

APPLICATION OF DIVERSIFICATION STRATEGY AT THE ANGLICAN CHURCH OF KENYA

By

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DECLARATION

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

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DEDICATION

To my husband Paul Musila, daughter Joy and son Ivan for your love, prayers, understanding and unwavering support.

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I am most grateful to the Almighty God who has been my guide, source of strength and inspiration throughout my life.

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TABLE OF CONTENTS

Declaration	ii
Dedication	iii
Acknowledgements	iv
List of Abbreviations	vii
List of Figures	viii
Abstract	ix
CHAPTER ONE: INTRODUCTION	1
1.1 Background	1
1.2 Statement of the Problem	8
1.3 Objectives of the Study	10
1.4 Significance of the Study	10
CHAPTER TWO: LITERATURE REVIEW	11
2.1 The Concept of Strategy	11
2.2 Diversification Strategy	12
2.3 Motives for Diversification	14
2.4 Types of Diversification	16
2.5 Competitive Advantage from Diversification	18
2.6 Challenges and Possible Interventions of Diversification	20
CHAPTER THREE: RESEARCH METHODOLOGY	22
3.1 Research Design	22
3.2 Data Collection	22
3.3 Data Analysis	23
CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS	25
4.1 Historical Background and the Role of the Church Commissioners for Kenya	25
4.2 The nature of the diversification strategy at the ACK	27

4.3	The motives behind the ACK diversification strategy	28
4.4	Factors that influence the diversification strategy at the ACK	30
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS		33
5.1	Summary	33
5.2	Implications of the study	34
5.3	Suggestions for further research.....	35
5.4	Limitations of the Study	35
5.5	Conclusion.....	35
REFERENCES.....		37
APPENDICES		42
Appendix 1: Provincial Institutions		42
Appendix 2: Letter of Request for Study		43
Appendix 3: Letter of Introduction		44
Appendix 4: Interview Guide.....		45

LIST OF ABBREVIATIONS

ACK	Anglican Church of Kenya
APM	Alliance of Protestant Missions
CBO	Community-Based Organization
CCK	The Church Commissioners for Kenya
CCS	Christian Community Services
CIA	Central Intelligence Agency
CITC	Christian Industrial Training Centre
CMS	Church Missionary Society
CSO	Civil Society Organization
DMNC	Diversified Multinational Corporation
MNC	Multinational Corporation
NCCK	National Council of Churches of Kenya
NFP	Not For Profit
NGO	Non- Governmental Organization

LIST OF FIGURES

- Figure 1 ACK Organogram
- Figure 2 Diversification: The Evolution of Strategy and Management Thinking

ABSTRACT

Whereas diversification has been an area widely researched and written about, there has been little focus on the religious sector and in particular the churches. This research project focuses on understanding the nature and motives of diversification strategy adopted by the Anglican Church of Kenya and also establish the pertinent factors that influence that strategy. In spite of arguments that the pitfalls of diversification strategy have led to failure of most firms, the Anglican Church of Kenya is considered a success story. This study is expected to provide useful information to policy makers, practitioners and researchers.

The study methodology of the research was a case study influenced by the popular perception among the church circles that ‘the church is rich due to its well organized structure of the Church Commissioners for Kenya’. Both primary and secondary data was collected for the study. An interview guide was administered to gather the primary data from key informants in the organization while the secondary data was obtained from the organization’s website, brochures and other relevant documents. This data was analysed qualitatively using content analysis.

The study established that the diversification strategy at the Anglican Church of Kenya owes its inception to the missionaries whose approach to addressing the societal needs was holistic by nature. This resulted to construction of many churches, schools, hospitals and other commercial units for which the church has continued to propagate. The Church Commissioners for Kenya is mandated to undertake all investment services on behalf of the church and hence generate income to sustain its core mission and achieve growth.

The diversification strategy at the ACK is broad and complex by nature. The church has multi-businesses which are supported by multi-structures, all managed with an objective of achieving the vision and mission of the church. The ACK pursues a related type of diversification and enjoys strategic fit in regards to market, operations and management. The CCK handles only the investments of the provincial / head office since the operations of its dioceses, currently thirty two are autonomous. The main motives of engaging in diversification strategy are to generate sufficient profits for supporting the church activities and for future growth. However, since

societal needs keep changing with the highly dynamic environment, the church constantly seeks to understand and interpret the environment within which it operates and responds appropriately.

