on diversification concept as far as FBOs in Kenya are concerned, even though many of them have engaged on varied commercial activities as a gateway for success, and hence the need for this study. The study focused on answering two critical research questions. What is the importance of diversification strategy by Christian FBOs in Kenya? And what are the challenges facing diversification strategy by Christian FBOs in Kenya?

1.3 Objectives of the Study

The objectives of the study were:

- i. To find out the importance of diversification strategy by Christian FBOs in Kenya.
- ii. To ascertain challenges facing diversification strategy by Christian FBOs in Kenya.

1.4 Value of the Study

The study was able to identify how organizations' resources have been mobilized to enable diversification as dictated by RBV. The study will also help to gauge how internal capabilities can be used by NFPs to position them competitively in the dynamic external environment. The study evaluated the management practice in FBOs to find out if really they reflect the organization as dictated by Upper Echelons theory and give proper recommendation.

The information obtained from this study will be of importance to researchers since it can be used for future reference. The information can also be used by the management of DCK which form the context of the study as strategic evaluation tool which will help to ascertain whether the organization is on right the way to where it want to be or even whether the organization is where it want to be and if not the management will therefore be able to make the right decisions.

Other religious organizations who may plan to embrace diversification strategy can also benefit from this study since the impact and the challenges of diversification will be clearly outlined hence forming the base in decision-making. This study will also be beneficial to other stakeholders such as policy makers and strategists who can use it as a sign of reference to advise FBOs in Kenya

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the literature previously done on the area diversification by organizations globally. Different theories supporting the study were critically discussed in this chapter. For the purpose of this study RBV and upper echelon theory were used. The chapter also did a review on aspects of diversification strategy in relation to different types of diversification, the factors influencing diversification and the challenges of diversification.

2.2 Theoretical Foundation

A theory is defined by Sutherland to be an ordered set of affirmations in relation to a generic behavior or structure which is feigned to last throughout an incomparably broad range of distinct occurrences (Sutherland, 1976). A theory is important for researchers and practitioners because it provides a framework for analysis; it provides an efficient method for field development and it provides clear explanations for the pragmatic world (Churchman, 1961).

2.2.1 Resource Based View

The RBV has been considered as one of the substantial theories of strategic management (Barney, 1986a; Wernerfelt, 1989). The theory continues to suggest that the resources possessed by a firm are the primary determinants of its performance, and these go along with contribution to a sustainable competitive advantage of the organization (Wernerfelt, 1984). According to Barney (1991), the organization's resources basically include assets,

capabilities, organizational processes, firm attributes, information, knowledge and others controlled by an organization which enable the organization to conceive and implement strategies which ensures improvement in its efficiency and effectiveness (Barney, 1991). Amit & Schoemaker (1993) define resources as stocks of available factors that are owned or controlled by the firm, which are converted into final products or services.

RBV has emerged as perhaps the most fruitful yet controversial contemporary perspective in strategic management which has geared conversations within the field of strategic management (Mahoney & Pandian, 1992). With numerous advances, arguments, and also with some aporias. RBV research has been credited with restoring the balance between internal and external analysis in strategic management theory (Dierickx & Cool, 1989). RBV have been pointed in providing the basis in the new theory of the firm (Conner, 1991), it has also been pointed as a theory of competitive advantage (Barney, 1991), a theory of rents (Amit & Schoemaker, 1993), and a theory of value creation (Peteraf & Barney, 2003). RBV School of thoughts emphasize on resources as being major source of competitive advantage. However, this school of thought is limited in the essence that does not consider the industry structure which a critical determinant of success.

Researches in strategic management have traditionally suggested that organizations ought to seek a strategic fit between the external environment, this means that the opportunities and threats and the internal resources which includes strengths and weaknesses (SWOT) (Itami, 1987). Das & Teng, (2000) made observations that considerable emphasis has usually been given to a firm's competitive environment and its competitive position.

Considering the source of an organization's sustainable competitive advantage, the scholars have widely accepted that the prevailing aspect in strategic management theory from the early 1980s has been the CFA founded by Porter (1980).

The markets are the places where the organization trade resources which are necessary to implement their strategies (Barney, 1986a; Hirshleifer, 1980). The economic performance of the firms do not only depend on the returns from their strategies but also on the cost of buying the resources from these markets to implement those strategies. The costs of these resources are highly determined by the distinct characteristics of the factor markets. In RBV, the qualitative, case-based, methods have been preferred and are said to be useful and important complement to quantitative methods (Rouse and Daellenbach, 1999). RBV concentrates on resources as key competence towards competitive advantage but also display limitation in that it ignores other key competencies such as organizational structure, innovation, systems and processes, skills and expertise and technology which are importance aspects in any given organization.

2.2.2. Upper Echelons Theory

Upper Echelons models reports that organizations and their identifiable strategic behaviors portrays the cognitive and visible temperaments of their top managers (Hambrick & Mason, 1984). The organization's top management determines the developmental trajectory of firms through the preferences, behaviors, and abilities encased in their strategic choices (Hambrick, 2007; Nielsen, 2010).The top management team (TMT) includes the two upper layers of corporate decision-makers (Wiersema & Bantel, 1992).

Cognitive base are the set of values and beliefs which them top managers bring to their formal roles from which they represent the means through which understanding and action are embedded within established social worlds (Hargadon, 2006). Wiersema & Bantel (1992: 94) defines cognitive base on the other hand as assumptions about future events, knowledge of alternatives, and the consequences attached to these alternatives. In effect, this cognitive base serves to refine and alter the decision maker's perception of what is happening and what ought to be done about it (Hambrick & Mason, 1984: 195).

Studies have indicated that decision-makers seek advises from advisers who are able to help and ensure accuracy in their judgments. This is mainly done when high risks matters are involved (Bonaccio & Dalal 2010). Advice, as a form of knowledge input for strategic decision-making, embodies prescriptive insights in the form of formulated judgments and opinions about current strategic directions or recommended alternatives for future courses of action (Alexiev et al. 2010). Senior executive officers are accountable for strategic decisions. Therefore, before transacting possibly irreversible actions with dire consequences for the firm; the stakeholders and management have the discretion to seek strategic advice to help their judgement on the competitiveness of the firm, changing environmental conditions and even insights on how to select between multiple viable alternatives (Miller, Burke & Glick 1998).

The inclusion of advisers therefore reflects that the decision making process e by the top managers may include other external actors who may or may not be members of the TMT or even persons from outside the firm (Arendt et al, 2005).Internal advice may be sought

from other persons such as middle managers and senior managers and acts mainly as a conduit for firm specific prescriptions that are generated within functional and organizational boundaries (Spender 1996). External advisers are however considered to be more objective because their suggestions are not characterized by their previous successes and failures of a given organization which are often reflected in organizational memory, myths, and symbols that outlive individual actors and events (Crossan & Bedrow 2003).

2.3. Types of Diversification

There are two broad types of diversification, namely the related diversification and the unrelated diversification (Johnson, Scholes & Whittington, 2005). Related diversification is a strategy in which an organization operates in several different businesses, industries, or markets that are somehow linked.

