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**EFFECTS OF DIVERSIFICATION STRATEGIES ON PERFORMANCE OF AN
ORGANIZATION, A CASE OF KTDA MANAGING AGENCY**

BY

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REQUIREMENT FOR THE AWARD OF MASTER DEGREE IN BUSINESS
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UNIVERSITY.**

OCTOBER, 2013

DECLARATION

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

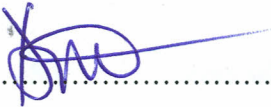
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Date 19th Dec 2013

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I confirm that the work presented in this research project was carried out by the candidate under my supervision.

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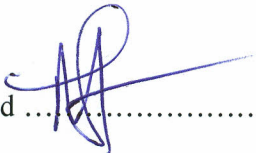
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I would like to make the following acknowledgments of individuals who assisted me, without whom the MBA and research project would not have been possible. From a personal perspective I would first like to take this opportunity to thank my wife Divinah for being supportive, loving, caring and patient during the difficult times.

From academic perspective I would like to thank the following individuals; Madam Ann Muchemi, my supervisor, for being supportive, accessible and providing me with directions and insights. My fellow students who assisted me through the MBA programme with special thanks to Anthony Wambugu. The management staff of Kenyatta University school of business who has made my experience of higher education a life changing journey.

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DEDICATION

This research proposal is dedicated to my Late Mum Gladys Kemunto, Dad Gibson Gisore, My mentor Divinah for the humble time and support they gave me during my studies.

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LIST OF ABBREVIATIONS

- GOK** - - Government of Kenya
- KJ/KGMT**- kilojoules per kilogram of Made tea
- KTDA** - - Kenya Tea Development Agency
- MT** - -Made Tea.
- OT** - - Outturn
- TG**- - Top grade

ABSTRACT

This study was focusing on the effects of diversification strategies on performance of organization. A longitudinal survey of KTDA was taken for the study. The objective of this study was investigating the effects of conglomerate diversification and concentric diversification in organisation. The research findings also contributed to literature in the area of study which can be of use to scholars. The researcher will relate the study with other past studies carried out related to similar topic. The research also criticized studies carried in advance in relation to its findings under the critical review section. The research came up with conclusions and gaps to be filled by the study. It would assist management, and the subordinate staff since it is an integrate part of the organization; it would assist the organization in the formulation of policies that acknowledge the need for Diversification in work place. The study adopted a descriptive research design. Stratified random sampling method was used to represent the population and to pick a sample of respondents who provided with questionnaires. It targeted the management employees of the KTDA and sampled from 151 respondents using stratified random sampling. Data will be collected through the use of questionnaires. The data obtained was summarized in a report to provide a descriptive analysis characteristic unit. Data analysis was descriptive statistics for example percentage and data presentation which was tables, and charts. On the extent to which concentric diversification strategies affect the performance of commercial bank, the study revealed that concentric diversification affects performance to great extent. The study found that adoption of horizontal diversification contributed highly to the organization performance. Thus the study concludes that adoption of horizontal diversification affects the organization performance to great extent. The study found that conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business. Thus the study concludes that conglomerate diversification helps to improve organization performance. The study revealed that the various geographical diversification strategies used by organization to influence its performance. The study thus concludes that geographical diversification affects the pperformance of organization in Kenya to great extent

CHAPTER ONE:

INTRODUCTION

This chapter contains background of the study, statement problem, and objectives of the study significance, limitations and scope of the study.

1.1 Background of the Study

Diversification as strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of diversification – even though the nature of this relationship still remains largely unresolved (Park, 2002). Early studies have argued that diversification is valuable: from a conceptual perspective, increasing levels of diversification should have a positive influence on performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects (Christensen and Montgomery, 1981).

Diversification allows an organisation to grow (Thomas and Mason, 2006). Diversification strategically takes the organisation away from its current markets and products with the overall intention to increase the diversity that must be overseen by the organisation. Diversity in all its implications became the central driver for organization onwards. Diversification included both reviewing the inputs and the outputs. Diversification helps in creation of synergy, by moving into new areas, opportunities emerge to develop new inter-relationships through the actual process of working on new services and markets. This synergy makes it is possible to produce a combined return on resources that is greater than the sum of the parts (Ansoff, 1988). The likely success of the diversification strategy will be the fit between the different business units and their working relationships.

In contrast, more recent research has found that conglomerate firms have significantly lower profitability (Davis et al. 1992). The wide belief that diversification is inefficient is also partly attributed to its contradiction to one of the oldest economic theorems that argues that specialization is productive (Matsusaka, 2001). It has also been shown that highly diversified firms have less market power in their respective markets than more focused firms (Montgomery, 1985). Product diversification has been found to be negatively related to firm value and to occur in firms with less managerial equity ownership (Denis et al., 1997).

1.1.1 Kenya Tea Development Agency

KTDA was established in January 1964 with the objective of fostering and promoting the country's tea growing by smallholder tea farmers. In order to realize its goals and objectives, the Authority developed centralized operational and administrative systems extending from headquarters in Nairobi to the tea growing areas, (KTDA, 2001). The agency is responsible for the management of smallholder tea production through provision of extension services, production inputs, green leaf collection, processing and marketing of processed tea on behalf of the smallholders, (GoK, 2011). The new KTDA limited was to offer management services to individual factory companies and the latter as an independent company may opt if it wishes to contract any other management agent to manage their operations/activities (KTDA, 2006).

Under this new arrangement, KTDA will charge a competitive management fee based on minimal percentage of the net value of the proceeds. The small-holder tea farmers will be real owners of the KTDA Limited but their influence will be exercised through their factory companies. The Board of the then new company was to delegate the executive authority to the Chief Executive and management. The company was to extensively

decentralize to the field and factory companies in order to provide effective and efficient services to the factory companies. Clear distinctions were to be established regarding the personnel employed by the KTDA Limited and those of engaged by the factory companies, (GoK, 2011).

1.2 Statement of the Problem

In the recent past the Government of Kenya has been in the privatization spree, a case at hand is Kenya Tea Development Authority which changed to the agency in the year 2000, this came along with many strategic changes top on the mark being the privatization itself, change of the organization structure, diversification, use of information technology and process innovation. This reorganization comes along with many challenges both negative and positive. For the organizations to remain relevant there is need for organization to adopt various diversification strategies which will lead to increased competitive edge or else such organizations will be rendered irrelevant.

Studies done in Kenya include; Maithulia (1995) conducted a study on portfolio diversification: an empirical investigation of commercial banks in Kenya. Mwindi (2003) did an analysis of the application of unrelated diversification strategy by the major oil companies in Kenya, Njoroge (2003) a study diversification strategy- A case of nation media group, Mwau (2005) a study of related diversification with EABS, Njoroge (2006) building competitive advantage through diversification. A case study of kenol/kobil Oil Corporation, Wakwoma (2007) a survey of product diversification strategies adopted by firms in the banking industry in Kenya, Munene (2008) diversification strategies of Christian community services of mount Kenya east region, Lole (2009) diversification strategies in the banking industry in Kenya, Muchiri (2009) corporate diversification strategy, product uniqueness, environmental dynamism and choice of capital structure for

firms listed at NSE, Musila (2009) addressed application of diversification strategy at the Anglican church of Kenya, Wefwafwa (2009) did a survey of product diversification strategies adopted by Nzoia sugar company . To the researchers' knowledge no known local study that has ever been conducted to investigate the effects of diversification strategies on organization performance in Kenya in reference to KTDA. This study seeks to fill this research gap by conducting a local study to investigate the effects of diversification strategies on organization performance in Kenya with special reference to KTDA.

1.3 Objective of the Study

1.3.1 General Objective

The general objective of the study is to investigate the effects of diversification strategies on organization performance in Kenya.

1.3.2 Specific Objective

- i. To determine the effects of concentric diversification on the performance of Kenya Tea development Agency.
- ii. To assess the effects of conglomerate diversification on the performance of Kenya Tea development Agency.

1.4 Research Questions

The study will seek to answer the following research question

- i. What are the effects of concentric diversification on the performance of Kenya Tea development Agency?
- ii. Does conglomerate diversification on the performance of Kenya Tea development Agency?

1.5 Significance of the Study

1.5.1 The management Kenya Tea Development Agency:

This study will identify the effects of diversification strategies on performance of KTDA, and will help the management of KTDA in understanding the effects of diversification on performance of the company.

1.5.2 The government

The study will be of great importance to the government through its various agencies. This will help in designing the appropriate strategies that will help the government parastatals to remain competitive even after privatization.

1.5.3 Other researchers

The study will be invaluable to the academicians and researchers in Kenya for it will provide a base upon which future research can be conducted. The study will also add to the body of knowledge on diversification strategies.

1.6 Scope of the Study

This research was limited to establishing the effects of diversification strategies on organization performance. The research study was carried out within a period of three months and the target population will be employees of KTDA at their head office in Nairobi. The study analysed the various diversification strategies adopted by KTDA in Kenya and their effect on performance.

1.7 Assumption of the Study

The study assumed that the respondents freely filled the questionnaire without fear of their employers. It is also assumed that the researcher get all the support required from relevant sources in getting information needed. The researcher also assumed that the respondents gave all the information required in an accurate manner.

1.8 Limitations of the Study

The respondents approached are likely to be reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about them or the organization. Some respondents may even turn down the request to fill questionnaires. The study handled the problem by carrying an introduction letter from the University and assuring them that the information they give would be treated confidentially and it would be used purely for academic purposes.

KTDA factories operate on tight schedules; respondents are not able to complete the questionnaire in good time and this might overstretch the data collection period. To mitigate this limitation, the study will make use of network to persuade targeted respondents to fill up and return the questionnaires.

The researcher may also encounter problems in eliciting information from the respondents as the information required was subject to areas of feelings, emotions, attitudes and perceptions, which cannot be accurately quantified and/or verified objectively. This might lead to lack of response due to the veil of confidentiality surrounding the Tea factories. The researcher encouraged the respondents to participate without holding back the information they might be having as the research instruments would not bear their names.

CHAPTER TWO :

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the exiting literature on concept of strategy, growth strategies, types of growth strategies, which are then narrowed down and to the major focus on diversification strategies; in particular in review the theoretical orientation of the subject under the study, empirical literature review on diversification strategies, factors influencing diversification strategies and diversification strategies and organizational performance, summary of the chapter and the conceptual framework.

2.2 Concept of strategy

Strategy is first and foremost a broad and complex concept. In an attempt to provide a definition, Porter (1996) states: "Strategy is the creation of a unique and valuable position, involving a different set of activities. The essence of strategic positioning is to choose activities that yield superior profitability because they are different from rivals' and thus create a sustainable competitive advantage.

According to Johnson.G e tal (2008) strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.

2.2.1 Growth strategies

Growth Strategy' refers to a strategic plan formulated and implemented for expanding firm's business. For smaller businesses, growth plans are especially important because these businesses get easily affected even by smallest changes in the marketplace. Changes

in customers, new moves by competitors, or fluctuations in the overall business environment can negatively impact their cash flow in a very short time frame. Negative impact on cash flow, if not projected and adjusted for, can force them to shut down. That is why they need to plan for their future. Small entrepreneurs generally feel that strategic planning is for large business houses; but it is very necessary for small and medium enterprises. Strategic Planning gives a formal direction to the business. Strategic planning is necessary to take care of the additional efforts and resources required for faster growth.(sonia sabhirwal 1992)

Different type of growth strategies are available each having advantage and disadvantage of its own. A firm can adopt different strategies at different points of time. Every firm has to develop its own growth strategy according to its own characteristics and environment. (Sonia sabhirwal 1992)

2.2.1.1 Intensive growth strategies

Intensive growth strategy or expansion involves raising the market share, sales revenue and profit of the present product or services. The firm slowly increases its production and so it is called internal growth strategy. It is a good strategy for firms with a smaller share of the market. Three alternative strategies are available in this regard. (Sonia Sabhirwal, 1992).

Market penetration is, simply put, how you can sell more of the same product to the same customers. For example, rather than selling individual RW DVD's, you sell them in a pack of 12. In high-tech businesses, this may be easier to do in some sectors with some products than in others. It is unlikely that you will be able to use a 12-pack strategy in the case of a new DVD player. If your technology is a chip that is used in the player, you may

be able to get away by batch sales. This strategy has the lowest risk Market Development implies increasing sales by selling present products in the new markets.

Market development leads to increase in sale of existing products in unexplained markets (Sonia Sabhirwa, 1992). Product Development: In this, the firm tries to grow by developing improved products for the present market, (Sonia Sabhirwal, 1992).

