

# Diversification Strategy and Organizational Performance of Manufacturing Companies in South-East, Nigeria

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**Abstract:** *This study examined the diversification strategy and organizational performance of manufacturing companies in South-East, Nigeria. The study adopted the descriptive research design. The population of this study is 594 line managers, supervisors, and staff managers of the 5 manufacturing companies operating within the South-East region of Nigeria. A sample size of 239 was determined using the Slovin's formula. The Cronbach Alpha statistic was used to obtain index coefficient values of 0.817 and 0.715 for dependent variable and independent variables respectively as the instrument reliability ratio. The data set was first subjected to normality test for the residual term using the Jarque-Bera Statistic, but the result revealed that the normality assumption was fulfilled for the two independent variables; hence the introduction of parametric regression analysis technique was appropriately employed. The research questions were answered with Pearson correlation statistic so as to establish the relationship between the dependent and independent variables in the study. The hypotheses were tested with regression analysis technique so as to measure the "significance" of the degree of relationships existing between the dependent and independent variables. The analysis was enabled by the use of E-views software package. The study concluded that horizontal diversification and concentric diversification have significant and high positive impact on organizational performance of manufacturing companies in South-East Nigeria. Hence, horizontal and concentric diversification enhanced organizational performance of manufacturing companies in South-East Nigeria. The study recommended among others that it is advised that manufacturing companies diversify their product lines to better meet customer demands, as well as to achieve profitability and expansion as well as increase performance, since diversified organizations have been found to perform better than the undiversified entities.*

**Keywords:** Diversification, Strategy, Concentric Diversification, Horizontal Diversification, Organizational Performance.

## Introduction

Businesses currently operate in a dynamic and difficult environment; they must be able to react rapidly to possibilities and obstacles (Maragia & Kemboi, 2021). The most essential challenge is how businesses attain and maintain their competitiveness (Oloda, 2017). According to Dhandapani and Upadhayayula (2015), in order to perform well and remain competitive in the market, a corporation must create diversification plans. The decision to diversify a company's business is based on a detailed analysis of its resource and capability portfolios and takes the market's influence into account (Clinton & Salami, 2021). Maragia and Kemboi (2021) contend further that resources that are scarce, valued, impossible to duplicate, and impossible to replace serve as the determinants or sources of a firm's performance.

According to Nyaingiri and Ogollah (2015), profitability, social performance, environmental performance, customer and employee happiness, and firm growth may all be used to analyse an organization's performance thoroughly. Environmental performance refers to how the business interacts with the environment over time, whereas social performance refers to how the business interacts with its social environment over time. Profitability refers to the amount of revenue earned minus costs incurred. When a company's social and environmental links deteriorate rather than improving, poor performance follows. A successful company should demonstrate ongoing employee and customer satisfaction, as well as, when necessary, population growth (Maragia & Kemboi, 2021).

Oladimeji and Udosen (2019) emphasized the balanced score card theory while reiterating that financial ratios like profitability and return on assets, as well as customer factors like customer base and satisfaction, organizational learning and innovation, and internal operational processes, can be used to gauge a company's performance. According to the author, a successful organization would have a high level of organizational learning and the development of organizational skills. Similar to this, a successful company will offer internal procedures that are more concentrated on producing high yield/quality (Nwakoby & Ihediwa, 2018).

According to Manyuru, Wachira and Amata (2017), productivity can be used to gauge a company's development or progress in output, and a higher yield could signify improved performance, just like internal procedures can. A corporate strategy known as "diversification" tries to increase or expand a company's operations by introducing new markets, goods, services, or production stages. A company can enter business sectors through diversification that are distinct from their current operations. Additionally, diversification employs either concentric or conglomerate diversification strategies. Conglomerate diversification happens when a

company produces products or services that are beyond its current capabilities, whereas concentrated diversification happens when a company buys similar business choices (Manyuru, Wachira & Amata, 2017).

Additionally, businesses decide to diversify in order to open up new opportunities for growth, profit, and employment. However, high investment prices and environmental changes have an impact on diversification. Additionally, investing in a variety of assets or business operations through diversification is a technique to lower risk (Makau & Ambrose, 2018). In addition, diversification is the expansion of a company into new markets, businesses, or products in order to boost earnings. Additionally, diversification is the expansion of a company into new business ventures and activity lines through an internal development process that requires adjustments to the existing administrative framework (Krivokapic, Nladimir & Stojic, 2017). To enable an organization to expand is the primary goal of diversification (Elango, Ma & Pope, 2016).

