



EFFECT OF CORPORATE DIVERSIFICATION STRATEGIES ON PERFORMANCE OF INSURANCE FIRMS IN KENYA

Wambui, M. M., & Kavale, S.

EFFECT OF CORPORATE DIVERSIFICATION STRATEGIES ON PERFORMANCE OF INSURANCE FIRMS IN KENYA

¹Wambui, M. M., & ²Kavale, S.

¹MBA Candidate, Department of Business, School of Business and Entrepreneurship, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya

²PhD, Lecturer, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya

Accepted: February 2, 2022

ABSTRACT

The main aim of this research project was to analyze how diversification strategy affects the performance of insurance firms in Kenya. The following objectives were used to provide guidance; to determine the significance of vertical diversification strategy on performance of insurance firms in Kenya, to study the effect of horizontal diversification strategy on performance of insurance firms in Kenya, to establish the effect of concentric diversification strategy on performance of insurance firms in Kenya and to establish the effect of conglomerate diversification strategy on performance of insurance firms in Kenya. The research adopted the modern portfolio theory, Ansoff market growth theory, the agency theory and performance maximization theory. A descriptive survey design was used in this research. The study population was the 54 insurance firms in Kenya. The target respondents were the chief finance officers or their representatives. Both secondary and primary data was utilized. Primary data was obtained using questionnaires which were administered through both drop and pick later method and email. Data was analysed using both descriptive statistics such as mean and standard deviation and inferential statistics which included correlation and regression analysis. The study revealed a significant positive relationship between horizontal diversification, vertical diversification, concentric diversification, conglomerate diversification, and performance of insurance firms in Kenya. Its regression analysis revealed that 45.6% of changes in performance of these firms were attributed to the collective use of the diversification strategies. This study concluded that diversification strategies are essential strategies for firms to use in their endeavor to improve on their performance levels. Based on the findings, horizontal diversification strategy had the greatest influence on performance followed by concentric while conglomerate and vertical diversification had the least influence on performance of insurance firms in Kenya. It was therefore recommended that managers and shareholders of the firms that are yet to diversify their portfolio should diversify to remain competitive and profitable in this turbulent business environment. It was further recommended that management of the insurance firms should come up with sound policies to guide them when diversifying.

Key Words: Vertical Diversification, Horizontal Diversification, Concentric Diversification, Conglomerate Diversification

CITATION: Wambui, M. M., & Kavale, S. (2022). Effect of corporate diversification strategies on performance of insurance firms in Kenya. *The Strategic Journal of Business & Change Management*, 9 (1), 311 – 330.

INTRODUCTION

Over a long period of time, researchers have attempted to interrogate why some organizations achieve higher levels of performance than others. Organizational performance is dependent on many factors among them; the strategy of the firm, structure, resources, and capabilities of the firm (Krishnan, 2015). Theories, such as the modern portfolio theory, the agency theory and the resource based theory suggest a close relationship between diversification and the financial performance of the diversifying institution. The modern portfolio theory suggests that diversification improves returns while controlling risk (Brealey, Myers, & Allen, 2016).

Different scholars have pinpointed variables that can inform insurance firms' performance and they highlighted one of them to be diversification, whereas Olweny and Shiphoh (2017), inferred that despite this, there exists no consensus regarding how income streams diversification has contributed to cost efficiency and spurring upsurge in performance in this particular region. Mulwa (2018) stated there is a need though urgent to scrutinize income streams diversification in the region classified as SSA and is motivated by curiosity to bring to light its effect on firm performance after 2008 crisis.

In comparison with other Economies in East Africa, the insurance sector in Kenya has been applauded for its diversification as well as its size. Portfolio allocation is seen to be drifting to favouring of assets that are less risky such as liquid cash and government securities. By September 2017, Government securities contribution was at 24% of the sector's balance sheet in comparison to about 18%-year average from 2012 to 2016. Private credit to GDP, which is the accepted financial development index, was estimated at 34.9% in 2016, in comparison to 45% average for countries in Africa Sub-Sahara (IRA, 2017).

Among the studies done in Kenya that includes Mulwa and Kosgei (2016), Ondari, Machuki and Awino (2016), Abubakar (2017), Mutega (2016);

Philita (2018); Kiplating and Bokongo (2016) agreed that the main essence of management of portfolio and diversification of product in special reference to retail insurance firms is to spread and minimize unsystematic risks associated with the insurance business, maximize shareholders wealth, keep the business alive, amid stiffened competitiveness in the industry.

The Insurance Act (CAP 487 of the Laws of Kenya) regulates the Insurance industry in Kenya as the principal legislation and the Insurance Regulatory Authority (IRA) is the regulatory body in charge of regulating the industry. The Insurance industry comprises of different players includes insurance companies, reinsurance companies, intermediaries (medical insurance providers, brokers, and agents) and insurance service providers (loss adjusters, claims settling agents, risk manager, surveyors and investigators) all of whom are licensed and regulated by IRA. As of today, there are a total of 59 regulated insurance underwriters operating in the Kenyan insurance market which includes 5 reinsurance companies and 54 insurance companies. Of the 54 insurance companies, 25 insurers are licensed to underwrite general (non-life) insurance business, 18 underwrite long term (life) business while 11 companies operate as composites (underwriting both life and non-life business) (IRA Annual Report, 2019).

The future of the insurance industry with wide untapped market appears to be very bright, with advanced technology, research and product development and use of other distribution channels. Insurance industry performs a critical part in the growth of the economy and contributes towards the achievement of vision 2030 (AKI, 2018).

The insurance industry service providers have diversified their operations into related and unrelated activities. Several insurance companies have diversified their operations outside our borders into other markets including Uganda, Tanzania, Southern Sudan, Rwanda and other regions. Several insurance companies own several buildings within the city centre for commercial

purposes, control the Nairobi stock exchange, own several residential buildings for commercial gains. Others have also invested heavily in unrelated areas that include securities, properties, mortgages, and loans (AKI, 2017).

Statement of the Problem

Central in the field of strategy is firm performance. The need to explain how two firms operating within the same environment perform differently is a concern and several research works in management have been devoted towards understanding this mystery. This led to studies which focus on various internal factors as well as external issues thought to be the cause of differing firm performance. Several strategies can be adopted so as to overcome the challenges that face organization's performance. However, it is not concluded which strategy has the largest weight on improvement of performance. Ondari, Awino and Machuki (2016) found out that diversification strategy had a positive and significant influence on performance of firms listed at the NSE. According to Kang (2017) many studies have been done on diversification and performance but still lacks consensus. Researchers have not yet reached to a conclusion whether a firm's performance is better when it focuses on a product line or diversifies into different markets. Researchers have conducted empirical research on the relationship between diversification and performance of a firm in the Kenyan context. Philita (2018) examined effects of portfolio diversification on performance of commercial banks in Kenya. The conclusion of the study was that portfolio diversification, bank size, interest rate-spread and asset quality has influence on the performance of commercial banks in Kenya. Abubakar (2017) studied commercial banks listed at the NSE during the period 2019 to 2016 to establish how diversified income had impacted the performance of the banks. The finding was that there exists a negative relationship between income diversification and performance.