It emerges from this study that the ACK applies diversification strategy as a powerful tool of acquiring and sustaining a competitive advantage. However, the success or failure of the strategy is influenced by factors such as the organizational structure, internal practices and policies and the external environmental. The ability of the ACK to separate its church mission work from management of the multi-business by creating an investment vehicle, the CCK, has greatly contributed towards the success of the diversification strategy. However, the high rate of growth for the church in terms of number of dioceses renders the current leadership style of centralisation ineffective. This challenge together with additional level of professionalism in the leadership is currently being addressed. Other relevant environmental related issues include competition, globalisation and prevailing economic and political climates. Through this strategy, the ACK has made great achievements in tackling major human life challenges in Kenya such as poverty, unemployment and poor standards of living. The study contributes to existing literature in strategic management and forms basis for future research.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Diversification Strategy

Strategy is “the direction and scope of an organization over the long-term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling shareholder expectations” (Johnson, Scholes and Whittington, 2005, p.9). Thompson and Strickland (1989) have described strategy as a blueprint of all the important organizational moves and managerial approaches that are intended to achieve organizational objectives and to carry out the organization’s mission. They further explain one of the entrepreneurial objectives in devising a strategy as the achievement of ‘goodness of fit’ between strategy and all the relevant aspects of the organization’s internal situation and external environment. In addition to seeking situational fit, strategy-making is aimed at moves that help secure competitive advantage and at the same time raise organizational performance. In general, a strategy is a company’s game plan which provides a framework for managerial decisions.

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

Porter (1998b) emphasized that the structure of the industries in which a firm competes and the competitive positions of its businesses within these industries are key determinants of performance. The strategic position of a firm is therefore concerned with the impact on strategy to the external environment, an organization’s capability (resources and competences) and the

expectations and influence of stakeholders (Johnson et al, 2005). Strategic analysis and choice is therefore more complicated for corporate-level managers because they must create a strategy to guide the numerous businesses of the company. Strategic choices involve understanding the underlying bases for future strategy at both the business unit and corporate levels (Pearce and Robinson, 2006). It also involves the options for developing the strategy in terms of both the directions and methods of development. The implementation of the strategy chosen for multi business and ensuring that those strategies are effectively working in practice is not an easy task.

Pearce and Robinson (2006) have defined strategic management as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. Grundy (1995) noted that most managers face more bewildering choices (and frequently constraints) than ever before especially in the sphere of strategies for growth. Crafting of a corporate strategy of a multi-business firm is therefore a critical task for the top management of any firm. Mintzberg, Lampel, Quinn and Ghoshal (2002) have described corporate strategy as the pattern of decisions that determines a company's objectives and generates the main policies and plans of achieving those goals. Corporate strategy also refers to the overall managerial game plan for directing and running a diversified company (Thompson and Strickland, 1989). The interdependence of purposes, policies and organized action is crucial to the distinctiveness of an individual strategy and its opportunity to identify competitive advantage.

Diversification is one of the common corporate strategy approaches applied by firms. In their definition, Amat and Livnat (1988) highlighted that diversification strategies are used to expand firms' operations by adding markets, products, services or stages of production to the existing business. There are varied motives why firms adopt the diversification strategy. Some of these include taking advantage of strategic fit, spreading of business risk and as a growth strategy (Grundy, 1995). According to Ansoff (1990), functional synergies may come from mutual sharing of facilities or competences. He further explains that the advantage of functional synergy is that it produces a '2+2=5' effect, which is another way of saying that the combined return on investment of the firm is higher than the return which would result if each division operated without taking advantage of sharing and complementarity. Increasing competitive pressures from

issues such as globalization and e-commerce (Johnson et al, 2005), makes it necessary to optimize strategic effectiveness of the firm through synergies among the firm's business units.