Identifying Alternative Channels This strategy involves pursuing customers in a different way such as, for example, selling your products online. This works well for consumer products and, in some cases, also for business-to-business (B2B) products. Alternative channels for B2B can be special exhibitions or fairs such as an annual electronic fair. But also scientific conferences can sometimes be alternative channels to promote your product. Hospitals sometimes organise special events for their clients to demonstrate their newest products (Sonia Sabhirwal, 1992)

2.2.1.2 Integrative Growth

According to Lins and Servaes (2002), horizontal integration occurs when a firm enters a new business (either related or unrelated) at the same stage of production as its current operations. The company adds new products or services that are technologically or commercially unrelated (but not always) to current products, but which may appeal to current customers. In a competitive environment, this form of diversification is desirable if the present customers are loyal to the current products and if the new products have a good quality and are well promoted and priced (Lins and Servaes, 2002). Moreover, the new products are marketed to the same economic environment as the existing products, which may lead to rigidity and instability. In other words, this strategy tends to increase

the firm's dependence on certain market segments. In case of horizontal diversification strategy, the technology used is not at all related to the existing business of the company.

Though the existing products are not related to the new venture, the current customer base of the company is taken into consideration when coming up with these new products (Fisman and Khanna, 2004). This strategy proves to be advantageous in a competitive market scenario, wherein the company has a loyal customer base.

In vertical integration new products or services are added which are Complementary to the present product line or service. New products fulfill the firm's own requirements by either supplying inputs or by serving as a customer for its output. In vertical integration the firm moves backward or forward from the present product or service. Vertical integration may be of two types backward and forward. Backward integration. Involves moving toward the input of the present product. It is aimed at moving lower on the production process so that the firm is able to supply its own raw materials or basic components. For example, a Car manufacturer may start producing tire tubes; Reliance Industries Ltd. Has been able to grow largely through backward integration. It started business with textiles and went for backward integration to produce PFY and PSF critical raw materials for textiles, PTA and MEG raw materials for PFY and PSF, propylene raw materials for PTA and MEG, and finally naphtha for producing propylene.

Forward integration means the firm entering into the business of distributing or selling its present products. It refers to moving upwards in the production/distribution process towards the ultimate consumer.

The firm sets up its own retail outlets for the sale of its own products. For example, many companies like Bata, DCM, Bombay Dyeing, Raymonds and Reliance have set up their own retail outlets to sell their fabrics. (Sonia sabhirwal 1992)

2.2.1.3 Differentiation Strategy

According to Arthur. A.T, Lennoe.A.J & John.E.G 2006 differentiation consists in differentiating the product or service offered by the firm, in other words, creating something that is perceived industry-wide as being unique. Differentiation may be achieved in various ways, for example through design, brand image, technology, features, customer service, and dealer network. Bases of differentiation may be sorted into three categories. Firstly, to implement differentiation, a firm may focus directly on product (or service) attributes, i.e. product features, product complexity, timing of product introduction, or location.

Secondly, a firm may focus on the relationship between itself and its customers, for example through product customization, consumer marketing and product reputation. Finally, differentiation may be implemented by focusing on the linkage within or between firms, which includes linkage within functions of a firm, linkage with other firms, product mix, distribution channels and service support. Ideally, the firm should differentiate itself along several dimensions. (Arthur. A.T, Lennoe.A.J & John.E.G 2006.)

Barney & Hesterley (2006) argues that, “product differentiation is ultimately an expression of the creativity of individuals and groups within the firms. It is limited only by the opportunities that exist, or that can be created, in a particular industry and by the

willingness and ability of firms to creatively explore ways to take advantage of those opportunities.

According to Porter differentiation may generate superior profitability for the reason that provides insulation against competitive rivalry because of brand loyalty by customers and resulting lower sensitivity to price. It also increases margins, which avoids the need for a low cost position. The resulting customer loyalty and the need for a competitor to overcome uniqueness provide entry barriers. Differentiation yields higher margins with which to deal with supplier power, and it clearly mitigates buyer power, since buyers lack comparable alternatives and are thereby less price sensitive. Finally, the firm that has differentiated itself to achieve customer loyalty should be better positioned vis-à-vis substitutes than its competitors.”(Barney & Hesterley , 2006)

Besides reducing the five threats of entry, rivalry, substitutes, suppliers and buyers, differentiation creates value by enabling a firm to charge a premium price that is greater than the extra cost incurred by differentiation. As for overall cost leadership, successful differentiation requires that the strategy be rare and costly to imitate. And rare and costly bases for differentiation are sources of sustainable competitive advantage. The rarity of a differentiation strategy depends on the ability of individual firms to be creative in finding new ways to differentiate their products. In short, creative firms will always manage to differentiate themselves from competitors. As rivals try to imitate these firms’ last differentiation move, creative firm will already be working on new moves and therefore they always remain one step ahead of competition. In general, bases for differentiation that are costly to duplicate include links between functions, timing, location, reputation,

distribution channels, and service and support. Product mix, links with other firms, product customization, product complexity and consumer marketing may be costly to imitate depending on the circumstances, (Barney & Hesterley, 2006).

Organizing to implement a differentiation strategy requires particular consideration to the organizational structure, management controls, compensation policies, and implementing cost leadership strategies. As mentioned previously, organizational arrangements and implementation tools should not only fit but also reinforce the strategy. Porter 1980 suggests those strong marketing abilities, product engineering, creative flair, strong capability in basic research, corporate reputation for quality or technological leadership, long traditional in the industry or unique combination of skills drawn from other businesses, and strong cooperation from channels are commonly required skills and resources for implementing differentiation. Common organizational requirements include strong coordination among functions in research and development, product development, and marketing, subjective measurement and incentives (instead of quantitative measures), and amenities to attract highly skilled labor, scientists, or creative people. (Porter, 2008).

In addition, Barney & Hesterley (2006) suggest that an organizational structure supporting differentiation includes may be characterized by cross-divisional and cross-functional development teams, complex matrix structures and isolated pockets of intense creative efforts. Broad management decision-making guidelines, managerial freedom within guidelines, and policy of experimentation may be typical of a management control systems that support differentiation. Rewarding risk-taking (as opposed to punish failures), creativity, and multidimensional performance measures is an example of compensation policy that reinforces differentiation.

2.2.1.4 Generic strategies

Competitive strategy consists of all the moves and approaches a firm has taken and is taking to attract buyers, withstand competitive pressures, and improve its market position. In plainer terms, competitive strategy concerns what a firm is doing to try to knock the socks off rival companies and gain competitive advantage. A firm's strategy can be mostly offensive or mostly defensive, shifting from one to the other as market conditions warrant, (Arthur. A.T ,Lennoe.A.J & John.E.G 2006).

Companies the world over have tried every conceivable approach to outcompeting rivals and winning an edge in the marketplace. And because managers tailor strategy to fit the specifics of their own company's situation and market environment, there are countless variations. In this sense, there are as many competitive strategies as there are companies trying to compete. All three strategies have the potential to result in above-average profits; however, all three strategies may not be equally suitable for a firm. The reason is that the three strategies differ on a number of dimensions and pose different requirements, for example in terms of resources, skills, organizational arrangements, control procedures, incentive systems and management style, (Gerry.J et al 2008).

Profitability may vary depending on the wellness of fit between the firm and the selected strategy, which make the decision of which strategy to adopt key to the benefits of strategic planning and requires that the choice be well founded. The challenge lies in selecting the strategy that best suits the firm's strengths and resources and is least replicable by competitors and this in turn necessitates knowledge about the firm, its business environment and competitors. With an explicit technique for analyzing industry structure and competition, practitioner may gain better understanding and knowledge of

both elements. Porter's 1980 model facilitates the decision making process and improves the probability for a firm that chooses an appropriate strategy. However, beneath all the nuances, the approaches to competitive strategy fall into three categories: Striving to be the overall low-cost producer in the industry (a low-cost leadership strategy), Seeking to differentiate one's product offering from rivals' products (a differentiation strategy) and Focusing on a narrow portion of the market rather than the whole market (a focus or niche strategy), (Lennoe & John, 2006).

2.2.1.5 Overall Cost Leadership Strategy

Low cost relative to competitors is the theme running through the entire *overall cost* leadership strategy and the objective is clearly overall industry cost leadership. Attaining cost leadership typically requires aggressive construction of efficient scale facilities and vigorous pursuit of cost reductions through experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like research and, service, sales force, advertising, etc. When attempting to achieve an overall cost leadership position, low cost relative to competitors is the theme running through the entire strategy. (John.A.P& Richard.B.R 2009).

To understand how overall cost leadership strategy may generate superior profitability, it is necessary to identify the benefits of a low-cost position. As suggested by Porter "[a low-cost position] gives a firm a defense against rivalry from competitors, because its lower costs mean that it can still earn returns after its competitors have competed away their profits through rivalry. A low-cost position defends the firm against powerful buyers because buyers can exert power only to drive down prices to the level of the next most efficient competitor. Low cost provides a defense against powerful suppliers by providing

more flexibility to cope with input cost increases. The factors that lead to a low-cost position usually also provide substantial entry barriers in terms of scale economies or cost advantages. Finally, a low-cost position usually places the firm in a favorable position vis-à-vis substitutes relative to its competitors in the industry.”(Gerry.J eal 2008),

Because scale economies and cost advantages tend to defend a firm against powerful buyers and suppliers and provide substantial entry barriers, achieving a low overall cost position often requires a high relative market share. In other words, cost advantages can create value for a firm by reducing the five threats of entry, rivalry, substitutes, suppliers and buyers.

More specifically, Barney & Hesterley (2006) mean that there are six main cost advantages, or, sources of cost advantages for firms that successfully adopt cost leadership: 1. Size differences and economies of scale, 2. Size differences and diseconomies of scale, 3. Experience differences and learning-curve economies, 4. Differential low-cost access to productive inputs. Policy choices. (Barney & Hesterley 2006), Further, the ability of a valuable cost leadership strategy to create a sustainable competitive advantage is conditional upon the strategy being rare and costly to imitate. The above-mentioned sources of cost advantage are classified into two categories according to likelihood of rarity. Learning-curve economies of scale (especially in emerging businesses), differential low-cost access to productive inputs and technological software are generally considered “likely-to-be- rare sources of cost advantage”, while economies of scale (except when efficient plant size approximately equals total industry demand), diseconomies of scale, technological hardware (unless a firm has proprietary hardware development skills) and policy choices are generally considered “less-likely-to-be-rare sources of cost advantage”.

Similarly, the sources of cost advantage are more or less replicable. Creating a sustainable competitive advantage also require that competitors cannot easily imitate the strategy. Sources of cost advantages that tend to be difficult thus costly to duplicate include: differential access to cost productive inputs and technology software. Learning economies and technological hardware may be costly to duplicate if they are proprietary, (Barney & Hesterley (2006).

Organizing to implement a cost leadership strategy requires particular consideration to the organizational structure, management controls, compensation policies, and implementing cost leadership strategies. The organizational arrangements and implementation tools should not only fit but reinforce the strategy. Porter 1980 has divided requirements of overall cost leadership strategy into “commonly required skills and resources” and “Common organizational requirements”. Commonly required skills and resources when implementing overall cost leadership are sustained capital investment and access to capital, process engineering skills, intense supervision of labor, products designed for ease in manufacture, and low-cost distribution systems. Common organizational requirements constitute of tight cost control, frequent, detailed control reports, structured organization and responsibilities, and incentives based on meeting strict quantitative targets, (Arthur . A.T ,Lennoe.A.J & John.E.G 2006).

According to Barney & Hesterley (2006), few layers in the reporting structure, simple reporting relationships, small corporate staff, and focus on narrow range of business functions are elements of organizational structure that allow firms to “realize the full potential of cost leadership strategies”. Management control systems that support the implementation of cost leadership include tight cost control systems, quantitative cost

goals, close supervision of labor, raw materials, inventory, and other costs, and a cost leadership philosophy. Examples of good compensation policies are rewards for cost reduction and incentives for all employees to be involved in cost reductions.

2.2.1.6 Focus Strategy

Considering that this paper focuses on the trade-off between overall cost leadership and differentiation, it does not serve the purpose of the thesis to describe the focus strategy in detail. In brief, the focus strategy aims at serving a particular target or segment of the industry well, as opposed to both overall cost leadership and differentiation strategies seek to achieve their objectives industry wide. For example, a firm may choose to serve a particular buyer group, segment of the product line or geographic market. Thus a focus strategy sets out to achieve a low cost or differentiation position, or both, from the perspective of its narrow market segment. (Porter 2008).