In Kenya, the insurance sector contributes 5% to 15% of the GDP. This has prompted the Kenyan

government to realize the strategic role of insurance industry to the economy and to the region. Insurance firms play a pivotal role in enabling the country to achieve Vision 2030. With increased competition in the sector, the insurance industry service providers have diversified their operations into related and unrelated activities. However, there has been limited research conducted on diversification and the performance of insurance firms in Kenya. This shows that limited attention has been paid to diversification and performance in Kenya. This study therefore filled the existing conceptual and knowledge gaps. Conceptually, there is no consensus on how the various types of diversification influence performance. Contextually, insurance firms play a critical role in the Kenyan economy and therefore need to enhance their performance.

Research Objectives

The study general objective was to determine the effect of diversification strategy on performance of insurance firms in Kenya. The specific objectives were;

- To determine the effect of vertical diversification strategy on performance of insurance firms in Kenya.
- To analyze the effect of horizontal diversification strategy on performance of insurance firms in Kenya
- To establish the effect of concentric diversification strategy on performance of insurance firms in Kenya
- To establish the effect of conglomerate diversification strategy on performance of insurance firms in Kenya

The study addressed the following research hypotheses:

- Ho₁ There is no significant effect of vertical diversification strategy on performance of insurance firms in Kenya
- Ho₂ There is no significant effect of horizontal diversification strategy on performance of insurance firms in Kenya

- Ho₃ There is no significant effect of concentric diversification strategy on performance of insurance firms in Kenya
- Ho₄ There is no significant effect of conglomerate diversification strategy on performance of insurance firms in Kenya

LITERATURE REVIEW

Theoretical Literature Review

Modern Portfolio Theory

Harry Markowitz (1952) coined the modern portfolio theory on his write-up for portfolio mixture. This theory emphasised on how expected returns can be maximised by establishing portfolios that are weighed through risk levels. Markowitz concluded that institutions could construct a portfolio that would give the highest expected returns at a manageable risk level. This theory tries to maximize profits in a given portfolio risk or equally reduce the risk at a specific level of expected returns by carefully selecting proportion of various investments (Fabozzi, Gupta, & Markowitz, 2002).

Ansoff's Market Growth Theory

The Ansoff (1957) Product-Market Growth model for marketing allows managers to find new avenues for growing their businesses through both existing and new products, in both new and existing markets. The matrix gives four possibilities of combinations for product/market. The matrix is helpful in making decisions on the most suitable course of action to be taken given the current performance. The matrix is made up of four strategies; which are; market penetration (existing products, existing markets): This happens when a company penetrates new markets using current products. The best approach to attain this is by snatching competitors' customers away to achieve this (part of their market share). Other ways a company might achieve this is by attracting new users of their product or persuade current clients to increase their usage of the product/service through aggressive promotions and advertising and/or product development (introducing new products to

an existing market).

Agency Theory

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

Performance Maximization Theory

Koetter (2004), being the main advocate of the performance maximization theory contended that optimum performance is achieved through employing the best price and output levels which maximizes on return. Implementation of this theoretical model can be helpful to an organization while simultaneously affect consumers if such an organization considers increasing their products prices as a means of maximizing returns.

Hughes (2000) did a benchmark on performance maximization as a way of managing costs. Likewise, De Young (2001), investigated the possibility of maximizing profit in attaining a cost management model that is superior. Taking everything into account, it was revealed in both studies that organization was able to realize improved performance when the operational costs were aligned to revenue generation. To a great extent,

through this model, organizations are enabled in developing an incentive which improves their performance by risk-return tradeoff. Additional convincing research done by Mueller (1990) opinions concerning the idea of persistent performance. Mueller contends that the insurance industry monopolistic characteristics affect the normal equation that is critical in appreciating the

relationship amongst competition and monopoly. It is reflected in this argument the inclination of insurance firms attempting to come up false demand for their products. The implication of this cost-return tradeoff is that insurance companies are able to trigger increment in the profits from other related means.

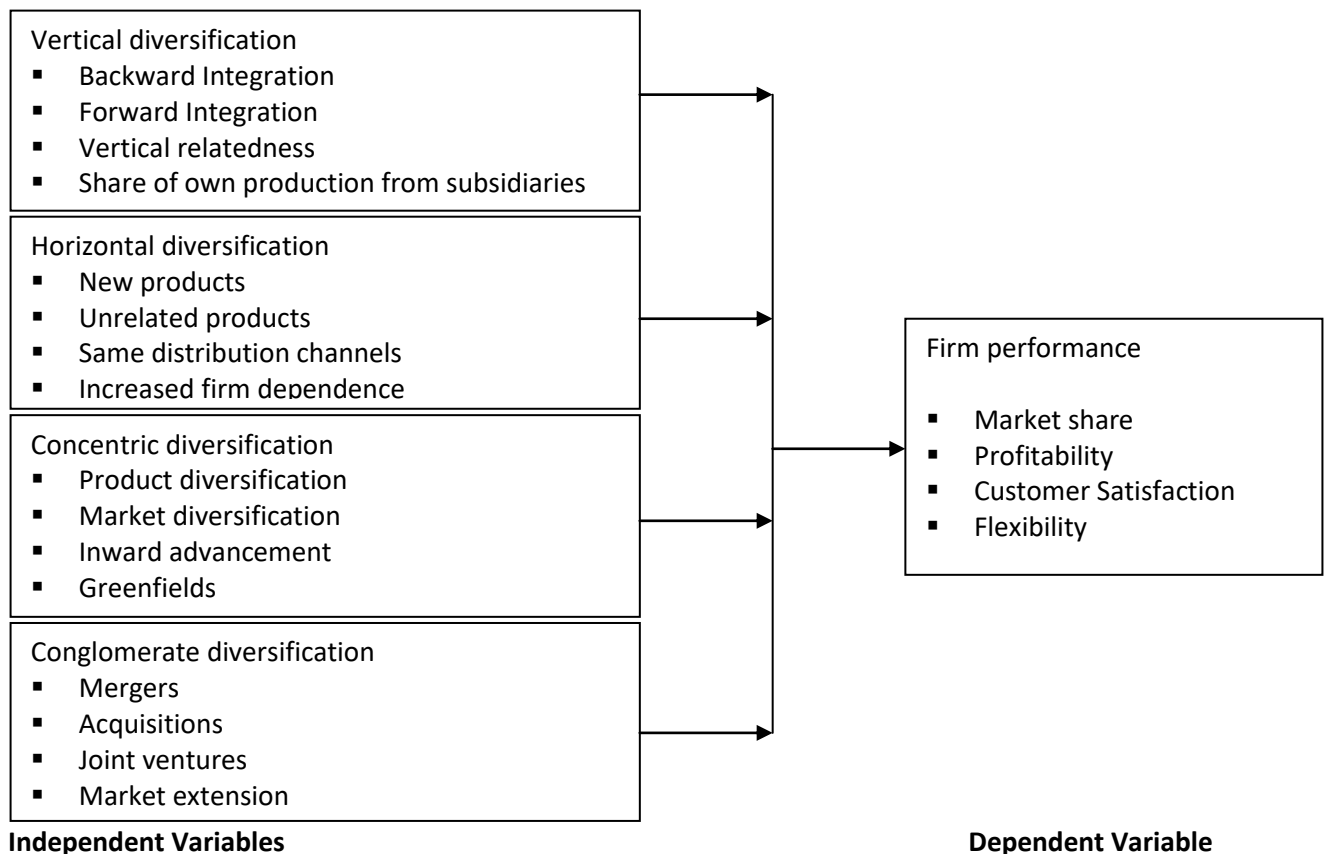


Figure 1: Conceptual Model

Vertical Diversification: Salawu, Asaolu and Yinusa (2019) vertical diversification is among the first diversification strategies which an organization considers in its effort to advance from being a focused company. Harrigan definition of it is several decisions regarding whether a firm ought to by means of its business units give certain goods and services in-house or outsource them externally. Cox and Blackstone (2001) has also defined it as the extent through which an organization elects to produce in numerous value adding stages from raw material to the last consumer. This is a strategy adopted by firms for the purpose of obtaining control over the suppliers and distributors.