Some of the benefits of diversification strategy identified by Irwin (1995) bring about shareholder advantages which include economies of scale and scope, to gain synergies, to diversify shareholder portfolios and brand extension. Other benefits which can be either pecuniary or non-pecuniary advantages such as ego and social recognition may be a reflection of the management preferences. In spite of the benefits above, Ansoff (1957) described diversification as the riskiest of the four strategies presented in the Ansoff matrix. Diversification for example necessitates significant expanding of human and financial resources that may affect focus, commitment and sustained investments in the core industries. In order to measure the chances of success of the strategy, the attractiveness, the cost-of-entry and the better-off tests can be done as explained in Porter (1998b). Due to the high risks associated with diversification, many attempts by firms to diversify have led to failure. However, 'Canon' which diversified from a camera-making company into producing whole new range of office equipment is one example of successful diversification. The case of ACK detailed in this study could as well be considered a success.

Grant (1998) observed that once a firm is diversified, it faces strategic problems not only in each of its businesses but also in the management of the business portfolio. He emphasizes that some of the most difficult issues of corporate strategy of a diversified firm are the roles and activities of the head office and the relationships between the businesses and the corporate centre. However, Mintzberg, Quinn and Ghoshal (1999) have identified various techniques that have been developed to analyze strategies at corporate level that firms may consider to apply for success.

Johnson et al (2005) have noted that some organisations consider international diversity as a potential strategy to pursue. Their expression of international diversification denotes expansion across the borders of global regions and countries into different geographic locations, or markets. Some of the reasons given for international diversification include globalisation of markets and

competition, to follow customers, as a way to bypass limitations in the home market, to exploit opportunities for economic benefits and to take advantage of the firm's strategic capabilities. Although international markets and associated operations may yield new opportunities, they also present increased competitive challenges from international and local competitors

1.1.2 The Religious Sector in Kenya

The religious sector in Kenya is normally considered part of the not-for-profit or the NGO sector. The Kenyan NGO Co-ordination Act (1990, part I, section 2) defines an NGO as any "private voluntary grouping of individuals or associations not operated for profit or for other commercial purposes but which have organized themselves nationally or internationally for the promotion of social welfare, development, charity or research through the mobilization of resources". By this definition, any organization that is both non-governmental and non-profit, in fact anything remotely answering to this broad criterion can and has been called an NGO. These range from merry-go-rounds, ethnic groups, estate welfare groups to churches and trade unions to universities and private hospitals to professional sporting leagues and so on.

Chapter five of the Constitution of Kenya (2008) highlights the fundamental rights and freedoms for the Kenyan individual which implies that the constitution guarantees freedom of religion and worship to its people. In this regard, while vast majority of Kenyans are said to be Christians (Protestant 45%; Roman Catholic 33%), Islam and Indigenous religions each constitutes about 10% of the country's population and all other religions being about 2%, according to statistics available in the CIA World Fact book (2006). It is further mentioned that Islam comprises of both Sunni and Shi'ite Muslims with the largest number being found in Mombasa and the neighbouring coastal regions and also North Eastern regions of Kenya. Nairobi has numerous mosques and a notable Muslim following. Though many of the traditional African religions are no longer widely practiced, the indigenous religions found mostly in the western province of Kenya such as 'dini ya msambwa' and 'Legio Maria' combine aspects of Christianity and traditional religious beliefs. The few adherents of Hinduism and Sikhism are mostly Indians who reside in most major towns and cities across Kenya (CIA World Fact book, 2006).

According to CIA World Fact book (2006), there are over four thousand registered churches in Kenya. The old denominations commonly referred to as the mainstream churches include the Roman Catholics, Anglican Church, Full Gospel Churches, Presbyterian Church of East Africa, Methodist and Baptist. Lately, Kenya has witnessed the mushrooming of what are referred to as Pentecostal churches. In Nairobi, the most popular ones include; Nairobi Pentecostal Church, Nairobi Lighthouse Church, Redeemed Gospel Church, Deliverance Church, Jesus is Alive Ministries and the Jubilee Christian Centre. In context, the church is perceived to have a primary pastoral role and as a place of solace, hope and renewal, especially for the vulnerable. Over time, churches have engaged in many developmental initiatives to alleviate all forms of poverty, injustices and ignorance while at the same time contributing considerably towards Kenya's economic growth including provision of massive employment opportunities.