2.3 Diversification of KTDA

In 1964, KTDA was established and took over the liabilities and functions of SCDA with the sole responsibility of promoting and organizing tea growing by the smallholder tea growers. In 1991, Parastatals Reform Strategy Paper (PERP) was developed listing KTDA among other strategic parastatals for privatization and in 1999, KTDA order was revoked through Legal Notice No.44. Thus the KTDA (Authority) was transformed into a private company, KTDA (Agency) Ltd on 30th June 2000 and registered under the Companies Act. Since inception, KTDA has been responsible for promoting and fostering development of smallholder tea farming and has been responsible for the following:- increased tea production; provision of fertilizers; developing processing capacity; marketing of made tea; payment to growers as well as managing various tea factory companies through management agreements, (Omanga.K 2005).

To enhance the competitiveness and survival strategies in the Market, KTDA had to look for ways of widening its scope. Kenya Tea packer Company Limited (KETEPA) was registered as a private company in September 1977 and started operations in 1978, The Company was required by law to serve the local market only. The law was changed in 1992 which allowed export of tea .KETEPA now export packed tea to destinations around the world. The head office of the packing industry is located in Kericho about 270 kilometers west of Nairobi.

Ketepa is owned by the tea farmers of Kenya through Kenya Tea Development Agency Limited and the Kenya tea growers association (KTGA). The Kenya tea development agency is the majority shareholder representing over 540000 small scale tea farmers spread all over the country,(Omanga, 2005).

Chai Trading Company Ltd (CTC) was incorporated as a trading subsidiary of KTDA LTD on the 1st day of September 2003. The company is based at the Miritini warehousing complex Mombasa. It was initiated in October 2003 with a general mandate to carry out bulk packing, buying and selling of high quality tea to local and international destination

KTDA-Power is also being rolled and has been a success in factories in the Mount Kenya Region a good example being Imenti Tea factory. Electricity, remains a major cost that factories have to grapple with, by starting own electricity generation, it means that this major cost will have been cut down. This project is owned jointly by KTDA Managing agents and the Tea farmers who are the shareholders. Majani insurance brokers Ltd was started as a Kenya Tea development Authority insurance agency in 1976 catering for

KTDA Insurance concerns. As the business grew there was need to extend the excellent insurance services to the general public. In 1988 the commissioner of insurance licensed the firm as an insurance broker.

Majani is an active member of the association of insurance brokers of Kenya (AIBK). Greenland fedha, this company was established in 2009 to offer micro financial support to farmers at affordable interest rates (Omanga.K 2005).

2.4 Theoretical Review

2.4.1 Transaction Cost Theory

Transaction costs theory (Coase, 1937; Williamson, 1979) predicts that the optimal firm structure will be dependent upon the institutional context. Most developed economies have strong and well developed institutions with efficient product, labor and capital markets. Hence, the market structure would be a much more efficient mechanism for transactions. In this light, there are higher costs associated with diversified firm structure and therefore it is predicted that conglomerates would be poor performers in strong and mature market.

Emerging markets are characterized by underdeveloped institutions and weak capital, labors and product markets. Transaction costs theory predicts that diversified group structure is a beneficial organization form in emerging economies. Interestingly the diversification literature predominantly attributing the value gain/loss arguments to transaction costs rationale and the institutional voids argument is comprehensively researched in the finance and strategic literature in both emerging and developed market context.

Kenya is categorized as one of the leading emerging markets. The assumptions of emerging markets are that the capital market structure is imperfect and underdeveloped. Khanna and Palepu (1997) suggest that these imperfections exist in the labor, capital and product markets as well. Transaction cost economics predicts that internal capital markets would be an efficient alternative under these conditions. Therefore, firms will have incentive to diversify. The transaction cost economics theory also predicts that diversified firms will outperform focused firms in imperfect markets. Therefore, in Indian business environment it is expected that diversified business groups will have superior performance. Hence, firms that are not diversified will be valued poorly.

Because transaction cost economics predicts favorable effects of diversifying as a strategy, it follows that firms that have a dominant diversified structure would be valued more by the market. In Kenya diversification strategy is typically executed through the group structure although many focused business entities also emulate the group structure. Khanna and Palepu (2000) and Perotti and Gelfer (2001) show that industrial groups commonly exist in emerging markets. Therefore, a positive impact of group affiliation (and therefore diversification) on firm value is expected and is a well-researched proposition by authors examining business groups in emerging markets (Lins and Servaes, 2002).

2.4.2 Resource Based View

The resource-based view seems to suggest that firms diversify into related industries and related diversification leads to superior rents (Montgomery and Wernerfelt, 1988; Rumelt, 1974). The firm resources include the factors of production, services created from the factors of production and the specialized competencies it has created over time (Penrose, 1959). According to the resource-based view, firms diversify in response to the excess

capacity in the resources they possess (Penrose, 1959). Therefore, as long as the firm can find profitable ways of exploiting its unutilized resources, it has incentive to expand (Montgomery and Wernerfelt, 1988).

The unutilized resources of the firm offer the potential to exploit scale and scope benefits. The exploitation of economies of scale is available through the exploitation of firm-specific resources into related industries. Nayyar (1993) contends that benefits of positive reputation and economies of scope are exploitable from related diversification, but are unavailable from unrelated diversification. These conditions of resources strongly point to diversification that is related and therefore the RBV suggests a positive relation between firm performance and related diversification. Rumelt (1974) conjectures related diversification to be a better strategy in comparison to unrelated diversification. Hence, extending the arguments proposed in the resource-based theory to diversified business groups in emerging markets we conjecture that in addition to the positive effects of group affiliation on firm value, related diversification is a rewarding strategy for business groups.

While recognizing the contributions of transaction cost economics and institutional theory literature in the examination of business groups, the hypothesis brings into perspective the resource-based view to explain diversified business groups. Khanna and Palepu (1998, 2000) in their work examine the benefits of group affiliation and the extent of diversification.

2.5 Empirical Review

The strategies of diversification can include internal development of new products or markets, acquisition of a firm, alliance with a complementary company, licensing of new technologies, and distributing or importing a products line manufactured by another firm. Generally, the final strategy involves a combination of these options (Thomsen and Pedersen, 2000). This combination is determined in function of available opportunities and consistency with the objectives and the resources of the company.

Diversification strategy of a company may include several plans, ranging from development of a new product to licensing of new technologies, or a combination of one or more of these plans. Basically, there are four different types of diversification strategies.

2.5.1 Concentric Diversification

In case of concentric diversification strategy, the technology used in the industry remains the same, while the marketing plan changes to a significant extent. This strategy requires technological similarities between the two business ventures (Ramirez 1995).

Technical knowledge turns out to be an advantage when it comes of concentric diversification strategy. This means that there is a technological similarity between the industries, which means that the firm is able to leverage its technical know-how to gain some advantage. For example, a company that manufactures industrial adhesives might decide to diversify into adhesives to be sold via retailers. The technology would be the same but the marketing effort would need to change. It also seems to increase its market share to launch a new product, which helps the particular company to earn profit. The goal of such diversification is to achieve strategic fit. Strategic fit allows an organization to achieve synergy (Manikutty, 2000). In essence, synergy is the ability of two or more

parts of an organization to achieve greater total effectiveness together than would be experienced if the efforts of the independent parts were summed. Synergy may be achieved by combining firms with complementary marketing, financial, operating, or management efforts.

2.5.2 Conglomerate Diversification

As in the case of horizontal diversification, even lateral diversification strategy stresses on products, which are not related to the existing line of products. The only exception in this case, however, is that the company targets a new segment of customers, instead of catering to its existing loyal customers.

The company markets new products or services that have no technological or commercial synergies with current products, but which may appeal to new groups of customers. The conglomerate diversification has very little relationship with the firm's current business (Fisman and Khanna, 2004). Therefore, the main reasons of adopting such a strategy are first to improve the profitability and the flexibility of the company, and second to get a better reception in capital markets as the company gets bigger. Even if this strategy is very risky, it could also, if successful, provide increased growth and profitability.

Diversification strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business. The purpose of diversification is to allow the company to enter lines of business that are different from current operations. When the new venture is strategically related to the existing lines of business, it is called concentric diversification (Comment and Jarell, 1995). Conglomerate diversification occurs when there is no common thread of strategic fit or relationship between the new and old lines of business; the new and old businesses are unrelated.

Conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business. Synergy may result through the application of management expertise or financial resources, but the primary purpose of conglomerate diversification is improved profitability of the acquiring firm (Go to, 1982). Little, if any, concern is given to achieving marketing or production synergy with conglomerate diversification. One of the most common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited.

Finding an attractive investment opportunity requires the firm to consider alternatives in other types of business. Probably the biggest disadvantage of a conglomerate diversification strategy is the increase in administrative problems associated with operating unrelated businesses. Managers from different divisions may have different backgrounds and may be unable to work together effectively. Competition between strategic business units for resources may entail shifting resources away from one division to another (Ghatak and Kali, 2001). Such a move may create rivalry and administrative problems between the units.

2.5.3 Organization Performance

A common feature of the industrial landscape of most emerging economies is the existence of diversified business groups. Many contemporary studies of business groups (Khanna and Rivkin, 2001) have established that diversification is beneficial in emerging markets, unlike in developed economies where diversified companies are valued at a discount. Khanna and Palepu (2000) have also examined the extent of diversification and firm value, arguing that beyond a threshold diversification is beneficial.

The predominant rationale for the existence of groups that researchers explore in literature relates to transaction cost economics and weaknesses in market institutions. The resource perspective which is our focus is relatively underutilized perspective by researchers, and believe has a potential to enhance our understanding of group existence and performance link. Guillen (2000) argues that pooling and distribution of heterogeneous resources through related and unrelated diversification is an important role of business groups through which they add value to affiliated firms. But there are no studies that examine the performance impact of either of the two diversification strategies (related/unrelated) in business groups in emerging markets.

Li and Wong (2003) suggested that when analyzing the performance effects of corporate diversification strategies, one should keep in mind the different institutional contexts in the emerging economies. Specifically, the lack of well-established product markets, financial markets, and labor markets, coupled with the lack of necessary laws and regulations and inconsistent enforcement of contracts may make it difficult for firms to pursue resource building and leverage alone in emerging economies.

On the one hand, resource-based theory suggests that since related diversification is inherently positioned to identify, develop, and leverage resources, it would lead to superior performance. On the other hand, considerations of the institutional environment predicts that unrelated diversifications in emerging economies can help firms internalize market institutes and manage institutional relations. As a result, contrary to the common belief in the developed economies that single/concentration strategy and related diversification strategy are more effective than unrelated diversification and high diversity strategy, Li and Wong (2003) found that it was the joint effect of both related and unrelated diversification strategies that are affecting firm performance.

In other words, the “match” between the related and unrelated diversification was more important than the specific kind of strategy firms adopt. They found that firms that pursue single/dominant strategies (low in both related and unrelated diversification) and high diversity strategies (high in both related and unrelated diversification) outperform pure related and unrelated strategies, since the latter lack the “consistency” between the two strategic dimensions. Manikutty, (2000) argues that resource allocation can be handled much more efficiently in internal capital markets than external capital markets. Thus, diversified firms by this very logic are at an advantage because of their ability to create sizeable internal capital markets. Nonaka, (1991) work suggests that inefficiencies in the external capital market (as in many emerging economies) should make internal capital markets much more attractive. Ramirez (1995) emphasize that in the absence of well-developed external capital markets internal capital markets have potential to create value.

The resource-based view seems to suggest that firms diversify into related industries and related diversification leads to superior rents (Montgomery 1994). The firm resources include the factors of production, services created from the factors of production and the specialized competencies it has created over time. According to the resource-based view, firms diversify in response to the excess capacity in the resources they possess. Therefore, as long as the firm can find profitable ways of exploiting its unutilized resources, it has incentive to expand (1994).

Productivity is commonly defined as a ratio of a volume measure of output to a volume measure of input use. While there is no disagreement on this general notion, a look at the productivity literature and its various applications reveals very quickly that there is neither a unique purpose for, nor a single measure of, productivity. The objectives of productivity measurement include:

Technology. A frequently stated objective of measuring productivity growth is to trace technical change. Technology has been described as “the currently known ways of converting resources into outputs desired by the economy” (Griliches, 1987) and appears either in its disembodied form (such as new blueprints, scientific results, new organizational techniques) or embodied in new products (advances in the design and quality of new vintages of capital goods and intermediate inputs). In spite of the frequent explicit or implicit association of productivity measures with technical change, the link is not straightforward.

The quest for identifying changes in efficiency is conceptually different from identifying technical change. Full efficiency in an engineering sense means that a production process has achieved the maximum amount of output that is physically achievable with current technology, and given a fixed amount of inputs (Diewert and Lawrence, 1999).