Related diversification is defined as strategy development beyond current products and markets, but within the capabilities or value network of the organization. However, unrelated diversification is a strategy in which an organization operates multiple businesses that are not logically associated with one another (Johnson, Scholes & Whittington, 2005).

The author defines unrelated diversification as the development of products or services way and above the current capabilities or value network. This unrelated diversification is often described as ‘conglomerate strategy’ (Johnson, Scholes & Whittington, 2005).

Generally, related diversification is seen as superior to unrelated diversification, particularly because it is likely to yield economies of scope. However, it can also be problematic because significant time and cost is involved in top management at the

corporate level in trying to ensure that the benefits of relatedness are achieved through sharing or transfer across business units. In addition, there is difficulty for business-unit managers in sharing resources with other business units or adapting to corporate-wide policies. The difficulty arises when they are incentivized and rewarded primarily on the basis of the performance of their own business alone (Johnson, Scholes & Whittington, 2005).

2.4 Factors Influencing Diversification

A company's conclusion to diversify results from three primary reasons. Firstly, the market power belief which assumes that as a firm becomes conglomerate, it can obtain stronger position. Secondly, when managers implement diversification to uplift the status of the firm and provide protection to the financial conditions of the firm in times of economic turbulence. This particular diversification is also known as the agency attitude. Finally, diversification results when there are excess resources in the firm that can be elsewhere and be more productive. This is also known as the resource view (Montgomery, 1994).

Steven and Marks, (1998) states that there are several factors which influences diversification. Workforce resources availability is one of the factors, this works to ensure that the organization have sufficient resources which will cater for different initiatives which will be undertaken during diversification and also ensuring effective functionality of existing business activities. Finance availability which is a major requirement during diversification, and government regulatory policies. He also states that a clinical and comprehensive review ought to be done of the firm's present fiscal standing and future

prospects by business owners before the initial steps of expanding business into a new area. This is because diversification depends highly on the financial health of the firm.

A firm may undertake diversification as a way of making up for any loss presently, or as a way of minimizing risks in the future. (Tallman and Li, 1996). Dynamic capabilities of the firm determine the scope of services that a firm can provide (Doving and Gooderham, 2008). Knowledge searching is another factor that influences diversification (Miller, 2006). Scott, (1993), argues that diversification might be to match the multi-market presence of competitors. Thus, firms may exhibit 'strategic congruence' as they match each other's market presence. Management preferences may promote firm growth or other objectives rather than profitability. This is because diversification allows for accelerated growth by increasing market share, or benefiting from increases in demand, in a single market. Other authors see diversification as an escape route for firms in low profit or declining industries (Rumelt, 1986).

Johnson, Scholes & Whittington (2005) suggested that organizations often diversify to respond to environmental change, and sometimes in order to satisfy the expectations of powerful stakeholders, including top managers who may want to save their jobs. Musila, (2009) identified that some of the factors influencing diversification strategy by the churches are competition, overstretching of available resources due to high growth rate of the church, centralization as way of managing the church, human resource management and the political and economic factors affecting Kenya. Other factors influencing diversification include: financial health, market or industry attractiveness, availability of

workforce resources, government regulatory policies, dynamic capabilities, knowledge searching, institutional environment, information asymmetry and cultural diversity. (Githira, 2008).

2.5 Challenges of Diversification

Olson, Slater and Hult (2001) use the phrase, 'doing is harder than dreaming'. Businesses invest a lot of resource in the planning of strategy, but very little of it gets implemented successfully. Systematic knowledge about how to implement a well-conceived strategy on paper in the real day-to-day business of an organization lacks. Even the most superior strategy is useless, without effective implementation (Aaltonen and Ikavalko, 2002). It's dangerous to ignore Purpose, Principle and Processes, People and Performance components (5Ps). This is because strategy implementation requires an integrative point of view. This means managers and strategy implementers have to consider the interdependency of different factors without neglecting any of them (Pryor et al., 2007).

Diversification strategy may therefore fail if strategy is not well inter-linked with structure and behavioral component of the organization. According to Okumus, (2003), he stated that an effective strategy implementation and also its execution will mainly depend on ensuring that a balance has been maintained between promoting successes and preventing failures concurrently. He further argues that in order to achieve the desired results and ease the process of strategy implementation and execution, the organization has to ensure that there will adequate alignment between strategy, administrative mechanisms and organizational capabilities. Melly, (2012) identified that financial resources, lack of support by the top management, poor planning, resistance to change and mode of sharing

the generated funds were major challenges facing diversification as strategy in public universities in Kenya.

Diversification strategy can face challenges such as lack of human resource and finances to facilitate investment in the new market, lack of knowledge of the new projection performance to ascertain the future value of the firm, investments, high competition because of new entrants, uncertainty of the new market leading to high business risk and technological advancement adjustment challenges (Githira, 2008). Lack of clear diversification strategy (Howe, 1986), poor organization structure that doesn't support diversification strategy (Ansoff, 1990), management over-optimism in its ability to manage its varied interest without considering appropriately the conditions in the principal market (Hill, 2001).

Studies done on economic diversification shows that most organizations suffer from weak institutions, lack of coordination between policymaking and policy implementation, small and ineffective private sectors, lack of innovation and limited investment in Research and Design, poorly skilled national workforces incapable of meeting the demands of the private sector, inefficient legal and regulatory systems, and lack of accountability and transparency. Similar challenges can also be borrowed in a Kenyan perspective.

2.6 Summary of Empirical Studies and Knowledge Gaps

Diversification strategy is influenced by several factors in every organization .However some general common factors includes: Availability of resources, finance and workforce availability, dynamic capabilities of the organization, knowledge searching, cultural

diversity and market or industry attractiveness (Githira, 2008). Diversification can also be adopted as a risk reduction strategy, as an escape route when an organization is facing low profitability and as a way to respond to the environmental changes (Rumelt, 1986). Satisfaction of a major stakeholder expectations also influence diversification, and also government and regulatory policies are some of the factors that influences diversification strategy (Musila, 2009).

Every strategy that an organization undertakes consequently faces challenges, the management of these challenges determines the success of the strategy or its failure. Diversification as a strategy is faced by many challenges which are: poor implementation, evaluation and control (Okumus, 2003), poor inter-linking of the strategy with organization structure (Howe, 1986), poor planning and poor coordination. Limited finance resources also is a big challenge when it comes to diversification, lack of knowledge and skills, Lack of accountability and also lack of support by the top management may lead to the failure of the strategy (Melly, 2012). Another major challenge faced by organization is lack of innovation and limited research and development in the organization. External factors also may inhibit diversification success such as high competition, technological advancement which changes rapidly and environmental uncertainties which can lead to poor decision making (Githira, 2008).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on how the research was carried out. The research design that was used, the respondents, the methods used in collecting the data and how it was analyzed.

3.2 Research Design

The research employed a case study approach since it enables a detailed observations of one situation or one unit of study. The case study research method is defined as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between the context and phenomenon are not clearly evident; and in which multiple evidence sources are use (Yin, 1984).