There has been a raging debate in Kenya on whether church activities are any different from business ventures or not. Some people argue that 'the church is the best business to engage in'. In their article 'making money in God's name', Ombuor and Ayieko (2004) have expressed why and how church business has become very lucrative in the recent times. The core business of the church was traditionally to preach the gospel and is hence expected to make their money from tithing which is expressly provided for in the bible. For mainstream churches, business comes in the form of schools, colleges and hospitals that have stood the test of time and made a remarkable input into Kenya's development. Secondary Schools such as Alliance, Maseno, Mang'u, and others have their origins in the Church. The Roman Catholic Church is reputed to be one of the richest institutions as it owns many properties in Kenya. Today, many church leaders, especially among the charismatic churches, have been accused of commercializing the gospel. In Nairobi, such churches have taken over the old movie theatres such as Globe, Cameo, and Odeon and have also gone to the airwaves, with FM radio stations and television networks. Underlying the above is a concern that religion has become a big industry enjoying an extraordinary boom (Ombuor and Ayieko, 2004).

Unlike the past years when significant source of funding for the churches' mission was foreign donors, today churches have established diverse sources of funds as a way of responding to the

dwindling aid levels and to equip themselves for the achievement of their broadened objectives (Onyando, 1999). The principles of diversification strategies discussed in this paper, just like in the 'profit sector' are therefore relevant since the researcher is of the opinion that these organizations undergo one form or another of diversification as they seek to fulfil their set goals and objectives.

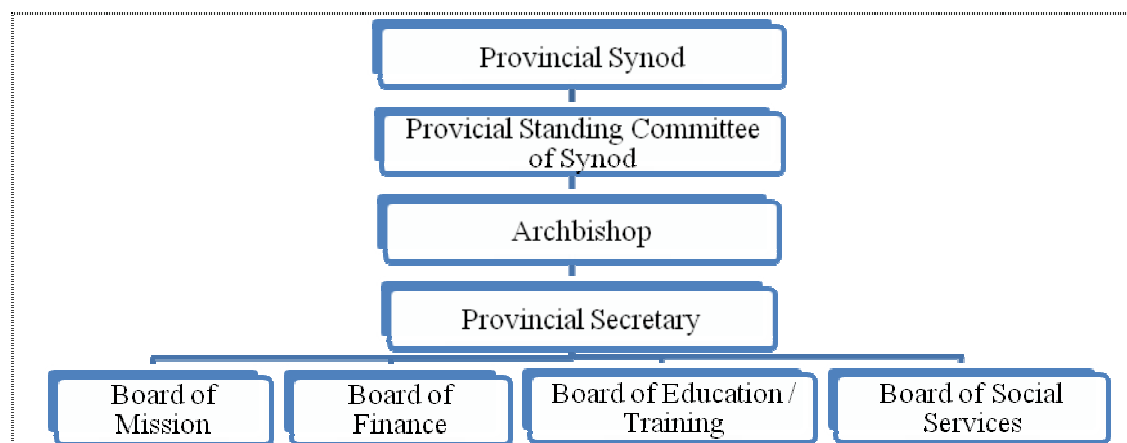
1.1.3 The Anglican Church of Kenya

The organizational details presented in this section are available in the (Anglican Church of Kenya, n.d.). The vision statement of the ACK is "to have a strengthened Anglican Church built on the foundation of the apostolic faith in Jesus Christ with the ability to equip all God's people to face the challenges of the new millennium". The ACK mission statement is "to bring all people into a living relationship with God through Jesus Christ; through preaching, teaching, healing and social transformation and enabling them to grow in faith and live life in its fullness".

The history of the Anglican Church of Kenya dates back to 1844 when the first missionary from the Church Missionary Society (CMS), Dr. Johann Ludwing Krapf arrived in Mombasa. In 1889, divinity training for evangelists started at CMS and nine years later, the first diocese of Mombasa was formed comprising the vast Kenya's geographical coverage and Northern Tanganyika. More dioceses of the church were subsequently launched in various parts of Kenya. In 1955, the first African bishops, Festo Olang' and Obadiah Kariuki were consecrated. For the purpose of handling finances and property of the Anglican Church, the Church Trust (now the Church Commissioners for Kenya) was formed in 1957. In 1971, the Anglican consultative council representing world Anglicanism, held its inaugural meeting in Limuru, Kenya and in 1974, Imani house, the then headquarters of the ACK and the diocese of Nairobi was opened. Today, the headquarters of the church is located at the ACK Garden, Upperhill, Nairobi. Updates available at the 'current news' section of the ACK website indicate that the new archbishop, the Rt. Rev. Dr. Eliud W. Wabukala succeeded the Most Rev. Benjamin M. Nzimbi who retired on 30th June 2009.