Technical efficiency gains are thus a movement towards “best practice”, or the elimination of technical and organizational inefficiencies. Not every form of technical efficiency makes, however, economic sense, and this is captured by the notion of allocative efficiency, which implies profit-maximizing behavior on the side of the firm.⁵ One notes that when productivity measurement concerns the industry level, efficiency gains can either be due to improved efficiency in individual establishments that make up the industry or to a shift of production towards more efficient establishments.

A pragmatic way to describe the essence of measured productivity change. Although it is conceptually possible to isolate different types of efficiency changes, technical change and economies of scale, this remains a difficult task in practice. Productivity is typically

measured residually and this residual captures not only the above-mentioned factors but also changes in capacity utilization, learning-by-doing and measurement errors of all kinds.

Harberger (1998) re-stated the point that there is a myriad of sources behind productivity growth and labelled it the real cost savings. In this sense, productivity measurement in practice could be seen as a quest to identify real cost savings in production. Market Measures We identify two groups of market measures: shareholder-value measures and competition-based measures.

2.5.3.1 Shareholder Value Measures

Economic theory proposes that organizations should optimize the use of investment capital and, therefore, maximize the returns that are gained from this investment both in the short- and the long term.

This has led to the creation of shareholder-valued based financial measures of firm performance that incorporate both debt and equity capital. This trend has been reinforced by the shareholders of firms who are naturally keen to understand the results they are achieving pressure that has been strongest in “Anglo-Saxon” countries (primarily the U.S. and UK) where shareholder return tends to be considered the fundamental goal of businesses.

However, shareholder-value measures have limitations. First, they are mainly based on stock prices, which may change due to external factors that are not related to the performance of the company (such as oil price shocks or macroeconomic fluctuations). Additionally, the relationship between stock prices and financial performance may differ

among countries depending on the efficiency of the financial markets. Third, market measures are based on the assumption that the firm is an “investment instrument” for the shareholder (Richard et al., 2009); therefore, using market measures in countries with non-efficient financial markets and where the shareholder return is not the first objective could give misleading conclusions.

Finally, although shareholder value measures should provide good prospects about future profitability, they can be untrustworthy, as evidenced in the dotcom speculative bubble between 1995 and 2001 (Yip et al., 2008).

2.5.3.2 Competition-Based Measures

Economic theory also suggests that when an organization becomes more efficient and is able to lower its prices due to improved technology, it can increase its sales, and therefore, overcome its competitors (Chang and Sing, 2002). Several competition measures have been proposed to compare how a firm is performing relative to its competitors. We discuss three of them: market share, labor productivity and sales per employee. Market share is the proportion of the total available market that is being served by an organization

Labor productivity is discussed in two ways. Cayes (1974), Globerman (1979) and Kokko (2006) use labor productivity to compare efficiency among organizations in a specific industry. They define labor productivity as the total output divided by the number of employees. Patterson et al. (1997) propose the use of an alternative measure of labor productivity. They define labor productivity as the ratio of sales over employment in the firm, divided by the ratio of sales over employment in the entire industry. Sales per employee ratio evaluate a company’s sales in relation to its number of employees.

2.6 Summary of the Chapter

Sustaining business growth is one of the key challenges to the business leader. Diversification is one of a few answers to this problem. Researchers, however, claim that most companies struggle to diversify profitably (Bishop, 1995; Porter, 1996; Zook, 2001a). Zook (2001a) points out that 90 percent of companies' efforts to diversify outside of their core business have failed over the past decade. His research shows that diversification around the core business (concentric diversification) has a higher success rate than other approaches to diversification.

Porter (1996), observes companies erode their competitive advantage through poor diversification strategies. Thus, diversification often results in the decay of the very competitive advantage that made the business successful in the first place. It would seem reasonable to expect that, if a firm was able to maintain or manage its competitive advantage while diversifying, it would result in successful diversification.

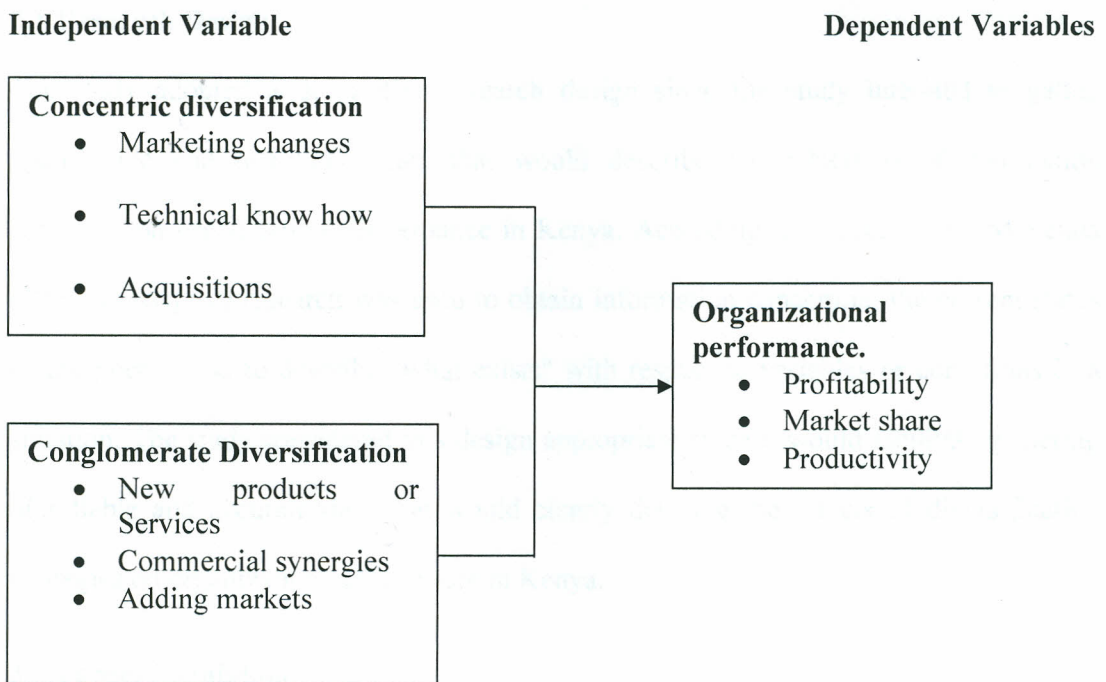
Recent studies have shown that diversification effects on performance remain inconclusive (Mukherji, 1998). Most of the study conducted establishing the relationship between diversification strategies and organization performance has been conducted on developed world, this study seeks to fill the existing research gap between developed and developing economies by conducting a study to investigate the effects of diversification strategies on organization performance in Kenya.

2.7 Conceptual Framework

A conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Reidenbach and Moak, 1986). A conceptual framework is a research tool intended to assist a

researcher to develop awareness and understanding of the situation under scrutiny and to communicate this. A conceptual framework is used in research to outline possible courses of action or to present a preferred approach to an idea or thought. According to Britton and McGonegal (2007) a conceptual Framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical/ synthetically aspects of a process or system being conceived.

Figure 2.1: Conceptual framework



Source , Author (2013)

CHAPTER THREE :

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the methodology approach for the study and highlights the research design, target population, sampling technique, data collection instruments and data analysis and presentation.

3.1 Research Design

The study adopted a descriptive research design since the study intended to gather quantitative and qualitative data that would describe the effects of diversification strategies on organization performance in Kenya. According to Mugenda and Mugenda (2003) descriptive research was used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation. The study considered this design appropriate since it would facilitate gathering of reliable and accurate data that would clearly describe the effects of diversification strategies on organization performance in Kenya.

3.2 Target Population

Target population as defined by Frederic (2010), is a universal set of the study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. The target population shall be KTDA employees. This included both the employees on permanent and temporary contracts of employment which is 595 employees. The employees were categorized as follows in Table 3.1.

Table 3.1: Target Population

Category	Target Population	Percentage
Top Management	90	15%
Middle level Management	175	29%
Low level management	235	56%
Total	595	100

HRM, KTDA (2013)**3.3 Sample Frame**

The sampling frame describes the list of all population units from which the sample was selected (Cooper and Schindler, 2008). It is a physical representation of the target population and comprises all the units that are potential members of a sample (Kothari, 2004).

Table 3.2: Sample size

Category	Target Population	Ratio	Sample size
Top Management	90	30%	27
Middle level Management	175	30%	53
Low level management	235	30%	71
Total	595	30%	151

Source: (Research 2013)**3.4 Sampling Technique**

According to Denning (2001) sampling is the process by which a relatively small number of individual, object or event is selected and analyzed in order to find out something about the entire population from which it was selected. Mugenda and Mugenda (2003) define the target population as a complete set of individuals, case or objects with the same common observable characteristics. The study used descriptive research design. Therefore, the total number of respondents in this study was 151 and since the sample was drawn from all cadres of staff, the population will be regarded homogeneous. The sampling technique employed was stratified random sampling. This is because the

respondents were stratified into three categories that is top management, middle level management and low level management.

3.5 Data Collection Procedure

The study collected both primary and secondary data. Primary data will be gathered using semi-structured questionnaires where the respondents will be issued with the questionnaires. Questionnaires was preferred because according to Cox (2000), they are effective data collection instruments that allow respondents to give much of their opinions in regard to the research problem.

According to Festing (2007) the information that was obtained from questionnaires was free from bias and researchers' influence and thus accurate and valid data was gathered. Secondary data was gathered from past published scholarly articles explaining theoretical and empirical information on diversity management issues.

3.6 Data Processing, Analysis and Presentation

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Descriptive analysis was used; this included the use of weighted means, standard deviation, relative frequencies and percentages. The Statistical Package for Social Sciences (SPSS) computer software was used for analysis to generate data array that would be used for subsequent analysis of the data. SPSS has descriptive statistics features that would assisted in variable response comparison and give clear indications of response frequencies. The data was coded to enable the responses to be grouped into various categories. Descriptive statistics was used to summarize the data. This included percentages and frequencies. Tables and other graphical presentations were appropriately used to present the data that was collected for ease of understanding and analysis. ANOVA and Chi-square data analysis methods was applied to analyze the data

that will be obtained from open ended questions where the respondents gave their personal opinions the effects of diversification strategies on organization performance in Kenya. In addition, a multiple regression was used to measure the quantitative data and will be analyzed using SPSS too. The regression equation is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

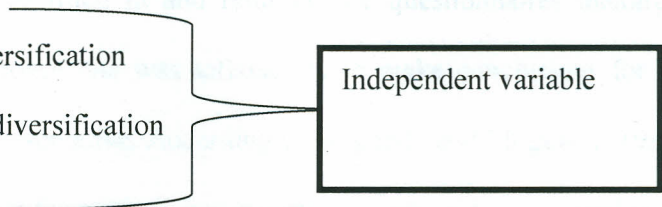
Where; Y is the performance which is dependent variable

β_0 is the constant

β_1 is the Concentric diversification

β_2 is the Conglomerate diversification

ε is the Error



3.7 Reliability and Validity

According to Saunders et al, (2009) validity and reliability of the data collected, enables the researcher to obtain some assessment of the questions. Whatever method is chosen to collect data, it must be examined to establish the extent of its reliability and validity, reliability being the degree to which a test produced similar results under constant conditions on all occasions, so that, in the event of a question eliciting different response on different occasions, it can be regarded as not being reliable.

Validity is defined as whether an element does in fact measure or describe what it is supposed to measure or describe. A pretesting of questionnaire was done to test the reliability of the research instrument. The pilot study was carried out in kericho branch in order to avoid interference with targeted population.

CHAPTER FOUR

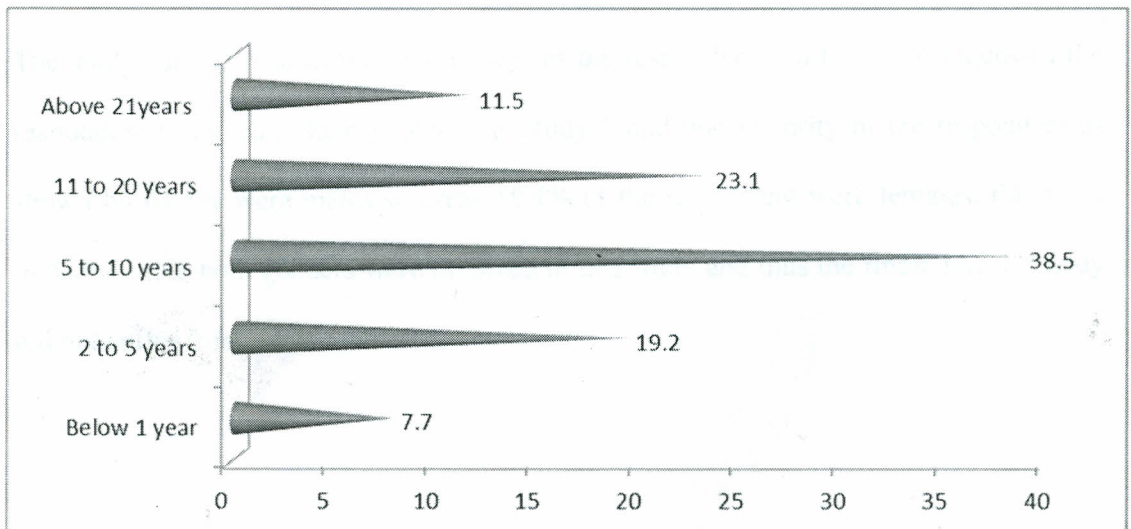
DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted a sample size of 151 respondents from which 130 filled in and returned the questionnaires making a response rate of 86%. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to Mugenda and Mugenda (1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was considered to excellent.