Horizontal Diversification: This kind of strategy is implemented when the existing customers are provided with products that are new and unrelated and the current channels of distribution are used to distribute the products to customers. Within this strategy, new products or services which are in most cases either commercially or technologically not related to the current products are added but they might appeal the existing customers. In this strategy, there is increased firm dependence on particular market segments (Aicher & Colletti, 2017).

Concentric Diversification: Creating relationship with existing markets and products is a good deal of strategy diversification in practice (Johnson & Whittington, 2018). Berger and Ofek (2017) conducted an investigation on the effect of diversification on the firm value and they described diversification as the entry of an organization into new lines of activity via a process of inward advancement. Any adjustment of a present product that serves to extend the potential market suggests that the organization is following a technique of product enhancement. An examination directed by Hitt, Hoskisson and Kim (2011) reveals that organizations that have diversified into products that utilizes the current in-house resources or capacities profits by economies of scale and get better yields. The result made by diversifying might be amplified when multinational corporations capitalize by economic rents got from product and market diversity.

Conglomerate Diversification: This kind of diversification happens when a company pursues a new business which does not relate to the current market or business operations (Thompson & Strickland, 2016). The main idea is increasing the profitability through taking advantage of common organization's competencies though; it is challenging to transmit or influence competencies and to attain economies of scope. In most of the cases, firm specifically big ones come up with a plan of acquiring a business since it signifies the most favorable investment opportunity that is available (Griffin & Pasta, 2017).

Firm Performance: Performance, according to McCann (2004) is about the firms' effectiveness and efficiency. Baba and Nasieku (2016) opines that irrespective of the framework selected to hypothesize organization performance, it is evident that organization performance is a phenomenon that is complex and multidimensional. Nyamita (2016) opined that several organizational performance measures have been applied in studies in management either having had considerate discussion or with little thought supporting the

application of the measures in the studies they were selected.

Empirical Literature Review

Findings of a study carried out by Matar and Eneizan (2018) on the US airline industry revealed that vertical integration had a positive effect on the operational performance of the large US airlines. The integrated airlines performed better than the non-integrated and performance advantage increased especially on days when the weather was bad, and the airports were congested. These airlines used regional partners to operate some of the flights and these regional partners could either be owned or governed through contracts.

Oloda (2017) carried out a study on the effect of vertical integration on organizational survival in selected manufacturing firms in Nigeria. The study's 47 sample size was 205 managers who were selected from six firms. Both primary and secondary data was used. To test the relationship between the variables reviewed the Spearman Rank-order correlation coefficient was used. The findings of the study established a positive and significant relationship between the dimensions of vertical integration (both forward and backward) and organizational survival. Conclusion from this study is that vertical integration enhances organizational survival.

Wanjira, Ngoze and Wanjera (2018) sought to examine the effect of diversification strategies on the performance of state-owned sugar firms in Kenya. The specific objective was, to establish the effect of horizontal diversification on firm performance of sugar firms in Kenya. The study employed descriptive survey study research design. The target population of the study comprised of all sugar firms in western Kenya. Primary data was collected using questionnaires which were administered to the respondents. The Hypothesis postulated that there is no significant relationship between adoption of horizontal diversification strategy and performance of sugar firms. The null hypothesis was accepted and therefore concluded that there is no relationship between adoption of

horizontal diversification strategy and sugar firms' performance. The study recommends that in the current competitive business situation, firms have to strive to open other revenue streams to keep afloat. However, the sugar firms must analyze the effect of horizontal diversification on firm performance.

Berry-Stolzle et al. (2018) examine variations in line-of-business diversification status and extent among property-liability insurers for the period 1996–2016. Their results show that the extent of diversification is not driven by risk pooling considerations; insurers operating in more volatile business lines do not diversify more. Using a measure of unrelated line-of-business diversification they find support for the diversification prediction of the managerial discretion hypothesis, that mutual insurers should be less diversified than stock insurers. While mutual insurers tend to exhibit higher levels of total diversification, they engage in significantly less unrelated diversification than do stock insurers

Berger et al. (2019) provide evidence on the validity of the conglomeration hypothesis versus strategic focus hypothesis for financial institutions using data on U.S. insurance companies. They use profit scope economies, which measure the relative efficiency of joint versus specialized production, to distinguish between the conglomeration and strategic focus hypotheses. Their results suggest that the conglomeration hypothesis dominates for some types of financial services providers and the strategic focus hypothesis dominates for other types.

Study by Mboroto (2016) on petroleum firms in Kenya which was limited to a sample of pair companies listed on the Kenyan market that merged or acquired between 2002 and 2019. Secondary data collected from the firm's financial reports and comparison made of mean of 3 years pre- and post-merger/acquisition done. Using financial ratio analysis and paired t-test the study findings revealed that mergers and acquisitions had insignificant outcome on financial performance of these firms.

On the analysis of post mergers and acquisition evaluation the findings showed that the firms' performed better this was supported by merger/acquisition which had a positive significant impact on ROA.

METHODOLOGY

The study adopted an explanatory as well as a descriptive design to determine the effect of corporate diversification strategies on performance. The 54 insurance companies operating in Kenya as of 31st December 2019 formed the target population. The sampling frame was a list of all the chief finance officers or their representatives of the insurance firms in Kenya and the list was provided by Insurance Regulatory Authority. The targeted respondents were chief finance officers or their representatives as they were deemed to have more authority on financial matters and therefore best placed to answer questions relating to diversification strategies. A questionnaire was applied in gathering primary data from the respondents. The primary data was important as it assisted in expressing the correct state of the relationship amongst both the independent and the dependent variables. The secondary data was obtained from the insurance firms' financial reports, Insurance Regulatory Authority. Data was analyzed using descriptive statistical tools namely mean as a measure of central tendency, standard deviation as a measure of dispersion while correlation and regression were used to analyze existence of relationships between and among variables. These were run on the Statistical Package for Social Sciences (SPSS) Version 22. The regression model below was used:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon.$$

Where: Y = Performance of insurance firms

α = y regression intercept.

$\beta_1, \beta_2, \beta_3, \beta_4$ = Model coefficients

X_1 = Horizontal diversification

X_2 = Vertical diversification

X_3 = Concentric Diversification

X_4 = Conglomerate Diversification

ϵ = error term

FINDINGS

Horizontal Diversification

The mean and standard deviation for the specific attributes of horizontal diversification are as presented in Table 1. Results demonstrated that the insurance firms have adopted horizontal diversification to a great extent. This is supported by the fact that on a five-point likert scale, the mean scores for attributes related to horizontal diversification was greater than 3. The mean score for offering financial advisory services to clients was 4.3 and a standard deviation of 0.5 implying that the respondents agreed that they practice this form of horizontal diversification. The respondents however disagreed that they offer mortgage financing services to their clients as shown by a mean of 2.4 which represents disagree. The respondents however agreed that they practice the other three types of horizontal diversification.