The author argues that a case study is a unique way of observing any natural phenomenon that exists in a set of data. By unique it is meant that only a very small geographical area or number of subjects of interest are examined in detail. Unlike quantitative analysis which observes patterns in data at the macro level on the basis of the frequency of occurrence of the phenomena being observed, case studies observe the data at the micro level (Yin, 1984).

3.3 Data Collection

The study focused on finding out in depth the concept of diversification, detailed information was sought and therefore, primary data was collected by way of personal interviews, guided with the pre-prepared interview guide consisting of open- ended

questions. Secondary data from DCK website, policy guidelines, brochures, published church magazines and other relevant sources were also used as a means of data collection.

Since diversification is a corporate strategy, the respondents were drawn from the senior management team of the DCK since they are involved in crafting of organizational strategy and so they are deemed to have a clear understanding of the matters that concerns diversification. The interviews were done selectively on five senior board members across different strategic business units in the organization who included the CEO who is the bishop.

3.4 Data Analysis

After data collection, the data was edited to ensure completeness, accuracy and consistency. For the purpose of detailed analysis, content analysis was used to analyze the data. Content analysis has been described as a research technique for the objective, systematic, and quantitative description of the manifest content of a communication (Cooper & Schindler, 2006). Qualitative content analysis entails deeper examination of language that classify large text data into different categories without changing its meaning (Weber, 1990).

Research using qualitative content analysis focuses on the characteristics of language as communication with attention to the content or contextual meaning of the text. Text data might be in verbal, print, or electronic form and might have been obtained from narrative responses, open-ended survey questions, interviews, focus groups, observations, or print media such as articles, books, or manuals (Kondracki & Wellman, 2002).

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The study was guided by structured interview guide which provided an in depth inquiry into the matters of diversification. The factors that influenced adoption of diversification strategy, the benefits that have been achieved as a result of adopting diversification, evaluation of the strategy and the key challenges facing diversification strategy at DCK.

4.2 The nature of DCK diversification Strategy

The respondents described diversification strategy at DCK as a related diversification. Being a church organization, the main reason of diversifying was to satisfy the community needs. The organization adopts different structures that enables these strategic units to run independently under different management. This is important because the services offered are dynamic in nature, the environment affect them differently therefore requiring dynamic management.

The organization has diversified into an academy primary school wholly owned by the church by the name of Cornerstone Academy, a retreat centre by the name of Ukombozi Retreat and Conference Centre which is managed by DCK as a shareholder and sale of land at Ruiru Kenya registered as Ukombozi Holdings Limited. These sub-organizations objectively work to ensure education welfare, training, seminars facilitation, hospitality and the improved standard of living to the society at large.

4.2.1 Cornerstone Academy

This school was initially founded in 1991 as part of the ministry of Deliverance Church Kasarani which started with only a nursery class. The school has since grown to over seven hundred pupils ranging from baby class to class eight. The school is based on the doctrine that identifies knowledge as power. The school also possess a strong belief that when they empower the child, then these children will be able to face life challenges that comes along through their motto “knowledge founded on Christ”. The school has grown to the extent of being ranked among the top fifty best primary schools in the country in a duration of twelve years.

Cornerstone Academy’s success can be attributed to engagement of highly qualified teaching staff and hardworking non-teaching staff, who work as a team to provide a conducive environment required for successful learning. Good discipline and moral values under Christian values have also played a key role in its success. The school’s vision is to be best institution of pre-secondary education in Kenya and its mission is to provide a conducive environment for quality learning, discipline, moral conscience and firm spiritual foundation. It operates under the curriculum of 8.4.4 system. The school is headed by a headmistress who is assisted by the deputy head teacher. It also has a school board who meet frequently to check on its performance and give recommendations.

4.2.2 Ukombozi Retreat and Conference Centre (URCC)

URCC is located in a Christian quiet country side serene environment at Ndarugu. It is termed as a beautiful and peaceful place with good settings for meetings. The facility is

ideal for retreats, conferences, day seminars, leadership workshops, staff training, employee team building, family day out, honey moon at ones pleasure or even a relaxing vacation at affordable and competitive prices. It is guided by its mission which is “To provide quality conference, hospitality, recreational and leisure facilities in a Christian environment” and its vision which is to enhance stewardship and integrity as a centre of excellence and quality leisure.

URCC was started by Deliverance Church fraternity as a need by the church for a place to hold meetings and also work as a training ground for its members and staffs. However, the centre has grown to facilitate its services even to other non- member customers from other churches, groups and individuals. It has a hall capacity which can hold up to two hundred and fifty persons and a bed capacity of one hundred and ten which are customized either single, double or for group sharing. Through actively embracing its core values of integrity, professionalism, stewardship and excellence, URCC has been able to host many actives for the church, held many conventions meetings, training and seminars, different functions such as weddings and receptions, corporate business meetings, individual’s fete and also actively coordinate these functions as per customer’s request therefore making it an ideal place for these. URCC is headed by a manager and it also operates under the guidance of its board members.

4.2.3 Ukombozi Holdings Limited

Around 1990s Deliverance Church fraternity came up with an idea of ensuring its members economic stability. This resulted to a formation of a Sacco by the name Ukombozi Sacco

which would enable savings and lending to the individuals and member churches. Around 2009, Ukombozi Holdings Limited was registered as a limited company, a legal separate entity from the church, this would enable the church to invest separately. The members were in need of a secured way of owning land and the church had to come up with ideas of how to assist its members. It is from these that opportunities arose of acquiring large scale pieces of land sub-dividing them and selling them to individuals at competitive prices.

The church has been able to acquire pieces of land at Nakuru and Kajiado. As a result of its high integrity, DCK was able to acquire vast land at Ruiru. The church members have benefited from this through purchase in small scale which is in the process of development as a residential estate which will form a permanent resident of around seven hundred households. Another opportunity arose as phase II which is an ongoing sale open to all. The real estate strategy has not only helped the members but also the church because the proceeds have been used to support the church financially and created expansion opportunities for DCK in the near future.

The senior management of Ukombozi holdings limited include the senior Bishops of Deliverance Church fraternity. The operations management is separated such that DCK are given the responsibility of management of Ruiru project phase I and II. From this, a steering committee is selected from the members who actively work to ensure development programs are put in place. The external stakeholders of Ukombozi holdings include the company's lawyer, the external auditors and the brokers.

4.3 Factors Influencing Adoption of Diversification Strategy in DCK

The respondents indicated that the main factor that influenced diversification strategy at DCK was a result of the need for growth. A church is a community organization and its mandates is to better the welfare of its members and impact its environment positively. As the church grew there was a need for taking care of children's education in the community. The church was able to mobilize its resources and form a nursery school which later grew up to a primary academy by the name Cornerstone academy. Apart from the need for growth of the church, diversification was also adopted in order to fulfill the expectations of powerful stakeholders in this case the church members. In order to successfully minister and retain the congregation, the church has to progressively identify the needs of its members and work to satisfy them. The formation of the school through church resource mobilization was also influenced by these members' expectations from the church.