4.2 General Information

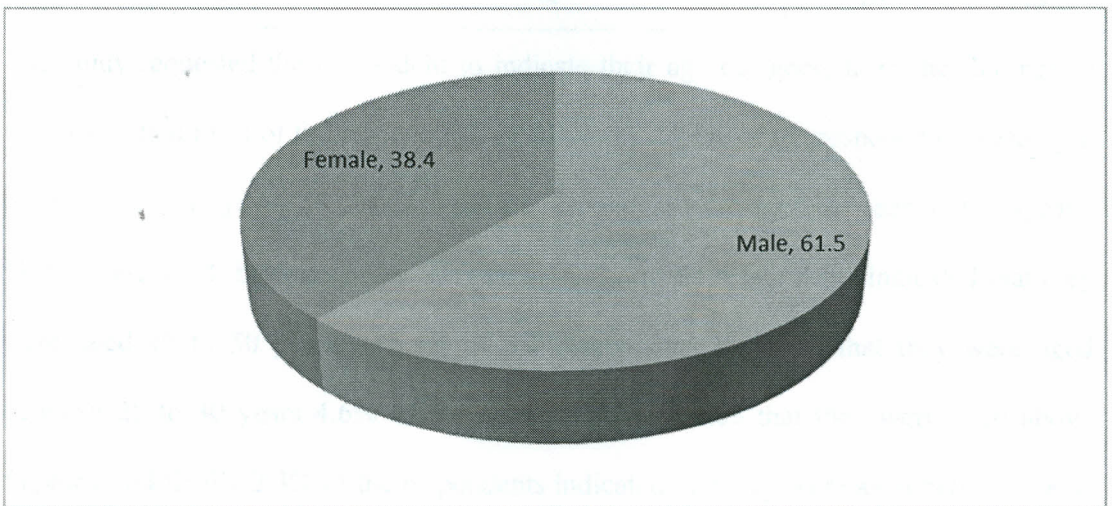
Figure 4.2: Period of Service



The study requested respondent to indicate the number of years they had served for. From the findings the study established that 38.5 % of the respondents had served for a period of 5 to 10 years 23.1 % of the respondent indicated that they had served for a period

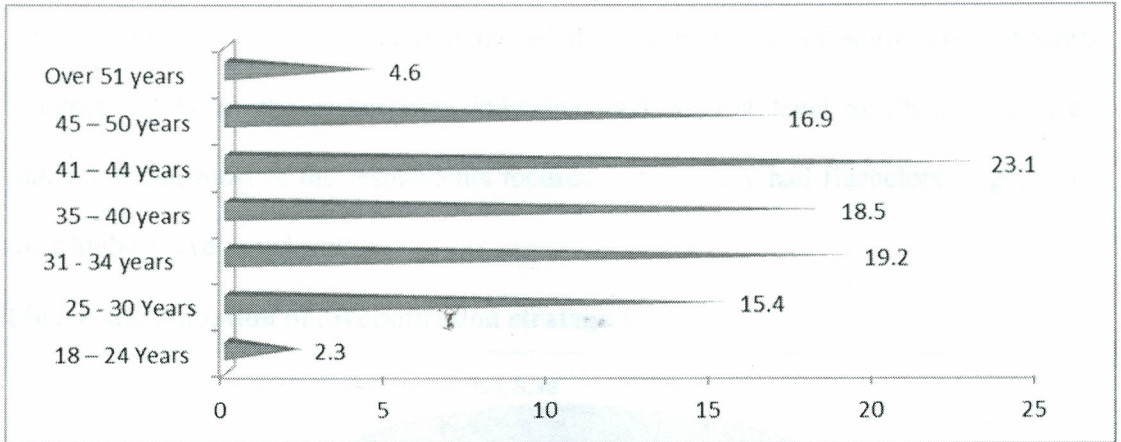
raging between 11 to 20 years ,19.2% of the respondents had served for a period ranging between 2 to 5 years, 11.5% of the respondents indicated to have served for a period of a above 21 years ,whereas 7.7% of the respondents indicated to have served for a period of less than a year , this indicates that majority of the respondents had served for a considerable period which implies that most of the respondents had vast knowledge which could be relied upon by this study.

Figure 4.3: Gender of the respondent



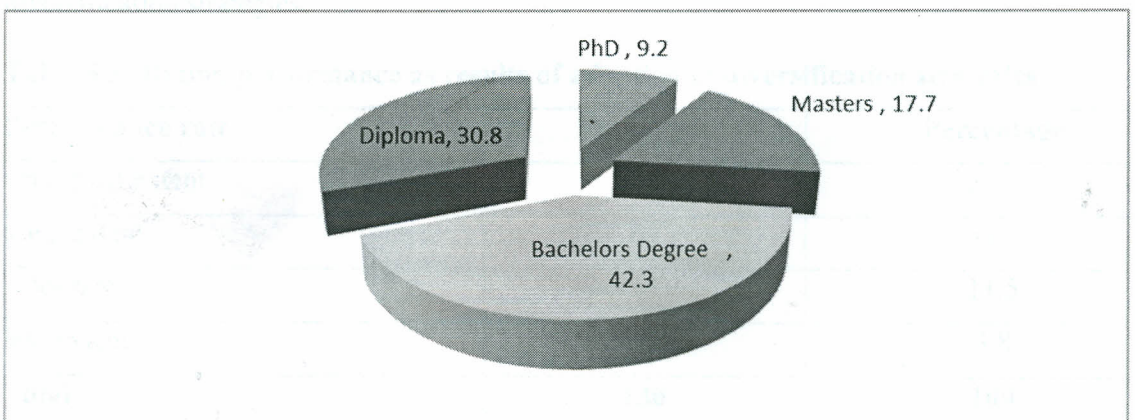
The study sought to determine the gender of the respondent and therefore requested the respondent to indicate their gender. The study found that majority of the respondent as shown by 61.5% were males whereas 38.4% of the respondent were females, this is an indication that both genders were involved in this study and thus the finding of the study did not suffer from gender biasness.

Figure 4.4: Respondent's age category



The study requested the respondent to indicate their age category, from the findings, it was found that most of the respondents as shown by 23.1% of the respondents were aged between 41 to 44 years, 19.2% of the of the respondent were aged between 31 to 34years, 18.5% were aged between 35 to 40 years, 16.9% of the respondents indicated that they were aged 45 to 50 years, 15.4% of the respondents indicated that they were aged between 25 to 30 years 4.6% of the respondents indicated that they were aged above 51years, and finally 2.3% of the respondents indicated that they were aged between 18 to 24years , This is an indication that respondents were well distributed in terms of their age.

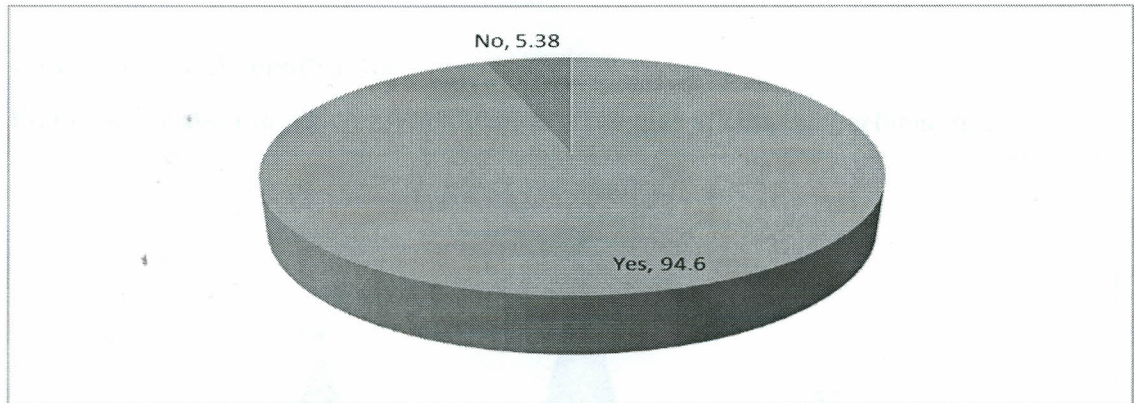
Figure 4.5: Highest Academic Qualification



The study requested the respondent to indicate their highest level of education. from the findings It was established that 42.3% of the respondent indicated their highest level as

university degrees, 30.8% of the respondent indicated their highest level as collage diploma, 17.7%of the respondents indicated their highest level of education as masters whereas 9.2 % of the respondents indicated their highest level as PhD, This is an indication that most of the respondents focused in this study had Bachelors Degree as their highest level of education

Figure 4.6: Adoption of diversification strategies



The study sought to investigate whether the organization has adopted diversification strategies. From the findings 94.6% of the respondents indicated that the organization has adopted diversification strategies, whereas only 5.38% of the respondents indicated that their organizations had not. This is an indication that most of organizations had adopted diversification strategies.

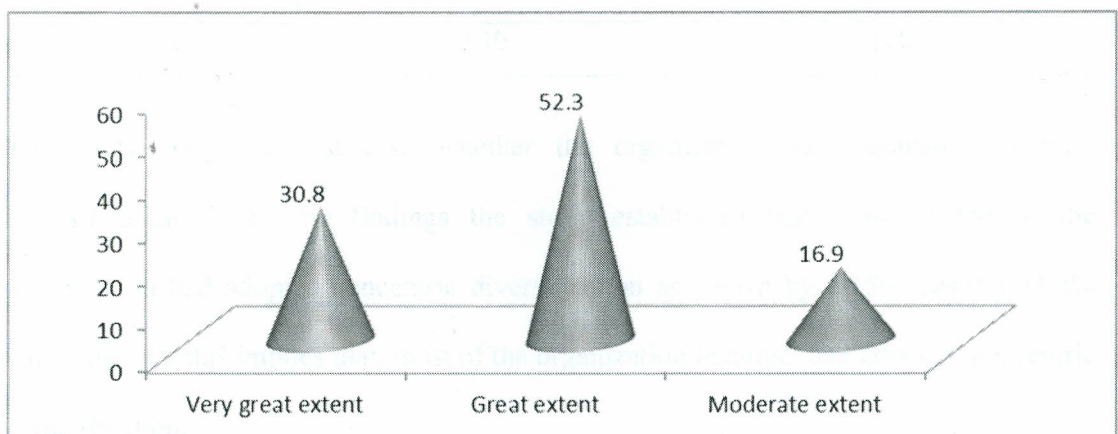
Table 4.3: Rating performance as results of adoption of diversification strategies

Performance rate	Frequency	Percentage
very great extent	46	35.4
great extent	64	49.2
moderate	15	11.5
less extent	5	3.8
Total	130	100

The study sought to establish the extent to which respondent would rate the performance of organization as results of adoption of diversification strategies, from the findings 49.2% the respondents indicated to a greater extent, 35.4% of the respondents indicated to a very great extent, 11.5% of the respondents indicated to a moderate extent and finally 3.8% of the respondents indicated to a less extent, this is an indication that adoption of diversification strategies influenced the organizational performance to a great extent

4.3 Concentric Diversification

Figure 4.7: Extent to which diversification strategies affects the performance



The study sought to determine the extent to which diversification strategies adopted by organization affect the organizational performance, from the findings 52.3% of the respondents indicated to a great extent, 30.8% of the respondents indicated very great extent, 16.9% of the respondents indicated to moderate extent, this implies that diversification strategies affects the organizational performance to a great extent.

Table 4.4: Organizational performance in the last 5 years

Rate	Frequency	Percentage
Moderate	22	16.5
High	67	51.5
Very high	41	31.9
Total	130	100

The study requested the respondents to rate the performance of the organization in the last 5 years, from the findings 51.5% of the respondents indicated high, 31.9% of the respondents indicated very high, whereas 16.5% of the respondents indicated moderate, this implies that, most of the organizational performances were relatively high in the last five years.