Diversification plans call for new abilities, methods, and infrastructure. The development of one-on-one relationships with customers, the addition of value to the product or service, the ability to differentiate based on customer relationships, and the provision of a unique experience for each customer are identified by Maragia and Kemboi (2021) as the keys to a business' diversification strategies. Because of the implications of the diversification strategy, the value chain is different than it would be with cost leadership, and various company values and behaviours are emphasized.

To overcome client loyalty, new competitors must incur significant costs (Maragia & Kemboi 2021). Reducing direct rivalry is another benefit of diversification tactics for businesses. Differentiation can lessen a customer's sensitivity to other qualities provided by other companies, which helps the brand stick in the consumer's mind. As a result, the company can generate better profits and withstand buyer and supplier power because they are limited in their options.

When businesses think about moving in this route, they can pursue several sorts of diversification. With horizontal diversification, a corporation could think about purchasing, creating new products, or providing new services that might appeal to its current clientele. The company relies on sales and technological ties to the current product lines in this form of diversification.

Mixed results were found in studies looking at how diversification tactics affect corporate performance. The relationship between diversification methods and company performance has been the subject of numerous studies, but no consensus has been reached despite the fact that many scholars have agreed (Marangu, Oyagi & Gongera, 2014). Whether diversification improves or worsens business performance is still up for debate. According to Mashiri and Sebele (2014), the association is still debatable, conflicting, and inconclusive. These studies have not yet produced conclusive and comprehensible results that show whether diversification tactics increase or decrease a firm's value.

### **Statement of the Problem**

A number of organizational and environmental factors, including globalization, deregulation, rising local and worldwide competition, and new technology, are making it difficult for businesses to compete on a daily basis. For businesses headquartered in developing nations who see the global market as a way to guarantee development, survival, or competitiveness, improving performance is essential. The basis of differentiation is poorly understood, despite its significance in establishing and maintaining organizational competitiveness (Maragia & Kemboi 2021).

For the manufacturing industry to significantly contribute to economic growth, just like any other sector, it needs devoted personnel. One of the issues most service sector businesses face is developing efficient diversification strategies to pursue organizational goals (Sulaimon et al., 2015). Businesses will be required to think outside the box in terms of growth strategies due to the quick changes in competition, globalization, and the economic-political environment; otherwise, such an organization risked collapsing. For instance, according to Oruche, the director of Economics and Statistic (Manufacturers Association of Nigeria, MAN), at least 272 businesses, including 50 manufacturing firms and 222 small-scale businesses, were driven out of business in 2018, which resulted in the loss of about 180,000 jobs. According to the NBS research, China manufacturing sector generated 80% of that country's GDP in 2021, compared to Nigeria's manufacturing industry's contribution of only 28.22% in 2020 and 10% in 2021. Ekugbe (2021) observed that less than 10% of Nigeria's GDP is now being contributed by the manufacturing sector, which has the potential to contribute more than 25%. The manufacturing sector experienced a growth rate of 1.16%, which is noteworthy given the importance of the sector to the economy of the country as a whole and as a major source of employment and economic expansion (Obuba, & Alagah, 2022).

Despite the significance of diversification strategies for manufacturing organizations, there are a number of drawbacks that have been raised. One drawback of diversification is that it could cause a company's resources to be stretched too thin. Others who oppose diversification strategies have also claimed that doing so will increase costs. According to some authors, diversification may also necessitate the addition of infrastructure and personnel training, both of which would reduce the company's revenue. According to some academics, loss of competence and less innovation are further drawbacks of diversification. This indicates that there isn't a consensus view regarding the connection between organizational performance and diversification. Therefore, the purpose of this study was to evaluate the organizational performance and diversification strategy of manufacturing firms in South-East Nigeria.

### Research Questions

The study was guided by the following research questions:

- i. To what extent is the relationship between horizontal diversification and organizational performance of manufacturing companies in South-East Nigeria?
- ii. What is the extent to which concentric diversification affects organizational performance of manufacturing companies in South-East Nigeria?