In order to fulfill the aspect of learning for the organization, which would work to uplift the status quo of the organization, URCC was formed with an initial objective of offering trainings and seminars to the members which would work for the best of the church since it would be able to raise good leaders and enhance competence in its operations. The center have since been used for seminars and trainings which are aligned to the church objective of equipping members with knowledge and a clear understanding of the ministry .These programs have been extended even to other churches who can be termed as royal customers.

In the recent past in Kenya, there has been a tremendous growth in real estate industry. This as a result of its market attractiveness since one of the valuable asset that never depreciate is land. One of the problem facing the potential buyers is issue of unclean deals by the sellers. This has necessitated the formation of different groups of individuals forming Sacco's with the main aim of exploring the real estate market. These includes; Gakuyo Real Estate and Optiven Kenya and Urithi Sacco. It is for the same reason of safeguarding the interest of members and ensuring their economic growth that Ukombozi Holdings Ltd was formed which has actively participated in land acquisition in large scales, sub-dividing it and selling it to the members for individual development and self-upgrading.

The respondents also indicated that Ukombozi holdings ltd have been able to improve the financial position of the church. Initially it was very difficult for the church to obtain financing by the banks. This is because it is not a limited company and no assets could be used as security by the banks. However the formation of Ukombozi holdings limited has made it possible. The church can be able to own land through it and in times of financial need use it as security and access financing through the banks. This has contributed to the growth of DCK as a church organization which has enabled it to facilitate a VCT and counselling center, actively participate in community development and give in kind even in time of country disaster.

4.4 Benefits of Diversification Strategy Adoption by DCK

The respondents indicated that there are remarkable benefits that have been achieved as a result of DCK adopting diversification strategy. These benefits have been experienced by the organization itself and all its other stakeholders'. To begin with, DCK has experienced overall growth as an organization as a result of diversification. The membership of the church has grown as a result parents who bring their children to Cornerstone Academy. Because of the excellent services they receive at the academy, they become members of the church. The church has therefore been able to reach out to the needs of many in the community as one of the leading Pentecostal churches in the locality. This has consequently led to the planting of other Deliverance churches as a result of this growth.

DCK has also been able to benefit economically as a result of its diversification. For example the school premises belong to the church and so they receive rental income from the school on a monthly base. The school has also actively participated in supporting different church activities. Also at the end of each financial year the school gives it contribution to the church. In times of financial instability different strategic business units are able to assist each other financially thereby minimizing the cost of borrowing which would have been incurred if such lending was done from a financial institution. The assets owned by different strategic business units such as building and motor vehicles are used to serve other purposes in time of need which is always convenient and less expensive compared to hiring facilities externally. Through diversification the risk has been spread for example the assets such as land are registered under Ukombozi Holdings Ltd which is

legal separate entity and in case of any adverse events the other strategic units such as the church, URCC and the school cannot be called upon to bear the debt .

Another benefit obtained as a result of diversification is the ability to share human resources. Expertise is shared across all the units for example Information and technology expertise which is so critical for any organization. DCK fraternity embrace the spirit of team-work and so some of the offices are shared where by the staffs work together as a team especially in accounts and finance department which is a key office in the organization that is mandated to ensure financial accountability, also in human resource department which ensures the welfare of the employees is catered for, the kitchen department, and also the subordinate staffs resources are shared by the church and the school which are located together. This shared manpower can be seen as a good way of cutting cost and ensuring of maximum use of available manpower resources .The management meetings held includes all the managers from different units. This can be termed as a good way of exchanging ideas making it possible to buy in ideas that better the organization across all the units. The same case applies to the senior board whereby some selected member sits across the boards bringing out cohesion and uniformity in DCK fraternity.

The study also found that DCK has also benefited in relation to customers through adoption of diversification strategy. The main objective of starting the strategic units was to meet the need of potential customers. Customer satisfaction has been able to be achieved which

is a very important business element in any given environment. Through good school performance the parents are guaranteed of good performance of their children. Ukombozi Holdings' customers feel satisfied that their land investment is genuine and trustworthy. Customers who have used URCC facilities are reported to have a feeling of satisfaction and all this have created customer loyalty of some customers irrespective of high competition experienced from other external organizations. The study found that DCK is committed to its customers and they work to ensure customer needs are met. As a result of customer satisfaction especially in URCC, this has brought by strong relationship with other churches.

As organizations grow there is a need to ensure good controls and coming up with good system and structures. The study found that through diversification, DCK has embraced professionalism and its one of the church strategic pillar. The boards are made up of committed professionals from different area of expertise who have great role of ensuring that there are good internal controls. DCK's operations are guided by annual budget which work to ensure that there is maximum cost saving. The communication process enable the employees to interact directly with their supervisors and to some extent the line of command is clear. The employees are also evaluated through self-evaluation which enable them to improve on their performance. The study also found that DCK is working on starting a procurement system which will ensure that the organization will be able to purchase its stocks at the most competitive prices and from reliable sources.

One of the major challenge facing Kenya as a country is the issue of unemployment. Through diversification at DCK, job opportunities have been created. The school has continuously employed qualified teachers who are a key resource for the school. The cooks, the chefs, accountants, drivers, counsellors, pastors, administrators, IT personnel, and Media assistants. All these have been employed by the organization leading to a total number of over eighty full time staffs. Casual workers are also hired by the organization when the need arises. The organization have also opened doors for students who come for internship, teaching them the necessary skills needed in their careers thereby placing them in better position in the job market. It clear that through diversification employment opportunities have been created at DCK.

Musila (2009) did a study on Anglican Church of Kenya where she studied the aspect of diversification as a strategy embraced by the church. .She found that as a result of diversification, the church had reported substantial growth, profitability and risk reduction. Hastings (2002), argues that in order to maintain church's sustainability, the church need not only to be concerned about the numbers of the congregation but also to focus more on the aspect of people and making them feel part of it and ensure better leadership which will also focus on the entrepreneurial aspect by the organization. DCK adopted strategies were found to have focused on satisfying its member's needs, this has led the organization to diversify into other activities which are income generating which have brought about significant growth of the organization. Pearce and Robinson (2006), also states that there are grand strategies, which are mainly referred to as 'master or business strategies' that provide basic direction for strategic actions. They continue to say that there are fifteen

principal grand strategies that an organization can take in which one of them is diversification strategy which have been adopted by DCK.

Obwoye (2006), surveyed the strategic management practices of Christian Churches in Kenya made the observation that the church was making a good effort to embrace strategic management practices. She also noted that older and more established churches showed a greater appreciation of strategic management. This can currently be supported by DCK which was found to have a clear understanding in the issue of strategic management since it was found to have a committee purposely for strategic planning (SPSC). DCK was reported to have benefited from diversification strategy like Anglican Church of Kenya as per Musila's findings and even much more. This study can therefore conclude that diversification is one of the major beneficial strategy that the Kenyan Christian FBO can undertake.

Stern and Stalk (1998) have explained that to achieve successful diversification, appropriate strategies must be selected and relevant tools and techniques applied to successfully manage the diversified portfolio. Unlike the past years, churches today DCK being an example have embraced professionalism as part of their work practice to achieve competitive advantage and in response to the changing operating environment. The strategic position of a firm is therefore concerned with the strategy impact to the external environment from which it operates, the organization's capability which entails the

resources and competences, finally with the stakeholders' expectation and influence (Johnson, Scholes & Whittington, 2005).).