Table 4.5: Organization adoption of concentric diversification

	Frequency	Percentage
Yes	89	68.5
No	41	31.5
Total	130	100

The study sought to establish whether the organization had adopted concentric diversification. From the findings the study established that most of the of the organization had adopted concentric diversification as shown by 68.5% besides 31.5% which had not this implies that, most of the organization featured had adopted concentric diversification.

Table 4.6: Importance of adopting concentric diversification to an organizational performance

	Frequency	Percentage
Very high	40	30.8
High	60	46.2
Moderate	20	15.4
Low	10	7.7
Total	130	100

The study requested the respondent to rate the importance of adoption of concentric diversification on the performance in the organization, from the findings 46.2% of the respondents indicated high, 30.8% of the respondents indicated very high, 15.4% of the

respondents indicated moderate, whereas 15.4% of the respondents indicated low, this implies that adoption of concentric diversification is very important to an organization.

Table 4.7: Extent to which concentric diversification affects organizational performance

	Frequency	Percentage
Very great extent	47	36.2
Great extent	70	53.8
Moderate extent	13	10.0
Total	130	100

The study sought to determine the extent to which adoption of concentric diversification affect the performance of your organization, from the findings the study established that 53.8% of the respondents indicated to a great extent, 36.2% of the respondents indicated to a very great extent whereas 10% of the respondents indicated to a moderate extent, this implies that adoption of concentric diversification affects the performance organization to a great extent

Table 4.8: Effects of various aspect of concentric diversification on the performance

	Very high	High	Moderate	Low	Negligible	Mean	Std deviation
The technology used in the industry remains the same, while the marketing plan changes to a significant extent	34	72	23	1	0	1.93	0.23
Technical knowledge turns out to be an advantage when it comes of concentric diversification strategy	31	70	27	2	0	2.00	0.22
Strategic fit allows an organization to achieve synergy	35	70	25	0	0	1.92	0.22
Synergy in the organization is achieved by combining firms with complementary marketing, financial, operating, or management efforts	34	71	22	3	0	1.95	0.22
Concentric diversification helps the organization to achieve strategic fit which allows the organization to achieve synergy	30	75	21	4	0	1.99	0.23
Concentric diversification helps organization to increase its market share and launch a new product, which helps the particular company to earn profit	33	70	24	3	0	1.98	0.22

The study sought to establish the level at which respondents agreed or disagreed with the above statements relating, from the finding majority of the respondents agreed that Strategic fit allows an organization to achieve synergy as shown by a mean of 1.92, Synergy in the organization is achieved by combining firms with complementary marketing, financial, operating, or management efforts as shown by a mean of 1.95, Concentric diversification helps organization to increase its market share and launch a new product, which helps the particular company to earn profit as shown by a mean of 1.98 Concentric diversification helps the organization to achieve strategic fit which

allows the organization to achieve synergy as shown by a mean of 1.99, and finally that Technical knowledge turns out to be an advantage when it comes of concentric diversification strategy as shown by a mean of 2.00.all the cases were supported by a low mean which implies that respondents were of similar opinion

4 Conglomerate Diversification

Table 4.9: Extent to which Conglomerate Diversification affect performance

Aspects of conglomerate diversification	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std deviation
Conglomerate diversification helps to improve the organization performance and flexibility	35	74	20	1	0	1.90	0.23
Conglomerate diversification helps the organization to get a better reception in capital markets as the company gets bigger	28	78	18	6	0	2.02	0.24
Conglomerate diversification is very risky, it could also, if successful, provide increased growth and profitability	35	70	23	2	0	1.94	0.22
Conglomerate diversification strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business	34	71	22	3	0	1.95	0.22
Conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business	33	72	21	4	0	1.97	0.22
One of the most common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of	31	70	24	5	0	2.02	0.21

business are limited							
Synergy may result through the application of management expertise or financial resources, but the primary purpose of conglomerate diversification is improved profitability of the acquiring firm	31	73	25	1	0	1.97	0.23

The study sought to establish the level at which respondents agree or disagree with the above statements. Conglomerate diversification, from the findings, majority of the respondents agreed that, Conglomerate diversification helps to improve the organization performance and flexibility as shown by a mean of 1.90, Conglomerate diversification is very risky, it could also, if successful, provide increased growth and profitability as shown by a mean of 1.94, Conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business as shown by a mean of 1.95,

Conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business, Synergy may result through the application of management expertise or financial resources, but the primary purpose of conglomerate diversification is improved profitability of the acquiring firm as shown by a mean of 1.97 in each case, One of the most common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited, Conglomerate diversification helps the organization to get a better reception in capital markets as the company gets bigger as shown by a mean of 2.02. The above findings concur with the argument by Fisman and Khanna, (2004). They argue that, the main reasons of adopting Conglomerate diversification are first to improve the profitability and the flexibility of the company, and second to get a better reception in capital markets as the company gets bigger.

Table 4.10: Effects of adoption of Conglomerate Diversification on the performance

	Frequency	Percentage
Very great extent	43	33.1
Great extent	66	50.8
Moderate extent	21	16.2
Total	130	100

The study requested the respondent to rate the effects of adoption of Conglomerate Diversification on the performance of the organization, from the findings, 50.8 % of the respondents indicated great, 33.1% of the respondents indicated very great extent, whereas 16.2% of the respondents indicated moderate extent, this implies that, this is an indication that adoption of Conglomerate Diversification, affects organization organizational performance to a great extent. The study revealed that the various conglomerate diversification strategies used by the organization to influence its performance was iintroduction of Ketepa which blends, packages, and markets tea, it is also engaged in manufacturing juices like iced tea and mineral water, inception of KTDA Power that produces the hydro power to be used by tea manufacturing companies and excess energy to be sold to KPLC to be distributed to willing customers, Starting of chai trading company which buys blends and sell tea both locally and overseas to willing buyers., green land fedha which offers micro financial services to the farmers and chai insurance company insures the farmers and their produce.

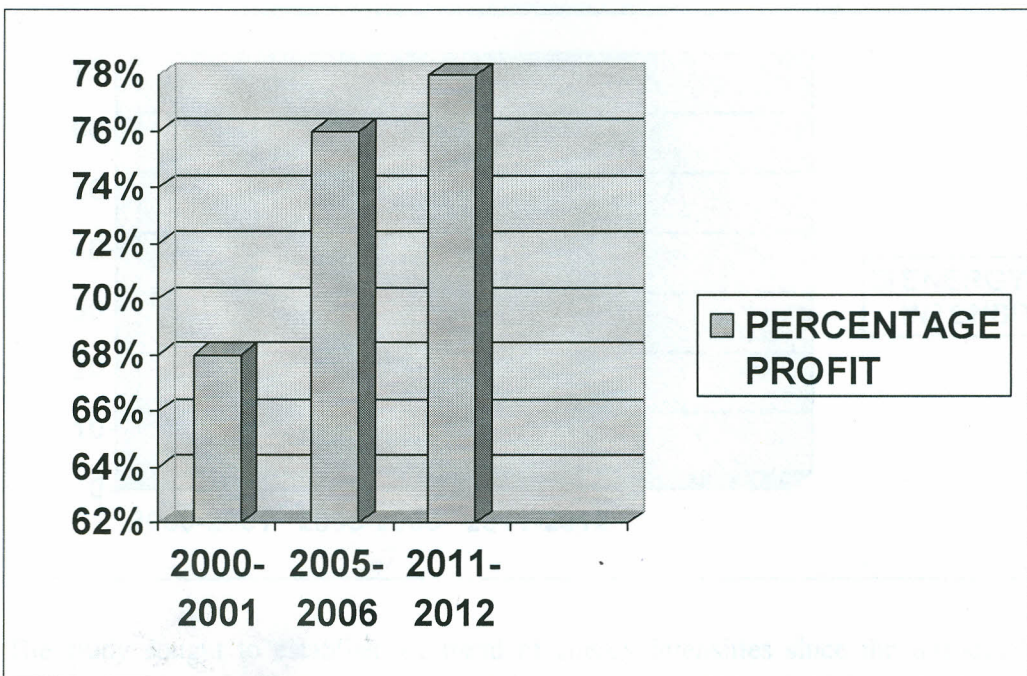
4.5 Organizational Performance

This section seeks to establish the performance of the organization in key success areas since the inception of diversification in K.T.D.A

Table 4.11: Percentage Profits In The Three Financial Years

Financial year.	2000-2001	2005-2006	2011-2012
What was the percentage profit in the following financial years?	68%	76%	78%

Figure 4.8: Showing the percentage profits in the three financial years

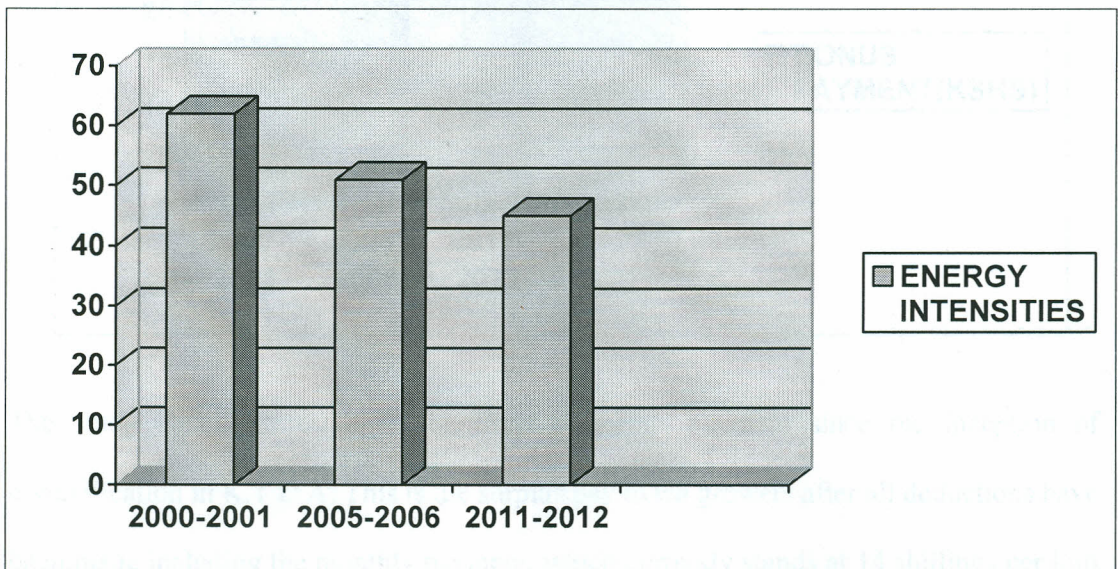


The study sought to establish the percentage profit that the company has been getting for the three financial years since the induction diversification. From the result it can be seen that the percentage profit has been increasing steadily since diversification was introduced.

Table 4.12: energy intensities in the three financial years

Financial year.	2000-2001	2005-2006	2011-2012
What were the energy intensities in the years?	62KJ/KGMT	51KJ/KGMT	45KJ/KGMT

Figure 4.9: showing energy intensities in the three financial years

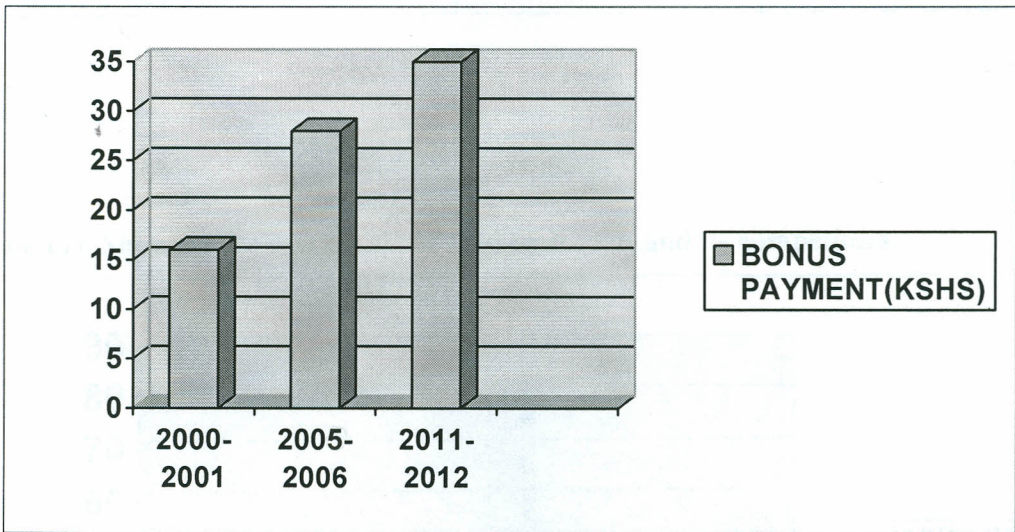


The study sought to establish the trend of energy intensities since the introduction of diversification in K.TD.A. This is an indicator of how efficiently and effectively is electricity consumed. Energy Intensity is measured by the quantity of energy required per unit output or activity, so that using less energy to produce a product reduces the intensity. A decrease in energy intensity indicates general improvement in operation efficiency.