### Research Hypotheses

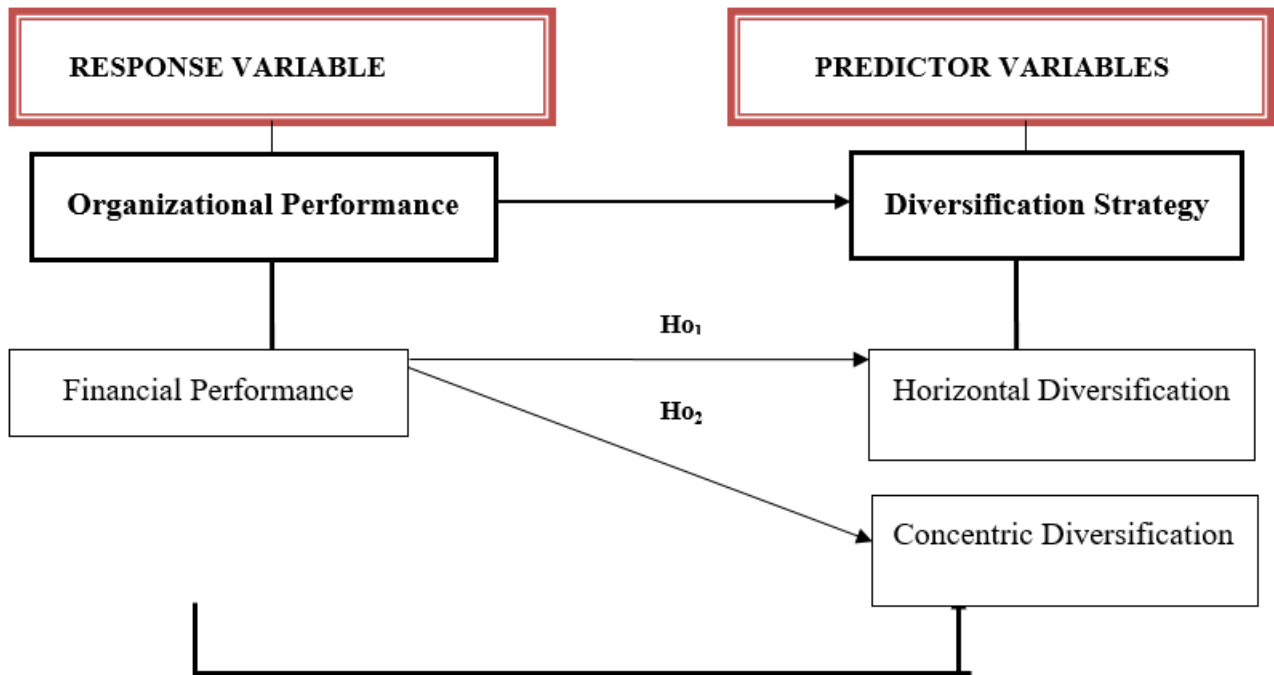
The following null hypotheses were tested in this study:

- Ho<sub>1</sub>:** Horizontal diversification has no significant impact on organizational performance of manufacturing companies in South-East Nigeria;
- Ho<sub>2</sub>:** There is no significant relationship between concentric diversification and organizational performance of manufacturing companies in South-East Nigeria.

### Review of Related Literature

#### Operational Conceptual Framework

According to Adom, Hussein and Adu-Agyem (2018), a conceptual framework is a logical tool in the form of a diagram that a researcher uses to thoroughly visually illustrate the interaction between markers of the independent variables (which were examined) and the dependent variable. The conceptual framework diagram is used by researchers to better understand the connections between the study's predictor elements and the response variable (Grace, 2021). In this study, the predictor (independent) variable is diversification strategy, which was measured in terms of horizontal diversification and concentric diversification, while the response (dependent) variable is organizational performance, which was measured in terms of financial performance, as shown in Fig. 1



**Figure 1:** Operational Conceptual Framework Showing Diversification Strategy and Organizational Performance in Manufacturing Companies in South-East Zone of Nigeria.

### Theoretical Review

The Market Power Theory, created by Treacy and Wiersema in 1995, served as the study's foundation. The notion was built on the premise that market forces may produce company quality (Maragia & Kemboi 2021). According to this theory, a multi-segment approach has a favourable impact on industry rivalry success (Christingrum, 2015). The diversification approach can enhance market share in the industry by lowering competition on the market as a result of its dominance, which will improve corporate performance. Diversified organizations have a conglomerate force to increase their flexibility, making them less competitive than other corporations (Christingrum, 2015). A business cannot have monopoly control unless it has significant market share across numerous markets. According to Yuliani et al. (2013), there are three potential sources of market power in a business that extends its range to other industries primarily for competitive reasons.