4.5 Challenges Facing Diversification Strategy Adoption in DCK

The respondents indicated that even though there are benefits achieved by DCK as a result of adopting diversification strategy, there have also been key challenges that have been experienced. The first key challenge was found to be financial challenge. Some of the grand programs the organization has been planning to undertake as part of its growth have been delayed or have not been able to be started since the finance resource has been a challenge. The organization have been forced to squeeze their budget to fit the limited financial resources they have in place. The high cost of borrowing from financial institutions was reported also to be a challenge. The financial performance of some strategic business unit such as URCC have not been profitable as per the expectation which consequently result to some strains from the other units which have to sustain it at a times.

Management of strategic change is one of the hardest thing organizations face. This is because in nature people will always resist change. Some of the measures put across with the aim of organization's improvement have not been embraced fully by all concerned parties since some may feel that things would be better if things were done differently. For example there has been some resistant towards financial savings .However coming up with ideas that would fit everyone's view may not been possible. Separation of these strategic business units from the church has not been easy from the mindset of some members. This is because they may have felt that they ought to be considered more preferably since they

are church institutions. For example, the measures undertaken to collect school fees by school have not been one hundred percent effective. This have negatively affected the financial position of the school with substantive bad debts being reported at the end of each financial year.

At URCC the same challenge was reported, the willingness of the customer to pay lower prices than expected and failure to honour full debt in good time have resulted to unfavorable financial performance. Ukombozi holdings was reported to have a related challenge as Ruiru project. The customers have not managed to honor their debts according to the stipulated time as per the agreement. The slow liquid cash movement have unfavorably affected its financial liquidity and also a prolonged acquisition processes by the members which could have been eliminated if the legal agreement was honoured. The respondents further concurred that URCC was also facing another major challenge of poor marketing what has resulted to its under-performance.

The study also found that there was a challenge of physical facilities in the organization. The limited space where the church and the school are located do not allow for expansion. The playing ground which is an important item to the school children was found to be a major challenge. This have forced the school to go an extra mile of hiring these facilities externally since a playing ground and a swimming pool cannot be accommodated in the current location. This of course come with an extra cost which would have been minimized. It was reported also due to limited physical facility the school is not currently in a position

to convert into a boarding school .This come up with another challenge of pupils transfer to building schools especially from the upper classes. However the respondents indicated that the plans are under way for boarding facility at Ruiru in the near future.

An organization operates within a dynamic environment, different organizations tries to compete for limited resources at a given environment from which they operates. DCK diversification strategy was reported to be faced by this challenge of high competition. The Cornerstone Academy is faced with by competitors in the surrounding of which some of them have boarding facilities such as Ruaraka Academy, St.Marys Academy, Marion school and Thika Road Christian Academy to mention but a few. URCC is faced with competition from some major competitors who have been in operation for a longer time such as Bible Translation Literacy Christian International Conference Centre, Mariapolis Guest House, Thayu Guest House and Conference Centre and Shunem Guest House. Ukombozi Holdings limited also faces competition from real estate companies such as Gakuyo Real Estate, Optiven Kenya and Urithi Sacco.

It was found by the researcher that the organization is committed in recruiting qualified personnel fit for the job. However as the employees stay and get used to the organization. This brings about the challenge of familiarization which negatively affect their productivity. The respondent felt that some duties and responsibilities are not done to the maximum. Another challenge that came up is the ability of retaining the best talent in house. Some leaders who play critical role in the growth of DCK usually come and leave.

The school also faces the same challenges of turnover. Some of the best teachers leave the organization for greener pastures and others are poached by other schools such international schools like Braeburn schools, Juja preparatory and Brook house schools. The respondents felt that if the organization was able to retain such important people then overall growth of DCK could have been better.

In matters of internal control measures the respondents indicated that even though the organization have policy guidelines, to some extent some of them were unclear and unsupported especially in matters of the growth of the church for example the planting of new churches. Some policies in place also are outdated and this may require some review. The element of budget control also was found to be wanting, some activities undertaken yearly are not within the annual budget. Also the budget preparation faced a major challenge in that it was found not be aligned to the strategic activities. In matters of monitoring and evaluation the respondents differed in that some felt that it is well done while some felt something more need to be done especially when it come to the area of reports submission from various departments. Also some respondents felt that the strategic plans are not well implemented as per the expectation.

The findings of this study were found to be in agreement with the findings of Musila, (2009) who observed that one of the key challenge that was reported in Anglican Church of Kenya diversification strategy was the issue of finance challenge. The study also found that some of DCK's units were not performing well since some of the techniques and tools

of managing these strategies were missing as explained by Stern and Stalk. Strategy evaluation and control in this study was found to be in need of improvements. This goes along with a study done by Kenas on strategy implementation and control in churches in Nairobi where he found that most of these strategies were very poorly implemented. Evaluation and control of the selected strategies was not carried out at all in some churches while in the churches where it was carried out, most of the times it was not adequately done (Kenas, 2012).

Kung'u (2007) also researched on the challenges of implementing strategy in main stream churches in Kenya and her main finding was that the greatest challenge of strategy implementation in mainstream churches in Kenya was in the culture that was unsupportive of strategy implementation. The church can be reported to have made some improvements on this as portrayed by DCK a Pentecostal church whose culture seem to differ with the study previously done by Kung'u. Kiiru, (2010) observed that so as to sustain charitable organizations such as churches, there was a need to ensure resources mobilization since it was observed that despite the fast growth of the church, it was still found to be straining. As per Kiiru study it means that the church has another milestone to go by involving itself into more income generating activities in order to ensure its sustainability.

4.6 Diversification Strategy Evaluation and its Future Perspective at DCK

The study sought to find out if adoption of diversification strategy has been successful or not and what was the future perspective of DCK diversification strategy. The respondents

concluded that diversification strategy at DCK can be termed as having been successful. This is because the main objective of diversification was for the purpose of growth and ensuring that the needs of the members and the community at large are met. DCK was found to have been able to achieve that main objective.

It was also indicated that this growth is expected more in the future. DCK have plans to start a boarding school and a senior school which is a major need in the community. The organization is also looking forward to start a hospital facility at Ruiru where land is already in place for that. DCK being a church organization is looking forward to plant other churches which can then borrow the same ideas or do it differently and this will ensure the overall growth of Deliverance Church fraternity as a whole.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the summary of the research findings, the researcher conclusion and the recommendations, it also highlights the limitation of the study and also give a suggestion for further study.

5.2 Summary of the Findings

The study was guided by two objectives which were to find out the importance of diversification strategy and to ascertain challenges facing diversification strategy by Christian FBOs in Kenya. A Case study of Deliverance Church Kasarani was used in this research and the summary of the findings are as discussed below.