Table 4.13: percentage rebate to farmers (bonus payment)

Financial year.	2000-2001	2005-2006	2011-2012
What was the average percentage rebate to the farmers in the bonus payment?	Kshs 16	Kshs 28	Kshs 35

Figure 4.10: showing percentage rebate to farmers (bonus payment)

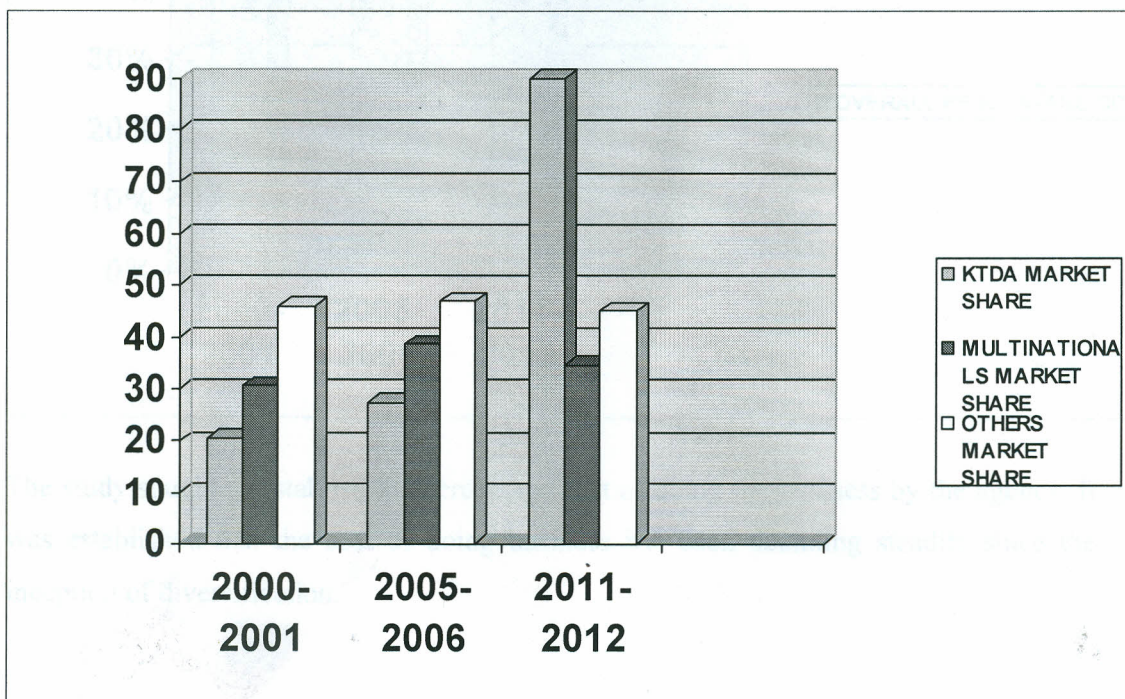


The study sought to establish the trend of bonus payment since the inception of diversification in K.T.D.A. This is the surplus pay to tea growers after all deductions have been made including the monthly payment, which currently stands at 14 shillings per kilo of green leaf delivered . It clear from the figures that the rebate to the farmer has been increasing steadily throught the years.

Table 4.14: market share held by KTDA and its competitors

Financial year.	2000-2001	2005-2006	2011-2012
How has been the trend in your market share compared to your competitors?	KTDA -56 % MULTINATIONALS- 29% OTHERS- 15%	KTDA -58 % MULTINATIONALS- 30% OTHERS- 12%	KTDA -60 % MULTINATIONALS- 30% OTHERS- 10%

Figure 4.11: Showing the market share held by KTDA and its competitors



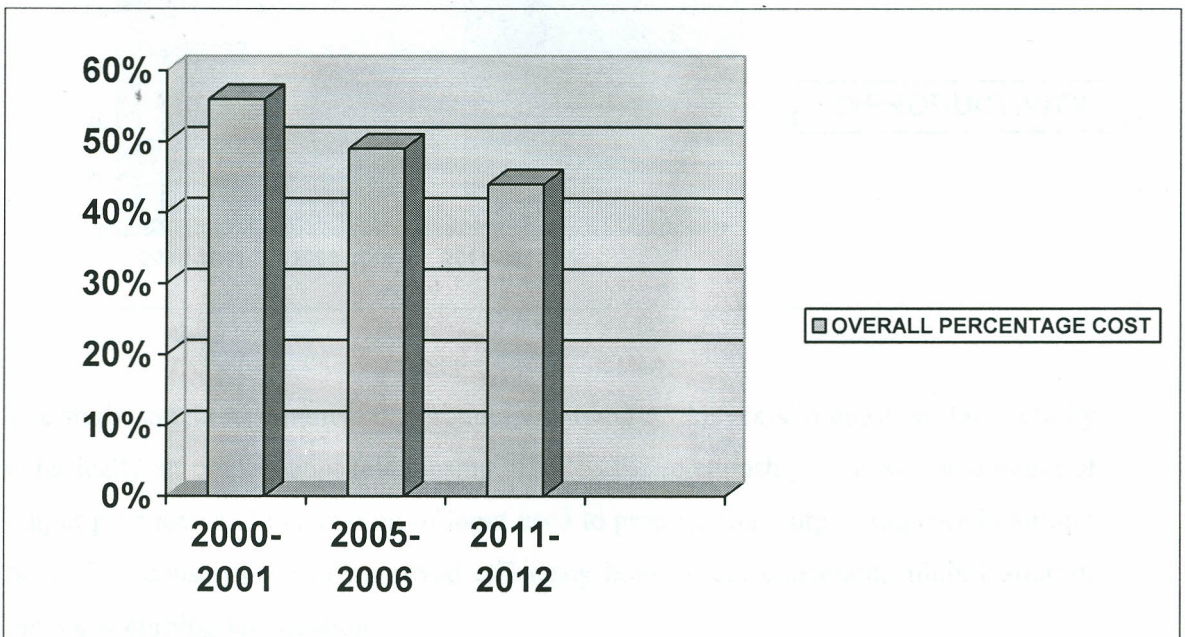
The study sought to establish the market share since the inception of diversification in K.T.D.A. Market share is the percentage of an industry or market's total sales that is earned by a particular company over a specified time period.

.It was established that the organization has maintained a clear lead in market share compared to its competitors.

Table 4.15: percentage cost in the three financial years

Financial year.	2000-2001	2005-2006	2011-2012
How has been your overall cost in percentage?	56%	49%	44%

Figure 4.12: Showing percentage cost in the three financial years.

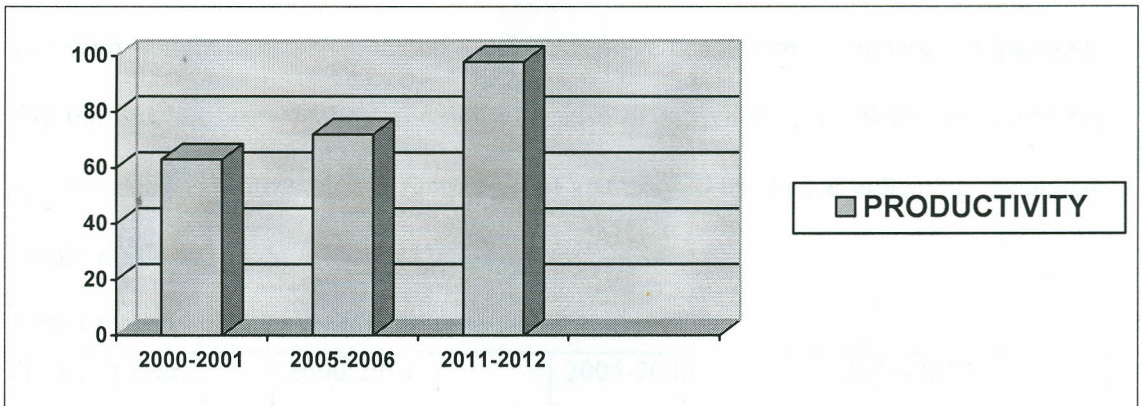


The study sought to establish the percentage cost of doing the business by the agency. It was established that the cost of doing business has been declining steadily since the inception of diversification.

Table 4.16: percentage productivity in the three financial years

Financial year.	2000-2001	2005-2006	2011-2012
What was your productivity in the years?	63	72	98

Figure 4.13: showing the percentage productivity in the three financial years

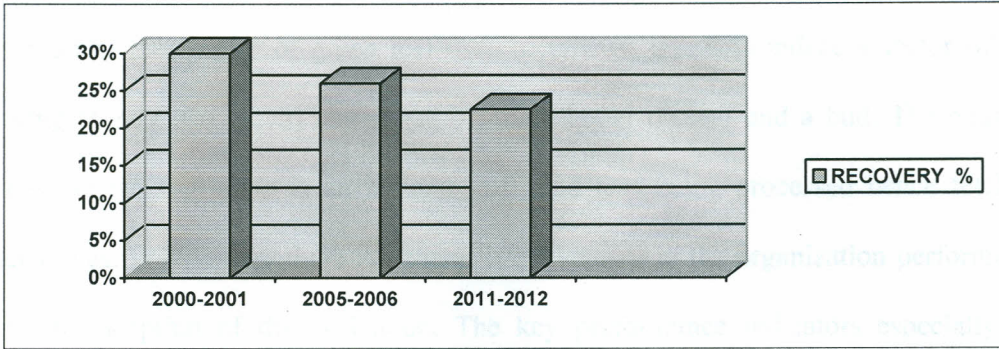


The study sought to establish the productivity trend of the years in question. Productivity is basically an output-input relationship. That is, the relationship between the amount of output produced and the amount of input used to produce that output. Improved Outturn, hence is a consequence of improved efficiency both in leaf collection, minimization of loses and curbing falsification.

Table 4.17: percentage outturn/ recovery percentage in the three financial years

Financial year.	2000-2001	2005-2006	2011-2012
What was the recovery % in the years?	30%	26%	22..5%

Figure 4.14: showing percentage outturn/ recovery percentage in the three financial years

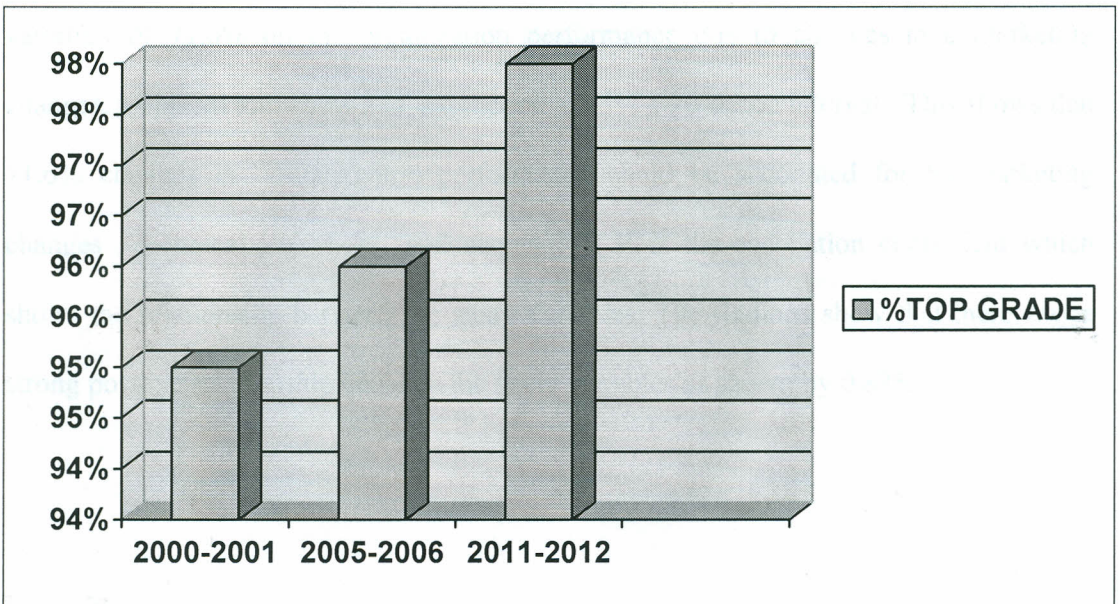


The study sought to establish the recovery percentage or Outturn of the years in question. The outturn has been declining steadily because of introduction of electronic weighing system which is more accurate, tamper proof and easy to use hence indicating the actual weight that was bought.