The theory is predicated on seven assumptions, including that all sellers in the market create a negligible portion of the market's production and have no power to change the going rate. Each company in this market must accept the market price, making it a price taker. In the long run, firms don't have any sunk costs, and entering and leaving the market are both possible. According to this premise, all businesses in a market with perfect competition generate normal profits over the long term. Markets are provided with homogeneous goods that are excellent replacements. As a result, each company becomes a price taker with an ideal demand curve for their commodity. Consumers with perfect knowledge have free access to all readily available information about prices and items from rival providers and incur low transaction costs in their quest for the necessary price information. In the same way, sellers have complete knowledge of their rivals, and the factors of production—land, labour, and capital—are completely mobile and may be switched in response to shifting market conditions, prices, and incentives. Transport expenses are considered to be insignificant.

According to Kimani, Wagoki and Okello (2016), market power refers to a company's relative capacity to influence the level of supply, demand, or both to change the price of a good in the market. A corporation with significant market power has the power to regulate its profit margin by manipulating the market price and may also be able to raise barriers to entry for possible new competitors (Bany-Ariffin et al., 2016). Companies with market power are frequently referred to as "price makers" because they have the ability to set or change an item's market price without giving up market share.

The theory was pertinent to the study because cross-subsidization may allow a corporation to use excess profit from one industry to join another, giving this new enterprise an advantage and reciprocal forbearance; businesses may find themselves on an alternate market for less intense competitive transactions. On the basis of the notion of market power, diversification was created to combat competition, a strategy for gaining market power. The main goals of this method are to increase cost effectiveness and improve finances (Yuliani et al, 2013).

### Empirical Review

Wanjira, Ngoze, and Wanjere (2018) looked at the success of state-owned sugar companies in western Kenya and their implementation of a horizontal diversification approach. The results showed that there is no causal link between sugar companies' profitability and their use of a horizontal diversification strategy. Therefore, it was determined that there is no connection between the success of sugar enterprises and the implementation of a horizontal diversification strategy. According to the report, companies should work to develop new revenue streams in order to survive the current, fiercely competitive business environment. The sugar companies must, however, examine how horizontal diversification affects their performance. In Nairobi City County in Kenya, Maina (2016) investigated how horizontal diversification methods affected real estate enterprises' performance. The study came to the conclusion that, albeit not statistically significant, horizontal diversification improves business performance. In order to effectively control the risks associated with the entire diversification process, the study advised real estate corporations to develop sound regulations, such as guidelines on per unit cost allocation of diversified products and risk management measures.

Abuh and Echukwu (2023) worked on diversification strategy and performance of manufacturing firms in Nigeria. Therefore, the study looked at how diversification had affected the performance of the Dangote Group of Companies. The study's primary goal was to investigate how much the Dangote Group of Companies' corporate performance had benefited from product and market diversity. While a questionnaire was used to contact the respondents, the research collected data from primary sources. A five-point likert scale was used to analyse the data, and linear regression analysis was used to test hypotheses. According to the study, diversity is a survival tactic for businesses. Additionally, a diversification strategy boosted the company's market share while lowering operational risk. In order to stay in business, the report advised that diversified firms should increase their product diversification efforts. Additionally, businesses should research and develop their diversified tactics through product and market inventive strategies as this will ensure long-term success of businesses.

Clinton and Salami (2021) carried out a research on the impact of diversification strategy on organizational performance in manufacturing firms in Nigeria. The study's precise goals were to determine the impact of the Diversification Strategy's measures, specifically Product Diversification (PD) and Geographical Diversification (GD). A sample size of one hundred and twelve (112) respondents was used to obtain the data using structured 5-Likert scale questions from the respondents. The information gathered from the questionnaire was coded using an Excel spreadsheet and entered into the Statistical Package for Social Science (SPSS) for

analysis and presentation using inferential statistics, where the significance, strength, and direction of the relationship were determined. Multiple regressions were utilized to test the study's hypotheses and inferential statistics like correlation analysis were performed to determine whether two variables were related. The results showed a substantial correlation between Organizational Performance (ORGP) and Product Diversification (PD) and Geographical Diversification (GD). According to the study's findings, there was a considerable link between organizational performance in manufacturing enterprises and diversification strategy.

### Gap in Literature

From empirical findings, the researchers believed that there has not been any work done on diversification strategy and organizational performance in manufacturing companies in South-East region of Nigeria as most of the previous works were carried out outside Nigeria and those that were carried out in Nigeria lacked both content and geographical gap as the variables in the present study were systematically selected and were not in any way related exactly to reviewed empirical studies by scholars. Again, in the aspect of statistical techniques, virtually all the past reviews employed regression analysis, but non considered testing the assumptions since it is a parametric technique. These lacunas prompted this study in order to fill the gap.