5.2.1 Importance of Diversification Strategy by DCK

Adoption of diversification strategy was found to of importance in that it has facilitated the overall growth of the organization which goes along with the church mission of making Christ Jesus known to all and as directed by its five strategic pillars of Soul- winning, Systems and Structures, People, Finances and compassion . Through diversification, the needs and expectations of stakeholders have been met leading to customer satisfaction which in return have progressed into the benefit of customer loyalty. As a result of diversification mobilization of resources have been made possible through investments. Cost saving as a result of shared manpower skills and internal financial assistant amongst the strategic business units have also been made possible. Risk reduction have also been factored in through diversification.

Employment creation have also been made possible with more jobs upcoming as the church diversify into other activities. This has contributed to economic stability of members which is also enhanced through acquisition of genuine land for individual development. Diversification has also been of great importance in that it has enhanced strong relationship of the church with other churches and the community at large. Professionalism have been adopted by the church which have enabled it to run its operations in a more professional way. Lastly diversification have played a key role in ensuring DCK financial stability and also given the organization a competitive advantage within its environment of operation which is a critical issue in organization's sustainability.

5.2.2 Challenges Facing Diversification Strategy by DCK

The findings of the study identified some key challenges which are facing diversification at DCK. Financial challenge was found to override all the other challenges faced by the organization. The operation space which is limited also was found to be another challenge. High competition from organizations in the same industry was displayed as a threat to the organization. Resistant to change by some people, turnover of some employees especially the teachers were found to negatively affect the organization. Over familiarization by the employee was reported to result to underperformance since duties and responsibilities are not done to the maximum. The study also found that marketing of the services offered by the organization was not well done resulting to underperformance of some units especially the URCC.

Some of the policies were reported to be wanting and in need of review, also lack of adherence to the organization's policy and guidelines was found to be a challenge. In order for the organization to perform well, there is always a need for them to align their activities strategically such that there is a clear direction of what activities to undertake immediately and what to undertake in the future. The study found that the budget preparation faced a challenge in that it was not aligned to some key strategic activities and finally monitoring and evaluation process was also reported to be wanting.

5.3 Conclusions

The study concluded that diversification is good strategy characterized by many benefits irrespective of the challenges. Even though mostly diversification has been adopted by profit making organizations as a way of spreading risk through diversifying into different portfolios, the study concludes that not for profit organizations can also benefit from diversification. Deliverance Church Kasarani is a medium sized not for profit organization which have successfully implemented diversification. This again shows that not large organizations who diversify, even small and medium sized can adopt diversification as a strategy they can benefit from.

It's very important for an organization to strategize and set clear goals to be achieved. This will ensure that all activities it undertake are aligned to its goals. Continued evaluation of the strategy is also very important since it acts as a measurement tool towards the progress of the organization. This will go in hand in coming up with other minor strategies that will progressively give solutions towards the challenges faced in order to ensure organization's success. This is because the environment from which the organization operates from is

dynamic in nature and its keeps on changing therefore the need to evaluate and make the right strategic decisions proactively.

5.4 Recommendations for Policy and Practices

The study recommends attention to the following areas: marketing to create awareness in a more broad way to make diversification more successful. This can be done by use of marketing tools such as personal selling, sales promotion, direct marketing, and by the use of internet marketing. Organizations can be able to compare themselves horizontally with their competitors to find out how differently they do their things making them to be better performing. The study therefore recommends benchmarking to be frequently done.

Even though the organization was found to embrace professionalism as one of its strategic pillars, this has not been fully achieved, the study therefore recommends that professionalism be embraced in the way all activities are run in the organization. The organization was found to be well informed with matters of strategic management, this is through the formation of a strategic planning steering committee. However, this study recommends that strategic planning need more improvement and good measures need to be put in place to allow successful implementation of these strategies.

In matters of human resource, the study recommends that the organization may need to focus on ways to ensure employee retention. This can be made possible for example through proper motivation, recognition and employee development which can be done through trainings. This will result to more informed and more satisfied employees and

consequently better performance. Also the system and structure of the organization need to ensure that the line of command is clear where by one employee report to one boss, this will ensure a smooth learning of the organization. The study would also recommend a more integrated system to be put in place.

In order to overcome financial challenges, the study recommends the enforcement of cost cutting measures, proper planning, ensuring the use of the budget as a control in all activities being undertaken and having a long-lasting procurement department. A review of organization policies need to be done to ensure that they are up to date. The study also recommends coming up with more income generating activities which will improve the financial position. The debt collection process need improvements in order to minimize the bad debts written off.

In URCC the study found that the retreat center was performing poorly, this study would therefore recommend a detailed strategic analysis of this unit. This is important because it will ensure that resource allocation and utilization will not violate the criterion of attractiveness. If such strategies such as marketing and cost leadership strategies will not work for the center then the study will recommend either divestment or delinking the retreat center from the church organization where by a partnership or a strategic alliance with a better performing organization in the same industry to be considered in the future.

Through the study there was a feeling from the respondents that the church may be able to do better if it would be able to identify itself more with the needs of the members so that it could serve them better. This can be done by planning frequent forums with the members and coming up with new ways of supporting their vision. Also more evaluation need to be done which will help to identify the gaps in the ministry which may have not been put in place.

Finally, the study recommends the proposed future projects to be undertaken. The building of a boarding school and a senior school facility is a major necessity for the organization. Also the construction of a hospital will go along with its strategic pillar of compassion. This is seen as a great milestone that the organization will have achieved in service to the community and a way of achieving its mission of making Christ know to all.

5.5 Limitations of the Study

The study was designed as a case study and so it was limited to an in-depth analysis of only one organization amongst many other Christian FBOs. Even though a clear understanding of diversification strategy was brought up, a study of many other related organization in the industry would have been more advantageous. The study also focused on one aspect of diversification where else there are also other critical areas that entails overall strategic management in these organizations.

The study was also conducted in a time when some of the strategic units such us Ukombozi Holdings Ruiru Project phase I and II are in their initial stages. More relevant data would

be available if these projects were completed. The researcher feels that there will be a need to do another comprehensive study once these major projects will have matured.

5.6 Suggestion for Further Study

This study focused only on one church organization, a research study complex in nature by involving many other Christian FBOs in the area of diversification is recommended. The researcher would also recommend a study focusing on other aspects of management in these organizations. This study can be further replicated by non-Christian FBOs and other non-governmental organizations and finally the researcher would recommend a further study of Para church organizations in the area of strategic management which has not been well researched in Kenya.

REFERENCES

- Aaltonen, P., Ikavalko, H. (2002). Implementing Strategies Successfully, *Integrated Manufacturing Systems*, 13(6): 415- 418.
- Ainuddin, R. A., Beamish, P. W., Hulland, J. S., & Rouse, M. J. (2007). Resource attributes and performance in international joint ventures. *Journal of World Business*, 42, (1) 47–60.
- Alexiev, A. S., Jansen, J. J., Van den Bosch, F. A. J., & Volberda, H. W. (2010). Top Management Team advice seeking and exploratory innovation: The moderating role of TMT heterogeneity. *Journal of Management Studies*, 47(7): 1343-1364.
- Amit, R., & P. J. H. Schoemaker (1993), Strategic Assets and Organizational Rent, *Strategic Management Journal*, 14, (1):33-46.
- Ansoff, H. I. & Mc Donnell, E. (1990). *Implanting Strategic Management* (2nd ed.). Prentice Hall.
- Arendt, L. A., Priem, R. L., & Ndofor, H. A. (2005). A CEO-adviser model of strategic decision making. *Journal of Management*, 31: 680-699.
- Barna, G. (1997). *How to increase giving in your church*. California: Regal Books.
- Barney, J. B. (1986a), Strategic Factor Markets: Expectations, Luck, and Business Strategy, *Management Science*, 32.(10) :1231-41.
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17, (1): 99-120.