The mean score for providing investment management services to clients was 4.2 and a standard deviation of 0.8 which represents agree. The mean score for funding clients to invest in property was 4.1 and a standard deviation of 0.6. Further, the means score for offering pricing and product development to clients was 3.6 and standard deviation of 0.8 implying that indeed the insurance firms perform these services. The statement that the firm offers financial advisory services to clients had the highest mean at 4.3

implying that the respondents agreed most on these compared to all the other statement. This would mean that the insurance firms practice this type of horizontal diversification more than others. The statement that the firms offer mortgage financing to clients had the lowest mean at 2.4. This implies that the respondents agreed that they do not practice mortgage financing as a form of horizontal diversification.

The findings of this study are in line with Aicher and Colletti (2017) who posited that horizontal integration involves new products or services which are in most cases either commercially or technologically not related to the current products are added but they might appeal the existing customers. The findings are also in support of Thompson and Strickland (2019) who holds that in unrelated diversified company, there are more than one business units that operates different activities in distinct industries and are operating under one single corporate umbrella. Consequently, the difference in the value chain has no actual ability for transferring technology, skills, or other resources from one business to another. Rather than forming a subsidiary, companies that chose unrelated diversification prefer to acquire an already established company. Wanjira et al. (2018) also holds that horizontal diversification occurs when firms opt to venture into new, unrelated products but using the same distribution channels and this leads to increased firm dependence.

Table 1: Descriptive Statistics for Horizontal Diversification

Statement	N	Mean	Std. Dev
Our firm offers financial advisory services to clients	45	4.3	0.5
Our firm offers mortgage financing services to clients	45	2.4	1.2
Our firm provides investment management services to our clients	45	4.2	0.8
The firm provides property investment where they fund their clients with funds to invest in property	45	4.1	0.6
The firm offers pricing and product development to our clients	45	3.6	0.8
Average		3.7	0.78

Vertical Diversification

The mean and standard deviation for the specific attributes of vertical diversification is as presented in Table 2. Results demonstrated that the insurance

firms practice vertical diversification to a great extent. This is supported by the fact that on a five-point likert scale, the mean scores for attributes related to vertical diversification was greater than

3. The mean score for the statement that expanded and now offers services that were initially being offered by insurance agents was 4.2 and a standard deviation of 0.7 implying that the respondents agreed on this. The mean score for the assertion that the insurance firms now offer services such as such loss assessment and adjustment services was 3.7 and a standard deviation of 0.9. This implies that the respondents agreed that they have vertically diversified to offer loss assessment and adjustment services.

The mean score for the affirmation that the insurance firms now offer services that were initially reserved for insurance investigators was 4.0 and standard deviation of 0.7. The mean score for the statement that the insurance firms now offer services that were initially reserved for medical insurance providers was 4.0 and a standard deviation of 0.5. Further, the mean score for the statement that the insurance firms have ventured into the business of offering re-insurance services were 4.4 and a standard deviation of 0.4.

The statements that the insurance firms have ventured into the business of offering re-insurance services had the highest mean at 4.4. This implies that the respondent agreed that this is the type of

vertical diversification that they practice the most. The statement that the insurance firms offer services such as loss assessment and adjustment services had the least agreement and this means that although the respondents agreed that they offer loss assessment and adjustment services, the extent of this vertical diversification is not as high as compared to the others.

The results of this study concur with Rakocevic et al. (2016) who posit that vertically integrated firms' employs value addition, offers diversified products using the same input materials and complement their produce from other sources as a way of maximizing their return on investment. They utilize marketing channel which facilitate getting their produce to the market at the minimal cost per unit. The findings further agree with Matar and Eneizan (2018) who holds that vertically integrated firms can provide a number of products via their business unit in a single value chain. Subsequently, integrated firms move all their significant produce to adjacent, in house business units. These findings are also in line with Sudarsanam (2017) who argues that vertical integration prompts increased technical efficiencies in coordinating, monitoring and implementation of production process. It has two variants, forward and backward integration.

Table 2: Descriptive Statistics for Vertical Diversification

Statement	N	Mean	Std. Dev
Our firm has expanded and now offers services that were initially being offered by insurance agents	45	4.2	0.7
Our firm expanded by offering services such loss assessment and adjustment	45	3.7	0.9
The insurance firm provides services that were initially reserved for insurance investigators	45	4.0	0.7
The firm now offers services that were initially reserved for medical insurance providers	45	4.0	0.5
The firm has ventured into the business of offering re-insurance services	45	4.4	0.5
Average		4.1	0.7

Concentric Diversification

The mean and standard deviation for the specific attributes of concentric diversification is as presented in Table 3. Results demonstrated that concentric diversification is being practiced by the insurance firms to a great extent. This is supported

by the fact that on a five-point likert scale, the mean scores for attributes related to concentric diversification was greater than 3. The mean score for the statement that the insurance firms offer online insurance services was 4.2 and a standard deviation of 0.6. This means that the respondents

agreed that insurance firms in Kenya have ventured into this type of concentric diversification.

The mean score for the affirmation that the insurance firms have over the years been adding additional insurance products that were not being offered before was 4.2 and standard deviation of 0.7 implying agreement on this statement. The mean score for the statement that the insurance firms have been offering technical seminars to clients was 4.0 and a standard deviation of 0.7. On average, the respondents agreed that the insurance firms provide risk management services to a great extent as shown by a mean of 3.5 and a standard deviation of 0.9.

The statement that the insurance services offer online services and that they have been adding new insurance products that were not offered before had the highest agreement at a mean of 4.2. This means that these two types of concentric diversification are the most common of the four selected. The statement that the insurance firms provide risk management services had the least agreement at a mean of 3.5. This implies that there is an agreement that insurance firms provide risk

management services, this is the least provided type of concentric diversification.

These findings agree with Chandler (2017) who holds that in concentric diversification, firms can attain diversification through extending their scope of operation in numerous markets. The core competencies which generate long-term benefits to a firm are the footing to a sustainable competitive advantage. Because of the drastic increased market competition and complexity in the industry many organizations have adopted strategic responses. Dobb (2017) results are also supported in this study as a firm is said to be diversified when it has more than one operation in an industry or market. The reason behind diversification into new areas of the business that is the current trend of the business is about attaining larger market share and accessing those who are not able to access your products. Further, Lynch (2018) findings are supported in this study as it holds that many business firms have shifted into tapping opportunities through strategically diversifying to net them. This is being attained by means of product diversification, market diversification and inward advancements.

Table 3: Descriptive Statistics for Concentric Diversification

Statement	N	Mean	Std. Dev
Our firm now offers online insurance services in which the people can apply and acquire the policies online	45	4.2	0.6
Our firm has over the years been adding additional insurance products that were not being offered before	45	4.2	0.7
The firm has been offering technical seminars to clients	45	4.0	0.7
The firm provides risk management services to clients	45	3.5	0.9
Average		4.0	0.7

Conglomerate Diversification

The mean and standard deviation for the specific attributes of conglomerate diversification is as presented in Table 4. Results demonstrated that the insurance firms have adopted conglomerate diversification to a great extent. This is supported by the fact that on a five-point likert scale, the mean scores for attributes related to conglomerate diversification was greater than 3. The mean score for the statement that insurance firms have partnered with other insurance firms in a bid to

extend market share was 4.0 and a standard deviation of 0.5 implying that indeed this type of conglomerate diversification is being practiced. The mean score for the statement that insurance firms have partnered with other firms that do not necessarily offer insurance services in a bid to diversify to different products was 4.2 and a standard deviation of 0.6 implying that indeed insurance firms engages in this form of conglomerate diversification.