### Research Methodology

#### Research Design

This investigation used a descriptive research approach. In order to get useful data regarding the dependent and independent variables, a descriptive research design uses questionnaires to collect data from a wide population while focusing on the respondent's perspectives. This design is accepted because it describes a group of individuals, a phenomenon, or an event based on the impact on another variable.

#### Target Population

Five selected quoted manufacturing companies in the south-east of Nigeria that are listed on the Nigeria Stock Exchange and whose stocks are traded on the floor of the Nigeria Stock Exchange market as of December 31, 2022 make up the total population for this study, which includes 594 line managers, supervisors, and staff managers. These managers are seen as having expertise in the subjects being studied, either because they are in charge of carrying them out or because they do so themselves.

#### Sample Size and Sampling Technique

Sampling is the act of selecting components from the study's target population in such a way that they accurately reflect the population as a whole (Creswell, 2013). Because it is frequently impossible to interview every person of the target group, sampling is used in research. When faced with time, financial, and logistical constraints, Creswell (2013) claim that sampling helps a researcher to acquire a representative group in order to learn more about an entire community. The study used Slovin's formula (Maragia & Kemboi, 2021) for calculating a sample of a finite to obtain the representative sample. The formula is given below as;

$$n = \frac{N}{1 + N(e)^2}$$

Where: n = Sample size

N = Population size (594)

e = Margin of error or error tolerance (0.05)

The study followed Singh & Masuku's (2014) advice and used an error margin of 5%. With a target population of 594 employees, the sample size for the employees is 239 when the error margin is 5%.

Stratification procedures were used to ensure subjects are drawn from the 5 targeted manufacturing firms. Proportionate sampling was employed when determining the number of employees from each firm. This was computed using Bowley's formula as shown below and the results obtained were CUTIX (26), NESTLE (19), NB (67), PZ Cusson (76) and UNILEVER (51):

$$n_h = \frac{nN_h}{N}$$

where

$N_h$	=	number allotted to each stratum
$n$	=	Sample size
$n_h$	=	population of each stratum
$N$	=	Population

### Research Instruments and Reliability of Instrument

As the main tool for gathering data, the researchers created their own questionnaires (Yeasmin & Rahman, 2012). According to Kothari and Garg (2014), a questionnaire is a tool that consists of a number of questions printed or typed in a specific order on a form or set of forms and distributed to the individuals involved. The instrument was constructed using a 4 point likert scale of Very Great Extent (VGE) 4; Great Extent (GE) 3; Moderate Extent (ME) 2; and Low Extent (LE) 1. To ensure the validity of the instruments for this study, the content and face validity was adopted in ascertaining the extent to which the instrument could be said to be accurate and precise in the measurement of the variables under investigation. The instruments were administered to the group outside the study area and the scores were collated. Their responses (scores) were analyzed using Cronbach alpha which yielded an index coefficient of 0.817 and 0.715 for dependent variable response and independent variables responses respectively. The researchers therefore considered the instrument suitable and adequate for the study.

### Method of Data Analysis

The research questions were answered with simple Pearson ( $r$ ) correlation statistic, so as to establish the relationship between the dependent and independent variables in the study. The basis for the decision for the research questions' conclusion was as follows: 0.00–0.20 = very low extent relationship, 0.21–0.40 = low extent relationship, 0.41–0.60 = moderate extent relationship, 0.61–0.80 = high extent relationship and 0.81–1.00 = very high extent relationship. Hypotheses were tested with simple linear regression technique, so as to measure the “significance” of the degree of relationships existing between the dependent and independent variables. This implied that it helped to ascertain if the coefficient of the relationship is significant or not. The rejection of the null hypothesis was achieved if the calculated p-value is less than the level of significance (0.05); otherwise the null hypothesis is not rejected. Alternatively, the null hypothesis was rejected if the calculated value (i.e.  $t$  or  $F$ ) is greater than the tabulated value (i.e.  $t$  or  $F$ ); otherwise the null hypothesis is not rejected.