- Barney, J.B. (1995). Looking inside for competitive advantage. *Academy of Management Executive*, 9, (4):49-61.
- Bonaccio, S., & Dalal, R. 2010. Evaluating advisors: A policy-capturing study under conditions of complete and missing information. *Journal of Behavioral Decision Making*, 23: 227–249.
- Bourgeois, L. J. III. (1981). On the measurement of organizational slack. *Academy of Management Review*, 6: 29-39.
- Campbell, D., Stonehouse, G. & Houston, B. (2002). *Business Strategy: An Introduction* (2nd ed.). Oxford: Butterworth Heinemann.
- CIA World Fact book (2006) *Kenya Religion*. Retrieved on June 23, 2009 from www.kenyainformation-guide.com/kenya-religion.html.
- Cho, T. S., & Hambrick, D. C. (2006). Attention as the mediator between top management team characteristics and strategic change: The case of airline deregulation. *Organization Science*, 17: 453-469.
- Churchman, C.W. 1961. *Prediction and Optimal Decisions*. Prentice-Hall, Englewood Cliffs, NJ.
- Conner, K. R. (1991), A Historical Comparison of Resource-Based Theory and Five Schools of Thought within Industrial Organization Economics: Do We Have a New Theory of the Firm? *Journal of Management*, 17:97-108.
- Constitution of Kenya (2008). *Government of Kenya Ministry of Justice, National Cohesion and Constitutional Affairs: Constitution of Kenya*. National Council for

Law Reporting. Revised edition retrieved on July 05, 2009 from <http://www.justice.go.ke/index>.

Cool, K.O., & D. Schendel (1988), Performance Differences among Strategic Group Members. *Strategic Management Journal*, 9, (3):207-23.

Cool, Karel, Almeida Costa, Luis & Dierickx, Ingemar, Constructing Competitive Advantage, in Pettigrew, Andrew, Thomas, Howard and Whittington, Richard (Eds), *Handbook of Strategy and Management*, Sage Publications 2002.

Cooper, D.R & Schindler P.S (2006). *Business Research Methods* (9th ed.). New Delhi: Tata McGraw-Hill Publishing Company Limited.

Crossan, M. M., & Berdrow, I. (2003). Organizational learning and strategic renewal. *Strategic Management Journal*, 24: 1087-1105.

Das, T. K., & B. S. Teng (2000), A Resource-Based Theory of Strategic Alliances, *Journal of Management*, 26, (1):31-61.

Deliverance Church Kasarani (n.d) Retrieved from <http://www.dckararani.org>.

Dierickx, I., & K. Cool (1989), Asset Stock Accumulation and Sustainability of Competitive Advantage, *Management Science*, 35 (12):1504-11.

Doving, E., & Gooderham, P. N. (2008). Dynamic capabilities as antecedents of the scope of related diversification: The case of small firm accountancy practices. *Strategic Management Journal*, 29: 841-857.

Elsbach, K. D., Barr, P. S., & Hargadon, A. B. (2005). Identifying situated cognition in organizations. *Organization Science*, 16: 422-433.

- Githira, D.W, (2008). *Factors that influence diversification strategies of insurance companies in Kenya*. Unpublished MBA project, School of Business, University of Nairobi.
- Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9(2): 193–206.
- Hambrick, D. C., Cho, T. S., & Chen, M-J. (1996). The influence of top management team heterogeneity on firms' competitive moves. *Administrative Science Quarterly*, 41: 659-684.
- Hambrick, D. C. (2007). Upper echelons theory: An update. *Academy of Management Review*, 32: 334-343.
- Hansen, G. S., & B. Wernerfelt (1989), Determinants of Firm Performance: The Relative Importance of Economic and Organizational Factors, *Strategic Management Journal* 10, (5):399-411.
- Hastings, V. (2002). Sustainability - *Does your church have the capacity to endure?*
Retrieved from Enzine: <http://EnzineArticles.com/5524553>.
- Hill, C. W. & Jones, G. R. (2001). *Strategic Management Theory: An Integrated Approach* (5th ed.). Houghton Mifflin Company
- Hirshleifer, J. (1980), *Price Theory and Applications* (2nd ed., Englewood Cliffs, NJ: Prentice Hall).
- Howe, W.S (1986) Corporate Strategy. Macmillan.
- <http://mmr.sagepub.com/cgi/content/refs/1/1/77>.

- Itami, H. (1987), *Mobilizing Invisible Assets* (Cambridge, MA: Harvard University Press).
- Kiiru, M. (2010). *Mobilizing & Managing resources; Foundations, Principles & Strategies*
Nairobi: Evangel Publishing House.
- Johnson G., Scholes K. (2002). *Exploring corporate strategy: Texts and cases*. Upper
Saddle River, New Jersey: Prentice-Hall Inc.
- Johnson, G., Scholes, K. & Whittington R. (2005). *Exploring Corporate Strategy* (7th ed.).
Prentice-Hall.
- Kenas O. (2012). *Strategy Evaluation and Control in Churches in Nairobi*. Unpublished
MBA project, School of Business, University of Nairobi.
- Kondracki, N.L., & Wellman, N.S. (2002). Content analysis: Review of methods and their
applications in nutrition education. *Journal of Nutrition Education and Behavior*,
34, 224-230.
- Kung'u D.W. (2007). *Strategy implementation challenges in the main stream churches in
kenya*. Unpublished MBA project, School of Business, University of Nairobi.
- Mahoney, J. T., & J. R. Pandian (1992), The Resource-Based view within the Conversation
of Strategic Management, *Strategic Management Journal*, 13, (5):363-80.
- Melly L.T. (2012). *Challenges of Implementation of Diversification Strategies in Public
Universities in Kenya*. Unpublished MBA project, School of Business, University
of Nairobi.
- Michael McCloskey & Maria Zaragoza, (1985). Misleading Postevent Information and
Memory for Events: Arguments and Evidence Against Memory Impairment
Hypotheses, *Journal of Experimental Psychology*. 114,(1).