The mean score for acquiring another firm in the past was 3.8 and standard deviation of 0.7. The mean score for having undergone through a merger in the past was 3.9 and a standard deviation of 0.8. Further, the mean score for the statement that the firm is a combination of two or more firms working together to realize the same production goals was 3.8 and standard deviation of 0.8. This implies agreement on the statement that most firms have engaged in this form of conglomerate diversification. The statement that insurance firms have partnered with other firms that do not necessarily offer insurance services in a bid to diversify to different products had the highest mean at 4.2 implying that the respondents agreed most on these compared to all the other forms of conglomerate diversification. This would mean that partnering with non-insurance firms is the biggest form of conglomerate diversification being practiced by insurance firms in Kenya. The statement for having acquired another firm in the recent past and the firm being a combination of two firms had the lowest mean at 3.8. This implies that

there was an agreement on these two statements; they were the least forms of conglomerate diversification being practiced among insurance firms in Kenya.

The findings of this study concur with Salwau et al. (2019) who holds that compared to related or dominate product firms, the corporate office in the unrelated product firm do not have the possibility of making knowledgeable decision concerning technology or products. Griffin and Pasta (2017) holds that the only connection linking the business of the unrelated product corporation is financial. Each needs a consistent capital commitment for sustaining its operations. The main role thereof for the corporate office is provision of capital for acquisition and distributing the same for advancement either internally or through acquisition. Munene et al. (2019) holds that in unrelated product firm, the corporate headquarters normally restricts their function to only approving or disapproving projects, but projects are normally initiated at the divisional level.

Table 4: Descriptive Statistics for Conglomerate Diversification

Statement	N	Mean	Std. Dev
Our firm has partnered with other insurance firms to extend market share	45	4.0	0.5
Our firm has partnered with other firms that do not necessarily offer insurance services in a bid to diversify to different products	45	4.2	0.6
Our firm has acquired another firm in the recent past	45	3.8	0.7
Our firm has merged with another firm in the past	45	3.9	0.8
Our firm is a combination of two or more firms working together to realize the same production goals	45	3.8	0.8
Average		4.0	0.7

Firm Performance

The mean and standard deviation for the specific attributes of insurance firms' performance is as presented in Table 5. Results demonstrated that insurance firms' performance had improved to a great extent. This can be explained by the fact that the mean score for insurance firms recording improved profitability was 3.9 and a standard deviation of 0.6. This implied that profitability of insurance firms has been on the rise. The mean score for customer satisfaction was 3.6 and a standard deviation of 0.7. The respondents also

agreed that flexibility of the insurance firms have improved as shown by a mean of 3.8 and a standard deviation of 0.6.

Improved insurance firms' employee satisfaction and market share was also depicted by the mean score of 3.9 and standard deviations of 0.6 and 0.8 respectively. The mean score for improved efficiency of asset utilization was 3.7 and a standard deviation of 0.7 implying that indeed efficiency in asset utilization had gone up. The statements that profitability, employee satisfaction and market share had improved had the highest agreement.

This means that of all the measures of performance adopted for this study, the respondents agreed that the most successful ones were profitability, employee satisfaction and market share. The statement that there is improved efficiency of asset

utilization had the least agreement at 3.7. This implies that although efficiency of asset utilization had improved, it had the least improved of all the measures of performance adopted.

Table 5: Descriptive Statistics for Firm Performance

Statement	N	Mean	Std. Dev.
Profitability	45	3.9	0.6
Customer satisfaction	45	3.6	0.7
Flexibility	45	3.8	0.6
Employee satisfaction	45	3.9	0.6
Market share	45	3.9	0.8
Asset efficiency utilization	45	3.7	0.7
Average		3.8	0.7

This section also presented the descriptive statistics on secondary data collected on the performance indicators adopted by the study to measure insurance companies' performance. These were

computed from annual reports of the insurance firms. They included return on assets, return on equity and profit margins. All the indicators were measured in percentages.

Table 6: Descriptive Statistics for ROA, ROE and Profit Margin

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	265	-.053	.067	.0219	.020632
ROE	265	-.327	.365	.07535	.120471
Profit margin	265	.140	.948	.3806	.125179
Valid N (listwise)	265				

Table 6 showed the descriptive statistics for the study variables applied. An analysis of all the variables was acquired using SPSS software for the period of five years (2015 to 2019). ROA had a mean of .0219 and a standard deviation of .0206. ROE had a mean of .075 with a standard deviation of .1205 while profit margin had a mean of 0.3806 with a standard deviation of .1252.

Inferential Statistics

Correlation Analysis

The correlation analysis aided in demonstrating the association between the dependent and independent variables. This entailed the *r* coefficient and whether the association is positive or negative. This was as illustrated in Table 7. The correlation results demonstrate a strong, positive, and significant association between horizontal diversification and insurance firms' performance as reflected by a Pearson correlation coefficient of

0.534 and a P-value of 0.000. This is an indicator that more horizontal diversification translates to improved firm performance. The correlation results also demonstrated a moderate, positive, and substantial association between vertical diversification and insurance firms' performance as reflected by a Pearson correlation coefficient of 0.425 and a P-value of 0.004. This was an indicator that better vertical diversification translates to improved insurance firms' performance.

Further, the correlation results demonstrate a weak, positive and substantial association between concentric diversification and insurance firms' performance as reflected by a Pearson correlation coefficient of 0.359 and a P-value of 0.015. This is an indicator that increase in the level of concentric diversification translates to improved insurance firms' performance. Finally, the correlation results revealed the existence of a strong, positive and substantial association between conglomerate and

insurance firms' performance as evidenced by a Pearson correlation of 0.576 and a P value of 0.000. This is an indicator that increase in the level of concentric diversification translates to improved insurance firms' performance.

The results of this study concur with Palich et al. (2018) who established that horizontal product diversification had a positive relationship with performance.

Table 7: Correlation Results

		Performance	Horizontal	Vertical	Concentric	Conglomerate
Performance	Pearson Correlation	1				
	Sig. (2-tailed)					
Horizontal	Pearson Correlation	.534**	1			
	Sig. (2-tailed)	.000				
Vertical	Pearson Correlation	.425**	.536**	1		
	Sig. (2-tailed)	.004	.000			
Concentric	Pearson Correlation	.359*	.236	.066	1	
	Sig. (2-tailed)	.015	.119	.667		
Conglomerate	Pearson Correlation	.576**	.374*	.296*	.364*	1
	Sig. (2-tailed)	.000	.011	.048	.014	

** . Correlation is significant at the 0.01 level (2-tailed).
 * . Correlation is significant at the 0.05 level (2-tailed).
 c. Listwise N=45

Regression Analysis

The regression analysis encompasses the model fitness, the Analysis of Variance (ANOVA) and the

regression coefficients. This was as demonstrated in below.