### Result

#### Tests for Normality Assumption for the Bivariate Regression Model

This assumption requires that the residuals from the model should be normally distributed. When residuals are normally distributed, we can test a specific hypothesis about a bivariate regression model. Hence, it becomes statistically important to first examine the normality assumption before proceeding to the hypotheses. However, it should be noted that when the assumption fails, using the regression model directly leads to error in the interpretation of result. Here we tested the normality assumption based on using each of the dependent variables with each of the independent variables via the Jarq-Bera Statistic. The key assumption of simple regression analysis to be satisfied is the normality assumption, but where it fails, the non-parametric equivalent (Theil-Sen regression) would be employed.

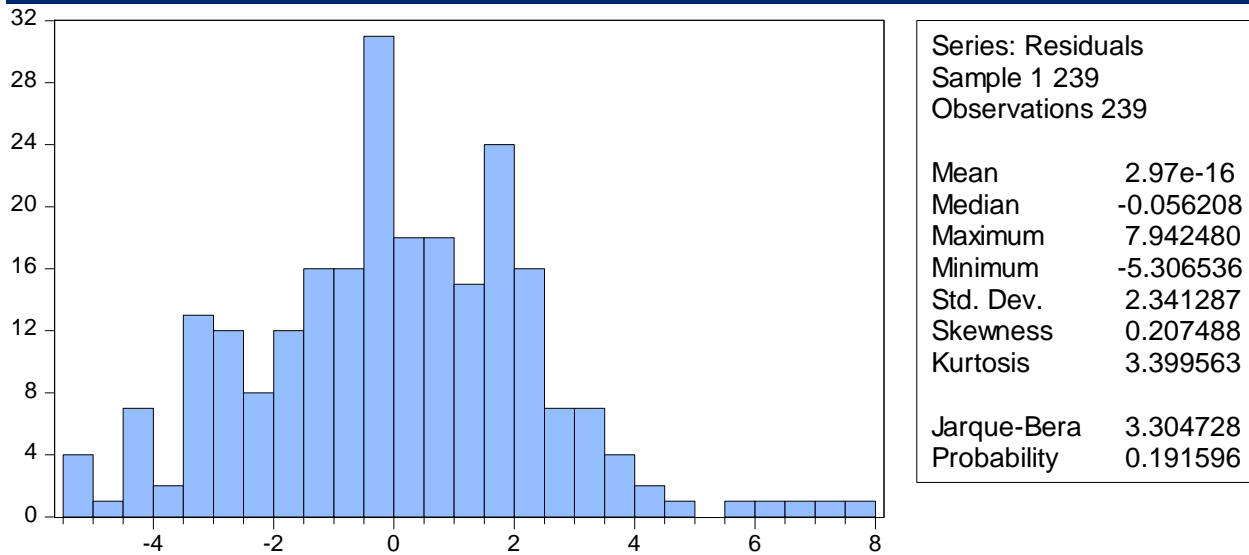
#### Normality of Errors Assumption – Horizontal Diversification (HD) versus Organizational Performance (OP)

To test for normally distributed errors, we employed the Jarque-Bera test for normality. The hypotheses of the Jarque-Bera test are as follows:

$H_0$ : Errors are normally distributed

$H_1$ : Errors are not normally distributed

**Fig. 2: Normal Probability Plot of Residual for Horizontal Diversification & Organizational Performance**



Source: Eviews software

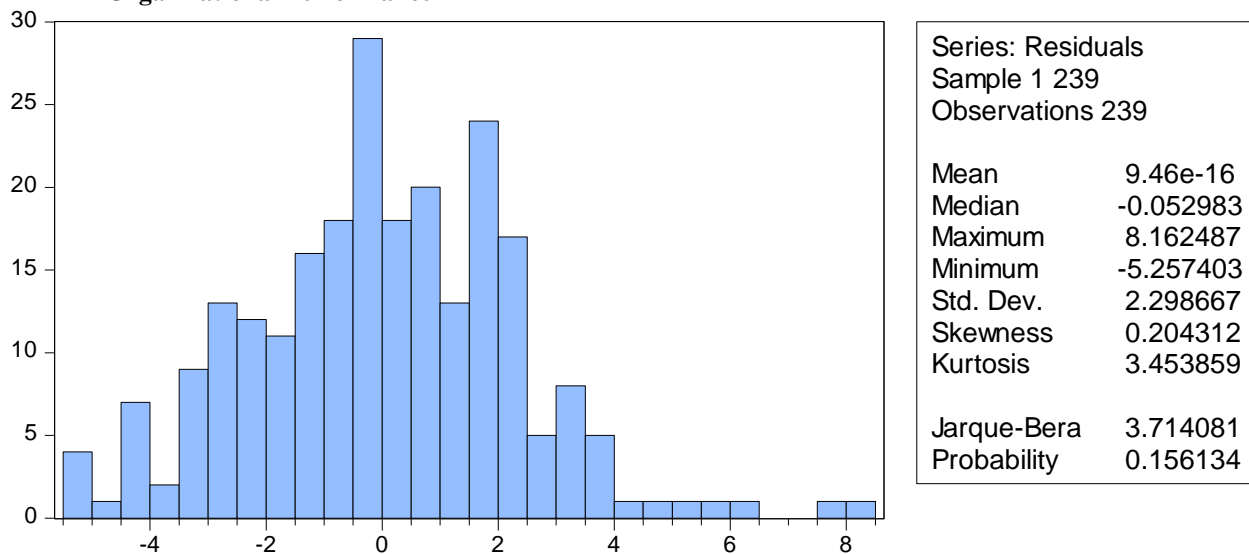
Since the p-value (0.192) is greater than 0.05 from Fig. 2, the null hypothesis is not rejected. This implies that the assumption of normality distributed errors is satisfied.