Table 4.18: percentage top grade in the three financial year

Financial year.	2000-2001	2005-2006	2011-2012
What was the top grade in %?	95%	96%	98%

Figure 4.15: showing the percentage top grade in the three financial years



The study sought to establish the top grade in the years in question. Top grade is an indication of the quality of green leaf used to process tea. It is indeed a factor of fine plucking mostly two leaves and a bud or much better on leaf and a bud. The constant increase in the top grade is an indicator of good teas being processed hence fetching better prices. In summary there is general improvement in the organization performance since the inception of diversification. The key performance indicators especially the rebate to the farmers, percentage profit, and productivity show an improved trend along the years sought.

4.6 Regression Analysis

4.6.1 Regression Analysis for Concentric diversification

Table 4.19: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.825 ^a	.726	.716	.37260

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the above table, the value of adjusted R squared was 0.716, an indication that there was variation of 71.6% on the organization performance due to changes in c marketing changes, technical knowhow and acquisition at 95% confidence interval . This shows that 71.6% changes in organization performance could be accounted for by marketing changes , technical knowhow and acquisition. R is the correlation coefficient which shows the relationship between the study variables. The findings show that there was a strong positive relationship between the study variables as shown by 0.825.

Table 4.20: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.238	6	.810	5.832	.003 ^b
	Residual	2.915	122	.139		
	Total	6.154	128			

From the ANOVA statistics in table above, the processed data, which is the population parameters, had a significance level of 0.015 which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The calculated was greater than the critical value ($2.262 < 5.832$) an indication that marketing changes, technical knowhow and acquisition were significantly organization performance in Kenya. The significance value was less than 0.05 an indication that the model was statistically significant.

Table 4.21: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.759	.637		-1.191	.247
	Marketing changes	.571	.180	.558	3.171	.005
	Technical know how	.953	.411	.377	2.322	.030
	Acquisitions	.075	.188	.068	.398	.015

From the data in the above table the established regression equation was

$$Y = 0.759 + 0.571 X_1 + 0.953 X_2 + 0.075 X_3$$

From the above regression equation it was revealed that marketing changes, technical knowhow and acquisition to a constant zero, performance would stand at 0.759, a unit increase in marketing changes would lead to increase performance by a factor of 0.571, unit increase in technical knowhow would lead to increase in performance by a factor of 0.953, further a unit increase in acquisition would lead to increase in performance by a factor of 0.075. All the variables were significant ($p < 0.05$).

4.6.2 Regression Analysis Conglomerate Diversification

Table 4.22: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.887(a)	.788	.745	.19440

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable: From the findings in the above table the value of adjusted R squared was 0.745 an indication that there was variation of 74.5% on organization performance due to changes in new product or service, commercial synergies and adding market at 95% confidence interval . This shows that 74.5% changes in organization performance could be accounted to changes in new product or service, commercial synergies and adding market. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the table above there was a strong positive relationship between the study variables as shown by 0.887.

Table 4.23: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.432	6	0.072	2.483	.018 ^b
	Residual	1.247	122	0.029		
	Total	1.679	128			

From the ANOVA statistics in table above, the processed data, which is the population parameters, had a significance level of 1.8% which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The F critical at 5% level of significance was 2.483 since F calculated is greater than the F critical (value = 2.261), this shows that the overall model was significant.

Table 4.24: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	.298	.453		2.165	.006
	New products or Services	.237	.160	.198	1.479	.012
	Commercial synergies	.231	.126	.245	1.834	.001
	Adding markets	.239	.145	.008	.065	.023

From the data in the above table the established regression equation was

$$Y = 0.298 + 0.237 X_1 + 0.231 X_2 + 0.239 X_3$$

From the above regression equation it was revealed that holding new product or service , commercial synergies and adding market to a constant zero , organization performance would be at 0.298 , a unit increase in new product or service would lead to increase in the organization performance by a factors of 0.237, unit increase in commercial synergies would lead to increase in organization performance by factors of 0.231, a unit increase in addition markets would lead to increase in organization performance by a factor of 0.239.

4.5.3 Overall Regression analysis

Table 4.25: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.891(a)	.794	.787	.03125

Adjusted R^2 which is termed as the coefficient of determination tells us how the performance varied with concentric diversification and conglomerate diversification. According to the findings in table above, the value of adjusted R^2 is 0.787. This implies that, there was a variation of 78.7% of performance varied with concentric diversification, and conglomerate diversification at a confidence level of 95%. R is the correlation

coefficient which shows that there was a strong correlation between the study variable as shown by the correlation coefficient of 0.891.

Table 4.26: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	1.961	.892		2.198	.006
	Concentric diversification	.314	.145	.017	1.166	.024
	Conglomerate diversification	.453	.173	.054	.309	.759

From the finding in table the established regression equation was

$$Y = 1.961 + 0.314 X_1 + 0.453 X_2$$

From the above regression model, holding concentric diversification and conglomerate diversification to constant zero performances would be at 1.961. It was established that a unit increase in concentric diversification would cause an increase in performances of commercial banks by a factor of 0.314 and a unit increase in conglomerate diversification would cause an increase in organization performances by factors of 0.453. This shows that there is a positive relationship between performance of KTDA and concentric diversification and conglomerate diversification.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the objective of the study. The researcher had intended to determine the effects of concentric diversification on the performance of Kenya Tea development Agency and to assess the effects of conglomerate diversification on the performance of Kenya Tea development Agency.

5.2 Summary of Findings

The study established that diversification strategies affect the organizational performance. The study also the established that, adoption of concentric diversification is very important to an organization and that it affects the performance organization to a great extent. It further revealed that that Strategic fit allows an organization to achieve synergy as Synergy in the organization is achieved by combining firms with complementary marketing, financial, operating, or management efforts, concentric diversification helps organization to increase its market share and launch a new product, which helps the particular company to earn profit, concentric diversification helps the organization to achieve strategic fit which allows the organization to achieve, and finally that Technical knowledge turns out to be an advantage when it comes of concentric diversification strategy.

The study established that conglomerate diversification helps to improve the organization performance and flexibility, conglomerate diversification is very risky, it could also, if successful, provide increased growth and profitability, conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current

line of business, conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business, Synergy may result through the application of management expertise or financial resources, but the primary purpose of conglomerate diversification is improved profitability of the acquiring firm, One of the most common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited, Conglomerate diversification helps the organization to get a better reception in capital markets as the company gets bigger, the study also revealed that the adoption of Conglomerate Diversification, affects organization organizational performance to a great extent.

5.3 Conclusions

On the extent to which concentric diversification strategies affect the performance of commercial bank, the study revealed that concentric diversification affects performance to great extent, the study established that organization had adopted concentric diversification which had led to better profitability in the company thus the study concludes that concentric diversification had effects on the organization performance.

The study found that conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business; it helps the bank to get a better reception in capital markets as the company gets bigger, helps to improve the profitability and flexibility and provides increased growth and profitability. Thus the study concludes that conglomerate diversification helps to improve organization performance.

5.4 Recommendations

The study found that conglomerate diversification, geographical diversification, horizontal diversification and concentric diversification strategies affect the performance of organization to very great extent. From the findings and analysis the study recommends that KTDA should consider employing diversification in order to ensure

growth of the company. KTDA management must decide whether it wants to diversify by going into related or unrelated businesses.

From the findings the study therefore recommends that the KTDA should incorporate diversification in its business operations through use of technological advancements and other aspects such as innovation and benchmarking strategies to realize full benefits of diversification. The study also recommends that the company should work towards leading the media industry by setting up strategic advisory committee to oversee strategic decision that need to be undertaken to enhance the diversification strategies through various aspects of media.

The study further recommends that the organization should ensure that there is full usage of the available human resource and other resources as well as ensuring that the organization fully complies with the government regulations for it to successfully realize the intended results of the diversification strategies.

5.5 Areas for Further Research

The study sought to investigate the effects of diversification strategies on organization performance in Kenya. This study recommends that an in-depth study should be done on the challenges facing KTDA in the implementation of diversification strategies.

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APPENDICES

Appendix 1: Questionnaire

Instructions

Kindly answer all questions by ticking or explaining as appropriate as per your opinion and based on the facts. Where possible you can quote figures.

GENERAL INFORMATION

1. Name of the company

2. How long have you served in the company?

Less than 1 year []

2 to 5 years []

5 to 10 years []

More than 10 years []

3. What is your gender?

Male []

Female []

4. What is your age bracket?

Below 25 years []

25 to 35 years []

35 to 45 years []

45 to 55 years []

Above 55 years []

13. How would you rate the effects of various aspect of concentric diversification on the performance of your organization?

	Very high	High	Moderate	Low	Negligible
The technology used in the industry remains the same, while the marketing plan changes to a significant extent					
Technical knowledge turns out to be an advantage when it comes of concentric diversification strategy					
Strategic fit allows an organization to achieve synergy					
Synergy in the organization is achieved by combining firms with complementary marketing, financial, operating, or management efforts					
Concentric diversification helps the organization to achieve strategic fit which allows the organization to achieve synergy					
Concentric diversification helps organization to increase its market share and launch a new product, which helps the particular company to earn profit					

SECTION B: CONGLOMERATE DIVERSIFICATION

14. To what extent do you agree with the following aspect of Conglomerate Diversification as they apply in your organization?

	Strongly agree	Agree	Moderate	Disagree	Strongly
Conglomerate diversification helps to improve the organization performance and flexibility					
Conglomerate diversification helps the organization to get a better reception in capital markets as the company gets bigger					
Conglomerate diversification is very risky, it could also, if successful, provide increased growth and profitability					
Conglomerate diversification strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business					
Conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business					
One of the most common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited					
Synergy may result through the application of management expertise or financial resources, but the primary purpose of conglomerate diversification is improved profitability of the acquiring firm					

15. How would you rate the effects of adoption of Conglomerate Diversification on the performance of your organization?

- Very great extent great extent moderate extent low extent not at all

16. Which are the various conglomerate diversification strategies used by your organization to influence its performance? Briefly outline them

.....
.....

SECTION C; ORGANIZATIONAL PERFORMANCE

Financial year.	2000-2001	2005-2006	2011-2012
What was the percentage profit in the following financial years?			
What was the percentage rebate to the farmers in the bonus payment?			
How has been the trend in your market share compared to your competitors?			
How has been your overall cost in percentage?			
What was your productivity in the years?			
What was the energy intensities in the years?			
What was the recovery % in the years?			
What was the top grade in %?			

THANK YOU FOR YOUR TIME!

Appendix 11: Introduction letter



KENYATTA UNIVERSITY
SCHOOL OF BUSINESS
DOCTORAL & MBA COORDINATION OFFICE

P. O. Box 43844
NAROBİ
KENYA
Tel: 020 870 3724

18th October, 2013

TO WHOM IT MAY CONCERN:

REF: KU/MBA-PHD/RECOMM. LETTERS/VOL IV (9)

RE: ONSOMU GILBERT - D53/NYI/PT/23426/2011

This is to confirm that the above named is a Master of Business Administration (Strategic Management Option) student in the School of Business, Kenyatta University.

He is through with course work and has successfully defended his MBA Project proposal (**Effects of Diversification Strategies on Performance of an Organization: A Survey of KTDA Managing Agency**). I confirm that he has done all the corrections that were pointed out by the examiners during the defense and he is now embarking on data collection.

Any assistance accorded him will be much appreciated by this office.

Thank you.


DICKSON OBARE
FOR: DOCTORAL AND MBA PROGRAMME COORDINATOR

JMK/nt

Appendix III: Research Budget

I will finance the project in full. The estimates are as indicated in the schedule below.

	ITEM	(KSHS)
1	Stationery and photocopy	3800
2	Field data collection	3000
3	Transport/fare	3000
4	Report writing, editing , printing ,and binding	5000
5	Other overheads	4000
	TOTAL	18800

Appendix IV: Time plan

The research project is scheduled to run for seven months as indicated in the schedule

April to November 2013

Activities	April 2013				May 2013				June 2013				July 2013				August 2013				Oct. 2013				Nov. 2013			
Time in weeks	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Topic formulation and research problem																												
Formulation of objectives and research questions																												
Literature review																												
Proposal writing																												
Proposal defence and approval																												
Data collection																												
Final report writing																												