Table 8: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.682 ^a	.465	.412	.395070

a. Predictors: (Constant), Conglomerate, Vertical, Concentric, Horizontal

Horizontal diversification, vertical diversification, concentric diversification, and conglomerate diversification were considered satisfactory in explaining insurance firms' performance as presented in Table 4.11. This is as reflected by an R square of 0.465. This thus implied that horizontal diversification, vertical diversification, concentric diversification, and conglomerate diversification explained 46.5% of the variations in insurance firms'

performance with the difference being explained by other factors beyond the study. The other implication is that the model linking the variables relationships is satisfactory. The R value of 0.682 implies that there exists a strong relationship between the predictor variables (horizontal diversification, vertical diversification, concentric diversification, and conglomerate diversification) and performance of insurance firms.

Table 9: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.432	4	1.358	8.701	.000 ^b
	Residual	6.243	40	.156		
	Total	11.675	44			

a. Dependent Variable: Performance

b. Predictors: (Constant), Conglomerate, Vertical, Concentric, Horizontal

Results in Table 9 confirmed the significance of the model and this is shown by F statistic of 8.701 and a p value of 0.000. This shows that horizontal diversification, vertical diversification, concentric diversification, and conglomerate diversification are good predictors of insurance firms' performance.

The regression analysis helped to demonstrate the magnitude of influence horizontal diversification, vertical diversification, concentric diversification, and conglomerate diversification have on insurance firms' performance.

Table 10: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.266	.382		3.357	.000
	Horizontal	.274	.075	.330	3.646	.000
	Vertical	.179	.075	.204	2.376	.019
	Concentric	.252	.116	.178	2.181	.031
	Conglomerate	.199	.085	.192	2.346	.021

a. Dependent Variable: Performance

Results demonstrated a positively significant relationship between horizontal diversification and insurance firms' performance (β 0.274, P 0.000). This illustrated that increase in horizontal diversification by one unit would cause an improvement on insurance firms' performance by 0.274 units. Results also portrayed a positively significant relationship between vertical diversification and insurance firms' performance (β 0.179, P 0.019). This points out that increase in vertical diversification by one unit would cause an improvement on insurance firms' performance by 0.179 units. Further, results demonstrated a positively significant relationship between concentric diversification and insurance firms' performance (β 0.252, P 0.031). This illustrates that increase in the level of concentric diversification by one unit would cause an improvement on insurance firms' performance by 0.252 units. Finally, results demonstrated a positively significant relationship between conglomerate diversification and insurance firms' performance (β 0.199, P 0.021). This illustrates that increase in the level of concentric diversification by one unit would cause an improvement on insurance firms' performance by 0.199 units.

The resulting regression model is as follows:

$$Y = 0.266 + 0.274X_1 + 0.179X_2 + 0.252X_3 + 0.199X_4 + \epsilon$$

Where

Y = Firm performance,
 X_1 – Horizontal diversification,
 X_2 – Vertical diversification,
 X_3 – Concentric diversification,
 X_4 – Conglomerate diversification

Hypothesis Testing

The hypotheses were tested using multiple linear regressions. The acceptance/rejection criteria were that, if the p value is greater than 0.05, the H_{01} is not rejected but if it's less than 0.05, the H_{01} is rejected.

Horizontal Diversification and Firm Performance:

The first null hypothesis, H_{01} , stated that: horizontal diversification has no significant effect on performance of insurance firms in Kenya. Results showed that the p-value was $0.000 < 0.05$. This indicated that the null hypothesis was rejected hence there is a significant effect of horizontal diversification on performance of insurance firms in Kenya. Horizontal diversification was positively and significantly related with performance of insurance firms in Kenya ($\beta=0.274$, $p=0.000$). The study results showed that horizontal diversification is a significant factor affecting firm performance.

Vertical Diversification and Firm Performance:

The second null hypothesis, H_{02} , stated that: vertical diversification has no significant effect on performance of insurance firms in Kenya. Results

showed that the p-value was $0.019 < 0.05$. This indicated that the null hypothesis was rejected hence there is a significant effect of vertical diversification on performance of insurance firms in Kenya. Vertical diversification was positively and significantly related with performance of insurance firms in Kenya ($\beta=0.179$, $p=0.019$). The study results show that vertical diversification is a significant factor affecting firm performance.

Concentric Diversification and Firm Performance: The third null hypothesis, H_{03} , stated that: concentric diversification has no significant effect on performance of insurance firms in Kenya. Results showed that the p-value was $0.031 < 0.05$. This indicates that the null hypothesis is rejected hence there is a significant effect of concentric diversification on performance of insurance firms in Kenya. Concentric diversification was positively and significantly related with performance of insurance firms in Kenya ($\beta=0.252$, $p=0.000$). The study results show that concentric diversification is a significant factor affecting firm performance.

Conglomerate Diversification and Firm Performance: The fourth null hypothesis, H_{04} , stated that: conglomerate diversification has no significant effect on performance of insurance firms in Kenya. Results showed that the p-value was $0.021 < 0.05$. This indicated that the null hypothesis was rejected hence there is a significant effect of conglomerate diversification on performance of insurance firms in Kenya. Conglomerate diversification was positively and significantly related with performance of insurance firms in Kenya ($\beta=0.199$, $p=0.021$). The study results show that conglomerate diversification is a significant factor affecting firm performance.

Corporate Diversification and Firm Performance: The fifth null hypothesis, H_{05} , stated that: corporate diversification has no significant effect on performance of insurance firms in Kenya. Results showed that the p-value was $0.000 < 0.05$. This indicated that the null hypothesis is rejected hence there is a significant effect of conglomerate diversification on performance of insurance firms in

Kenya. Corporate diversification was positively and significantly related with performance of insurance firms in Kenya ($\beta=0.465$, $p=0.021$). The study results showed that corporate diversification is a significant factor affecting firm performance.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that horizontal diversification influenced insurance firms' performance positively. This was reflected by the regression and correlation results support the results as there was a positive and significant relationship between horizontal diversification and insurance firms' performance. The study further concluded that horizontal diversification in the insurance industry had been adapted to a great extent where insurance firms have opted to venture into new, unrelated products but using the same distribution channels and this leads to increased firm dependence. Offering financial advisory is the most practiced horizontal diversification while mortgage financing is the least adopted.

The study concluded that vertical diversification influenced insurance firms' performance positively. This was reflected by the regression and correlation results support the results as there existed a positive and significant relationship between vertical diversification and insurance firms' performance. A firm that adopts the vertical diversification variants i.e. backward and forward is better placed to outdo its competitors. Through vertical integration firms can maintain a close contact with customers and clients, reduce time taken to receive their inputs and distribute their output.

This study concluded that concentric diversification strategies are essential strategies for firms to use in widening the market and firm performance. The most commonly used concentric diversification strategy is offering online services and adding new insurance products that were not offered before. Firms that face intense competition can diversify their products to produce less competitive products. Product diversification can be achieved

through production of different classes of product, intensification in the number of products a firm currently has in the market through introduction of new products in the market often. Concentric diversification can lead to economies of scale which would enhance the overall firm performance.

This study concluded that conglomerate diversification strategies are essential strategies for firms to use in widening the market and enhancing firm performance. The most commonly used conglomerate diversification strategies in Kenya are partnering with non-insurance firms, mergers and acquisitions. The main idea of this type of diversification is increasing the profitability through taking advantage of common organization's competencies though; it is challenging to transmit or influence competencies and to attain economies of scope.