**Normality of Errors Assumption – Concentric Diversification (CD) versus Organizational Performance (OP)**

To test for normal distributed errors, we employed the Jarque-Bera test for normality. The hypotheses of the Jarque-Bera test are as follows:

- H<sub>0</sub>: Errors are normally distributed
- H<sub>1</sub>: Errors are not normally distribute

**Fig. 3: Normal Probability Plot of Residual for Concentric Diversification & Organizational Performance**



Source: E-views software

Since the p-value (0.163) is greater than 0.05 from Fig. 3, the null hypothesis is not rejected. This implies that the assumption of normality distributed errors is satisfied.

**Analysis and Results of Research Questions**

**Research Questions/Hypotheses One to Two**

In this section, the Spearman rank correlation coefficient and the Theil regression techniques were employed to address research questions and hypotheses respectively since the normality assumption of the error term was not all satisfied.

**Research Question One**

To what extent is the relationship between horizontal diversification and organizational performance of manufacturing companies in South-East Nigeria?

**Testing of Hypothesis One**

**H<sub>01</sub>:** Horizontal diversification has no significant impact on organizational performance of manufacturing companies in South-East Nigeria

**Table 1: Regression and Correlation Analysis Summary for Horizontal Diversification and Organizational Performance**

Dependent Variable: OP

Method: Least Squares

Date: 07/18/23 Time: 14:15

Sample: 1 239

Included observations: 239

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.307849	0.487133	8.843279	0.0000
HD	0.583224	0.037137	15.70477	0.0000
R-squared	0.509966	Mean dependent var	11.57741	
Adjusted R-squared	0.507898	S.D. dependent var	3.344579	
S.E. of regression	2.346221	Akaike info criterion	4.551822	
Sum squared resid	1304.626	Schwarz criterion	4.580914	
Log likelihood	-541.9427	Hannan-Quinn criter.	4.563545	
F-statistic	246.6399	Durbin-Watson stat	1.248289	
Prob(F-statistic)	0.000000			

**Source:** E-views Output

The results in Table 1 show the result obtained in respect of research question one and hypothesis one. The result reveals that the Pearson correlation coefficient is 0.714, which is high. This implies that there is a high extent relationship between horizontal diversification and organizational performance of manufacturing companies in South-East Nigeria. The result also shows F-statistic value of 246.6399 and a p-value of 0.000 which is less than 0.05. This indicates statistically significant result. Therefore, the null hypothesis which stated that horizontal diversification has no significant impact on organizational performance of manufacturing companies in South-East Nigeria is rejected. Hence, the study concludes that horizontal diversification has significant and positive impact on organizational performance of manufacturing companies in South-East Nigeria.

The coefficient of determination, R-square is 0.510. This implies that the effect of the predictor variable (horizontal diversification) explains 51.0% of the variations in performance of manufacturing companies. This implies that a 1 unit change in the predictor variable (horizontal diversification) has a strong and a positive effect on performance of manufacturing companies. This study therefore assumes that the difference of 49.0% of the variations is as a result of other factors not included in this study.

**Research Question Two**

What is the extent to which concentric diversification affects organizational performance of manufacturing companies in South-East Nigeria?



## Testing of Hypothesis Two

**H<sub>02</sub>:** There is no significant relationship between concentric diversification and organizational performance of manufacturing companies in South-East Nigeria.