- Miller, C. C., Burke, L. M., & Glick, W. H. 1998. Cognitive diversity among upper-echelon executives: Implications for strategic decision processes. *Strategic Management Journal*, 19: 39-58.
- Miller, D. J. (2006). Technological diversity, related diversification, and firm performance. *Strategic Management Journal*, 27: 601-619.
- Mintzberg, H. (1987) Five Ps for Strategy. *Strategic Management Journal*, March, 1987.
- Montgomery, C. A. 1994. Corporate diversification. *Journal of Economic Perspectives* 8 (Summer): 163–78.
- Montgomery, C. A., & Wernerfelt, B. 1988. Diversification, Ricardian rents, and Tobin's q. *RAND Journal of Economics* 19 (winter): 623–32.
- Musila, R.N. (2009). *Application of Diversification Strategy at the Anglican Church of Kenya*. Unpublished MBA project, School of Business, University of Nairobi.
- Nielsen, S. 2010. Top management team diversity: A review of theories and methodologies. *International Journal of Management Reviews*, 12(3): 301-316.
- Obwoge, G.M. (2006). *A survey of strategic management practices of Christian churches in Kenya*. Unpublished MBA project, School of Business, University of Nairobi.
- Okumus, F (2003). A Framework to Implement Strategies in Organizations Manage. *Decis.*, 41(9): 871-882.
- Pearce J.A., & Robinson R.B (1997). *Strategic Management: Formulation, implementation and control* (6th ed.). Massachusetts: Irwin/McGraw-Hill Boston.

- Pearce II, J.A. & Robinson, R.B. (2006). *Strategic Management: Formulation, Implementation and Control* (10th ed.). Mc Graw – Hill Irwin.
- Penrose, E. (1959), *Theory of the Growth of the Firm* (New York: John Wiley & Sons).
- Peteraf, M.A. & Barney, J.B. (2003). Unraveling the resource-based tangle. *Managerial and Decision Economics*, Vol. 24, pp. 309-323.
- Peteraf, M.A. & Bergen, M.E. (2003). Scanning dynamic competitive landscapes: A Market based and resource-based framework. *Strategic Management Journal*, 24(2003):1027-1041.
- Porter, M. E. (1980), *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (New York: The Free Press).
- Porter, M.E. (1981). The contributions of Industrial Organization to Strategic Management. *Academy of Management Review*. 6(4) 1981: 609-620.
- Porter, M.E. (1985). *Competitive Advantage*. Free Press: New York.
- Porter, M. (1987). 'From Competitive Advantage to Corporate Strategy', *Harvard Business Review* (May –June 1987):46.
- Pryor M. G., Anderson D., Toombs L. A. & Humphreys J. H., (2007). Strategic Implementation as a Core Competency, *Journal of Management Research*, 7(1).
- Rouse, M. J., & Daellenbach, U. S. 1999. Rethinking research methods for the resource-based perspective. *Strategic Management Journal*, 20: 487-494.
- Rumelt, R. P. (1986). *Strategy, Structure, and Economic Performance*. Boston, *Harvard Business School Press*.

- Rumelt, R. P. (1991), How Much Does Industry Matter? *Strategic Management Journal* 12, (3):167-85.
- Sengupta N., & Chandan J.S. (2003). *Strategic management: Contemporary concepts and cases*. Lajpat Nagar-III, New Delhi: Vision Books Pvt. Ltd.
- Salamon L. M & Anheier (1997). *Defining the Nonprofit Sector: A Cross-National Analysis*. Manchester University Press.
- Scott, J. T. (1993). *Purposive Diversification and Economic Performance*. Cambridge, Cambridge University Press.
- Slater, S. F., Olson, E. M., (2001). Marketing's contribution to the implementation of business strategy: An empirical analysis, *Strategic Management Journal Strat. Mgmt. J.*, 22: 1055– 1067 (2001) DOI: 10.1002/smj.198.
- Smith, A. D. (2011). *Church Business: Achieving an optimal balance between business ventures and church ministries*. USA: Indiana University.
- Stern, C. W & Stalk, G (1998). *Perspectives on Strategy from The Boston Consulting Group*. Wiley Publishers.
- Stern, E. (2008). *Thematic Study on Paris Declaration, Aid Effectiveness and Development Effectiveness*. Retrieved on May 05, 2009 from Organization for Economic Cooperation and Development.
- Steven L. M. (1998). *Small Business and Entrepreneurship Council: The Small Business Health Market: Bad Reforms, Higher Prices, and Fewer Choices. Testimony on behalf of the Small Business and Entrepreneurship Council before the Committee*

on Small Business, U.S. House of Representatives, 107 Cong. 2nd Sess., 7-112002, Washington, D.C.

website:<http://www.oecd.org/dataoecd/59/28/41807824.pdf>

Sutherland, 1976.

Tallman, S., Li, J. (1996). "Effects of International Diversity and Product Diversity on the Performance of Multinational Firms". *Academy of Management Journal* 39(1): 179-196.

Tashakkori & Teddlie, 1998 *Journal of Mixed Methods* 2007; 1; 77.

Teece, D.J. (1980). Economies of scope and the Scope of the Enterprise. *Journal of Economic Behaviour and organization* 1:223-245.

Teece, D. J. & Pisano, G. 1994. The dynamic capabilities of firms: an introduction. *Industrial and Corporate Change*, 3(3): 537-556.

Teece, D. J., Pisano, G., & Shuen, A. 1997. Dynamic capabilities and *strategic management*. *Strategic Management Journal*, 18(7): 509-533.

Thompson, A. A. & Strickland III, A. J. (1989) *Strategy Formulation and Implementation: Tasks of the General Manager* (4th ed.). BPI Irwin.

Varadarajan, P. 'Product Diversity and Firm Performance: an Empirical Investigation', *Journal of Marketing*, 50(3), 1986:43-57.

Walker, G. (2004). *Modern Competitive Strategy*. Mc Graw Hill Irwin.

- Weerawardena, J., McDonald, R. E., & Mort, G. S. (2010). Sustainability of nonprofit organizations: An empirical investigation. *Journal of World Business*, 45, 346-356.
Retrieved from www.elsevier.com/locate/jwb.
- Weber, R. P. (1990). *Basic content analysis*. Beverly Hills, CA: Sage.
- Wiersema, M. F., & Bantel, K. A. 1992. Top management team demography and corporate strategic change. *Academy of Management Journal*, 35: 91-121.
- Yin, R.K., (1984). *Case Study Research: Design and Methods*. Beverly Hills, Calif: Sage Publications.
- Yin, R., (1994). *Case study research: Design and methods* (2nd ed.). Beverly Hills, CA: Sage Publishing.
- Yin, R., & Moore, G., (1987). The use of advanced technologies in special education. *Journal of Learning Disabilities*, 20(1), 60.

APPENDIX 1

INTERVIEW GUIDE

Please feel free to participate on this interview which is meant for academic purposes only.

The information you will provide will be treated with total confidentiality.

PART A: INDIVIDUAL PROFILE

1. Current position.....
2. Current department (where applicable)
DCK.....School..... URCC.....Ruiru Project.....
3. Number of service years at DCK.....

PART B: DIVERSIFICATION STRATEGY AT DCK

4. Discuss diversification as a current strategy adopted by DCK.
5. What are the factors influencing adoption of diversification strategy in DCK?
6. Please explain the benefits experienced as a result of diversification strategy adoption in DCK.
7. Which are the challenges facing diversification as a strategy adopted by DCK?
8. To your understanding, would you say that implementation of diversification strategy at DCK has been a success or not? Please explain.
9. Please explain if there are other business units that DCK is considering to undertake in the future.
10. What are your recommendations and suggestions in relation to how diversification strategy at DCK could be improved?