On the recommendations, the study revealed that horizontal diversification influenced insurance firms' performance positively. The study recommended that the management of insurance firms should formulate and implement relevant horizontal diversification strategies that uphold the desired firm performance and shed off excess competition. Similarly, the study recommended that regulatory authorities should assess the suitability of the current investment regulations for insurance firms to ensure the firms have enough legislation protection when pursuing any diversification strategies. Relevant government authorities should formulate policies to guide companies and protect consumers during diversification.

The study revealed that vertical diversification influenced insurance firms' performance positively. The study therefore recommended that the management of the firms that have not adopted vertical diversification strategy should put in place internal organizational policy and culture to encourage vertical diversification adoption. These

firms can adopt the vertical diversification strategy as a competitive tool to achieve technical efficiencies in coordination, monitoring and enforcement of the production process, lower their transaction costs and increase the firm's market power which will enhance the firm's performance.

The study revealed that concentric diversification influenced insurance firms' performance positively. The study therefore recommended that managers and shareholders of the firms that are yet to diversify their product portfolio should diversify to remain competitive and profitable in this turbulent business environment. These firms can diversify in related products which ensures no additional costs but an increase in the number of products in the market.

The study revealed that conglomerate diversification influenced insurance firms' performance positively. The study therefore recommended that to reduce competition and enhance firm performance, insurance firms can merge or form strategic alliances with other firms in less competitive environment. The net effect of such mergers and acquisition is growth in performance which will aid in maximization of shareholders' wealth.

Research Areas for Further Studies

The findings of this study revealed that horizontal diversification strategy, vertical diversification strategy, concentric diversification strategy and conglomerate diversification strategy, accounted for 46.5% of the variation in the insurance firms' performance. The study suggested that future studies should focus on establishing other factors that account for the remaining 53.5%. Further studies can also focus on a comparative analysis of firms that have adopted diversification strategies and those that have not clearly bring out the difference in terms of their performance. Further studies should focus on the role of top management in adoption of diversification strategies.

REFERENCES

- Abubakar, H. (2017). *Effect of income diversification on financial performance of commercial banks listed at the Nairobi Securities Exchange*. Unpublished MBA Project, University of Nairobi
- Adner, R., & Zemsky, P. (2016). A demand-based perspective on sustainable competitive advantage. *Strategic Management Journal*, 27(3), 215-239.
- Afza, T., Salhudin, C., & Nazir, M. S. (2017). Diversification and corporate performance: An evaluation of Pakistani firms, *South Asian Journal of Management*, 15(3), 7-18.
- Alslehat, Z. A., & Altahtamouni, F. R. (2016). The causal relationship between financial decisions and their impact on financial performance. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 4(2), 72-80
- Bain, J. (2016). Relation of profit rate to industry concentration: American manufacturing, 1936-1940. *Quarterly Journal of Economics*, 65(3), 293-324
- Balfoussia, H., & Gibson, H. D. (2016). Firm investment and financial conditions in the euro area: evidence from firm-level data. *Working Paper No 208*. Bank of Greece
- Bausch, A., & Pils, F. (2019). Product diversification strategy and financial performance: meta-analytic evidence on causality and construct multidimensionality. *Review of Managerial Science*, 3(3), 157-190.
- Berg, J. (2016). *Corporate diversification and firm performance: The effect of the global financial crisis on diversification in India*. Unpublished MBA Project, Nairobi: University of Nairobi.
- Brahmana, R., Kontesa, M., & Gilbert, R. (2018). Income diversification and bank performance: evidence from Malaysian banks, *Economics Bulletin*, 38, 2, 799-809
- Burns, N. & Burns, S. (2018). *The Practice of Nursing Research: Conduct, Critique and Utilization*: St Louis, Elsevier Saunders
- Chadler, A. D. (2002). *The Visible Hand: The Managerial Revolution in American Business*, Cambridge: Belnap Press.
- Chen, P., & Yu, H. (2017). *Is There a Bubble in the Residential Market; Empirical Data from Tianjin*: 4th International Conference on Financial Innovation and Economic Development; Atlantic Press
- Cooper, D., & Schindler, P. (2017). *Business research methods* (11th edition.). New Delhi: Tata McGraw Hill Publishing.
- Cravens, D.W., Hills G.E, & Woodruff R., B. (1996). *Marketing Management*. A.I.T.B. Publications and Distributors.
- Doaei, M., Ahmad Anuar, M., & Ismail, Z. (2016). Diversification and financial performance in Bursa Malaysia. *International Journal of Management and Business Research*, 4(4), 309-317.
- Doaei, M., Anuar, M. A., & Ismail, Z. (2015). Corporate diversification and efficiency of manufacturing firms listed in Busra Malaysia. *Iranian Journal of Management Studies*, 8(4), 523-544.
- Dosi, G. Nelson, R. R., & Winter, S. G. (2000). *Introduction to the Nature and Dynamics of Organisational Capabilities*. Oxford: Oxford University Press.
- Eisenhardt, K. M. & Schoonhoven, C. B. (2018). Organizational growth: Linking founding team, strategy, environment, and growth among US semiconductor ventures, 1978-1988. *Administrative Science Quarterly*, 3(4), 504-529

- Eklund, J. E. (2017). *Theories of investment: a theoretical review with empirical applications*. In Swedish Entrepreneurship forum (pp. 1-15)
- Faccio, M., Marchica, M. T., & Mura, R. (2011). Large shareholder diversification and corporate firm Performance-taking. *Review of Financial Studies*, 24(11), 3601- 3641.
- Grazzi, M., Jacoby, N., & Treibich, T. (2018). Dynamic of investment and firm performance: Comparative evidence from manufacturing companies, *Journal of International Business*, 12(3), 45-53
- Hiriyappa, B. (2009). *Strategic Management*. New Age International Limited Publishers.
- Jangili, R., & Kumar, S. (2017). *Determinants of private corporate sector investment in India*. Reserve Bank of India
- Jha, S., & Hui, X. (2019). A comparison of financial performance of commercial banks: A case study of Nepal. *African Journal of Business Management*, 6(25), 7601-7611
- Kang, J. (2017). The relationship between corporate diversification and corporate social performance. *Strategic Management Journal*, 34, 94-109.
- Keller, K. L. and Kotler, P. (2016). *Marketing Management*, 12th Edition. Pearson Prentice Hall.
- Khan, J. A. (2018). *Research Methodology*. New Delhi. APH Publishing Corporation
- Kimani, C. W., Wagoki, J., & Okello, B. (2016). Use of integration strategy on competitive performance of rabbit meat production firms in Kenya. *International Journal of Science and Research*, 5(4), 928-935.
- Kirui, K. (2015). *Relationship between mergers and acquisitions and the financial performance of listed firms at NSE*. Unpublished MBA project, Nairobi: University of Nairobi.
- Koks, S.C., & Kilika, M.J. (2016). Towards a theoretical model relating product development strategy, market adoption and firm performance: A research agenda, *Journal of Management and Strategy*, 7(1), 90-97.
- Kotabe, M. (2017). The relationship between international diversification and performance in service firms in Ghana. *Journal of International Business Studies*, 34, 4, 345-355.
- Luseno, J. (2011) *Challenges in Implementing Diversification Strategy at Radio Africa Limited*. Unpublished MBA project, School of Business, University of Nairobi
- Magambo, N. (2017). *Effects of asset diversification on the financial performance of micro finance institutions in Kenya*. Unpublished MBA thesis, University of Nairobi.
- Mailanyi, P. (2015). *Effect of mergers and acquisitions on the financial performance of oil companies in Kenya*. Unpublished MBA project, Nairobi: University of Nairobi
- Markowitz, H. (1952). Portfolio Selection. *The Journal of Finance*, 7(1), 77-91.
- Matar, A., & Eneizan, B. M. (2018). Determinants of financial performance in the industrial firms: Evidence from Jordan. *Asian Journal of Agricultural Extension, Economics & Sociology*, 22(1), 1-10.
- Mboroto, S. (2017). *The effect of mergers and acquisition on the financial performance of petroleum firms in Kenya*. Unpublished MBA project, Nairobi: University of Nairobi.
- Mitema, V. M. (2016). *The effects of mergers and acquisition on value creation of Insurance companies in Kenya*. Unpublished MBA project, Nairobi: University of Nairobi.
- Mole, K. (2002). Business Advisers' Impact on SMEs; An Agency Theory Approach. *International Small Business Journal*, 20(2), 139-162.