**Table 2: Regression and Correlation Analysis Summary for Concentric Diversification and Organizational Performance**

Dependent Variable: OP

Method: Least Squares

Date: 07/18/23 Time: 14:18

Sample: 1 239

Included observations: 239

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.826462	0.558088	5.064547	0.0000
CD	0.602210	0.037012	16.27085	0.0000
R-squared	0.527644	Mean dependent var		11.57741
Adjusted R-squared	0.525651	S.D. dependent var		3.344579
S.E. of regression	2.303511	Akaike info criterion		4.515079
Sum squared resid	1257.561	Schwarz criterion		4.544171
Log likelihood	-537.5520	Hannan-Quinn criter.		4.526802
F-statistic	264.7406	Durbin-Watson stat		1.319891
Prob(F-statistic)	0.000000			

**Source:** E-views Output

The results in Table 2 show the result obtained in respect of research question two and hypothesis two. The result reveals that the Pearson correlation coefficient is 0.726, which is high. This implies that concentric diversification affects organizational performance of manufacturing companies in South-East Nigeria at a high extent. The result also shows F-statistic value of 264.7406 and a p-value of 0.000 which is less than 0.05. This indicates statistically significant result. Therefore, the null hypothesis which stated that there is no significant relationship between concentric diversification and organizational performance of manufacturing companies in South-East Nigeria is rejected. Hence, the study concludes that there is positive significant relationship between concentric diversification and organizational performance of manufacturing companies in South-East Nigeria.

The coefficient of determination, R-square is 0.528. This implies that the effect of the predictor variable (concentric diversification) explains 52.8% of the variations in performance of manufacturing companies. This implies that a 1 unit change in the predictor variable (concentric diversification) has a strong and a positive effect on performance of manufacturing companies. This study therefore assumes that the difference of 47.2% of the variations is as a result of other factors not included in this study.

## Discussion of Findings

1. The study has examined the diversification strategy and organizational performance of manufacturing companies in South-East, Nigeria. In the study, it was showed that horizontal diversification has significant and high positive impact on organizational performance of manufacturing companies in South-East Nigeria. This implies that when horizontal diversification is positive, organizational performance of manufacturing companies is also positive, hence; they lead to enhancement of performance. The findings of this study is in concordance with the study by Eukeria and Sebele (2014) who established that through horizontal diversification, organizations created value and justified their existence as they were able to build and leverage the unique resources to gain competitive advantage, increase profitability, market value of the companies ultimately improving shareholder value. The findings of this study also concur with the study of Maina (2016) who concluded that horizontal diversification positively affects firm performance although not statistically significant.
2. There is positive significant relationship between concentric diversification and organizational performance of manufacturing companies in South-East Nigeria. This implies that concentric diversification enhances organizational performance of manufacturing companies in South-East Nigeria. This is in line with the empirical work of Marangu, Oyagi

and Gongera (2014) who established that concentric diversification strategy increased firms' efficiency in terms of reduction in production cost, and concentric diversification was found to have great effect on improving sugar firm competitiveness, hence; the need for sugar firms in Kenya to employ concentric diversification in their operations.

### Conclusion

The study concludes that horizontal diversification and concentric diversification have significant and high positive impact on organizational performance of manufacturing companies in South-East Nigeria. Hence, horizontal and concentric diversification enhanced organizational performance of manufacturing companies in South-East Nigeria.

### Recommendations

It is advised that manufacturing companies diversify their product lines to better meet customer demands, as well as to achieve profitability and expansion as well as increase performance, since diversified organizations have been found to perform better than the undiversified entities. This is to achieve economies of scale and to redeem their financial position in the face of downturn or decline in the product life cycle.

To ensure a permanent competitive edge, managers of manufacturing enterprises and other high-level stakeholders should also implement the variety of diversification tactics mentioned in enlarging the markets and operations of their entities. In order to obtain economies of scale and outsmart rivals, organizations should also recognize their unique and unusual qualities.

In order to identify opportunities as they exist in the corporate environment, channel resources in the most efficient manner, and choose other strategic options effectively, manufacturing firms should be formed.

### Suggestion for Further Research

Because the research was restricted to the situation of manufacturing firms in South-East Nigeria, it's possible that the conclusions won't be easily applicable to firms in other regions. In order to validate the results, the study must be repeated in several geographic locations of Nigeria. To provide a better platform for confirming these findings, a study with a bigger sample size than the one used in the current study should be done.

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