- Montgomery, C. A. (1994). *Corporate diversification*. *Journal of Economic Perspectives* 8(3), 163–178.
- Mugenda, Olive M. & A. G. Mugenda, (1999, Revised 2003). *Research Methods: Qualitative & Quantitative Approaches*. African Centre for Technology Studies
- Mukarushema, M., Kule, W. J. & Mbabazize, M. (2016). Effect of financial statement analysis on investment decision making. A Case of Bank of Kigali. *European Journal of Business and Social Sciences*, 5(6), 279 - 303
- Mustafa, H. K., & Yaakub, S. (2018). Innovation and Technology Adoption Challenges: Impact On SMES' Company Performance. *International Journal of Accounting*, 3(15), 57-65.
- Mwangi, E. (2015). *The effect of corporate diversification on the financial performance of listed manufacturing firms in Kenya*, Unpublished Doctoral dissertation, University of Nairobi.
- Neffke, F., & Henning, M. (2017). Skill relatedness and firm diversification. *Strategic Management Journal*, 34, 297-316.
- Ogotu, M., & Samuel, C.M. (2019). Strategies adopted by multinational corporations to cope with competition in Kenya. *DBA Africa Management Review*, 2(3), 69-82.
- Oloda, F. O. (2017). Vertical integration strategy and organisational survival in manufacturing firms in Port Harcourt, Rivers state, Nigeria. *International Journal of Advanced Research*, 3(1), 36-43.
- Omet, G . (2019). Income diversification and bank performance: The Jordanian case. *Journal of Business Economics and Finance*, 8 (1), 28-37
- Ondari, E. N., Awino, B. Z. & Machuki. V. N. (2016). The Effect of Diversification Strategy on Performance of Companies Listed In the Nairobi Securities Exchange. *Archives of Business Research* 4(3), 29-37.
- Palich, L.E., Cardinal, L.B., & Miller, C.C. (2000). Curvilinearity in the diversification Performance linkage: An examination over three decades of research. *Strategic Management Journal*, 21(2): 155-174.
- Pandey, I. M. (1999). *Financial Management*. 8th Ed. New Delhi: Vikas Publishing House
- Penrose, E.T. (1995). *The Theory of the Growth of the Firm*, 3rd Ed., Oxford: OUP
- Philita, G. 2018). *Effects of portfolio diversification on financial performance of commercial banks in Kenya*, Unpublished MBA Project, University of Nairobi
- Phung, D. N., & Mishra, A. V. (2016). Corporation diversification and firm performance: Evidence from Vietnamese listed firms. *Australian Economic Papers*, 386-408.
- Ranka, K, Vladimir, N., & Dragan, S. (2017). Effects of corporate diversification on firm performance: evidence from the Serbian insurance industry, *Economic Research-Ekonomska Istraživanja*, 30:1, 1224-1236,
- Ravichandran , A., & Bhaduri, S. (2015). Diversification and firm performance: A study of Indian manufacturing firms. *Munich Personal RePEc Archive*.
- Richard, P. J., Devinney, T. M., Yip, G. S., & Johnson, G. (2009). Measuring organizational performance: towards methodological best practice. *Journal of Management* 35(3), 718- 804.
- Roehl, D. B. (1997). Virtual archeology. Bring new life to ancient worlds. *Innovation* 28 & ndash, 35.
- Rumelt, R. (1991) How much does industry matter? *Strategic Management Journal*.12(2).167-185.

- Scholleova, H., Fotr, J., & Svecova, L. (2016). Investment Decision-Making Criteria in Practice. *Economics and Management*, 15, 1018-102
- Schmalensee, R. (2019). Do markets differ much? *American Economic Review*, 75(3), 341-351.
- Shrestha, P. (2018). A study on investor's attitude towards government securities in Nepal; *Journal of Business and Social Sciences*, 2(1), 67-78
- Spellman, F. R. (2017). *Handbook of water and wastewater treatment plant operations*. CRC Press.
- Teo, A. & Runeson, G. (2001) Aspects of market differentiation in the building industry. *The Australian Journal of Construction Economics and Building*, 1(2), 14–23.
- Teo, A.L. (2002). Strategic market positioning in the construction industry: Importance of organisational flexibility for diversification. *Proceedings: 1st international Conference of CIB W107: Creating Sustainable Construction Industry in Developing Countries*. South Africa, 11–13 November.
- Tewolde, M. H. (2018). Investment decisions in a firm as the part of business financial decision system. *Annales Universitatis Apulensis Series Oeconomica*, 1(10), 286-29
- Thompson Jr., A. A., & Strickland III, A. J. (2019). *Crafting and executing strategy, text and readings* (14th ed.). New York: McGraw Hill Irwin
- Tobin, J. (1969). The general equilibrium approach to monetary theory. *Journal of Money, Credit and Banking*. 1(1), 15-29.
- Tongly, L., Ping, E. & Chiu, W. (2005). International diversification and performance: Evidence from Singapore. *Asia Pacific Journal of Management*. 22.65-88.
- Twine, E. E., Kiiza, B., & Bashaasha, B. (2015). The flexible accelerator model of investment: An application to Ugandan tea-processing firms. *African Journal of Agricultural and Resource Economics*, 10(1), 1-15.
- Valmohammadi, C. & Servati, A. (2011). Performance measurement system implementation using balanced scorecard and statistical methods. *International Journal of Productivity and Performance Management*, 60(5), 493-511.
- Varadarajan, P. (1986). Product diversity and company performance: An empirical investigation. *Journal of Marketing*. 50(3).p.43-57.
- Wafula, F. J. (2016). *The effect of diversification on portfolio returns of mutual funds in Kenya*, Unpublished MBA thesis, University of Nairobi.
- Wanjira, N., Ngoze, M., & Wanjere, D. (2018). Horizontal diversification strategy adoption and the performance of state owned sugar firms in Western Kenya. *International Journal of Novel Research in Marketing Management and Economics*, 5, 3, (1-9),
- Warström, O., & Niemelä, M. (2015). *Interest Rates and Aggregate Corporate Investment*. Lund University
- Zhou, Y.M. (2011). Synergy, coordination costs and diversification choices. *Strategic Management Journal*, 32, 624-63.