In 1998, the name of the church was changed from the Church of the Province of Kenya to the Anglican Church of Kenya (ACK). The polity of the church is Episcopal Church governance, headed by bishops from the Greek word, "episcopos," which means overseer or superintendant and which is the same as other Anglican churches globally. The church maintains a system of geographical parishes organized into dioceses. Today the church has grown tremendously from a few members scattered around the coastal region to over 5 million across the country. In a period spanning 164 years, the church has established 30 dioceses, several institutions and theological colleges which are all interlinked through a computer network founded by Trinity Church, Wall Street, New York. The Anglican Church is a member of the 70 million strong Anglican Communion. The organization chart for the ACK structure is as detailed below.

Figure 1: ACK Organogram



Source: ACK Website

As explained in the ACK website, the Provincial Synod is the governing council of the church as a body while, its sub-committee, the Provincial Standing Committee of Synod attends to urgent matters arising, which do not necessarily require the attention of the Provincial Synod. The boards of mission, finance, education/training and social services channel matters through this sub-committee for deliberation before receiving the final mandate from the Provincial Synod.

The Board of Mission is the evangelistic arm of the Church. The church recognizes that illiteracy is the greatest hindrance to human development, hence, the Board of Education and Training

aims at reducing ignorance in people for the advancement of the church and mankind. The Board of Social Services seeks to address the major areas of societal concern-Development, Communication, Justice, Peace and Reconciliation. Last but not least is the Board of Finance which enables the advancement of the mission of the Church by providing material resources.

The ACK just like any other church or organization, however, faces challenges in funding and sustaining its missions especially in the face of globalisation, economic crisis and deteriorating disposable income for the ordinary Kenyans. In line with the vision and mission of the church, the ACK owns various institutions and properties which are geographically spread across Kenya. All the business units which include several Guest houses and Theological Institutions, a Language and Orientation School, Uzima Publishing House and the St Nicholas Community Development Centre among others appear to be related in terms of products / services and also the market (see Appendix 1 for the full list of the institutions). These institutions / businesses mainly operate in line with the organization structure by providing education, training and social services. The leadership and management of the ACK expect these units to be self-sustaining and make profits that can be ploughed back for growth. The circumstances that demand the ACK to operate in a business-like manner is a trend that requires development and implementation of clear strategies to ensure effectiveness and efficiency that can lead to long-term growth.

1.2 Statement of the Problem

Diversification has been largely considered as one way to expand and develop firms with a view of providing customers with greater quality and service and for survival in the long run. In today's highly competitive world, almost all organizations are now engaging in profitable ventures for survival (Grant, 1998). Most NFP organizations and churches in particular are pursuing diversification as a corporate strategy (Johnson et al, 2005) since the traditional sources of funds such as donor aid have been gradually diminishing. One factor that has aggravated this position is globalisation, since it has increased the levels of competition and consequently impacted on organizations' corporate strategies. According to Salamon and Anheier (1997) most NFP organizations have been forced to redefine their strategic goals and objectives in order to align with the changing operating environment for survival. According to the findings of an

evaluation study by Stern (2008), the deliberations of the ‘2002 Paris Declaration on Aid’ and the ‘August / September 2008 Accra High Forum summit on Aid Effectiveness debate’ are clear indications of the shifting positions of the development partners of NGOs.

Though some scholars have associated diversification with failure, most organizations continue to diversify to enjoy the advantages linked with the strategy such as economies of scale and scope, synergies, to diversify shareholder portfolios and brand extension (Matsusaka, 2001). Due to the risks associated with diversification such as matching firm’s capability with the strategy as identified by Ansoff (1990), many attempts by firms to diversify have led to failure. However, there have been some cases of success.

Today, most churches in Kenya have shifted from just providing spiritual nourishment to its congregations and members, to playing a more influential role in nurturing people through provision of social and economic needs. The financial sustainability matter has therefore become a topical issue among the church leadership and related bodies in Kenya. Stern and Stalk (1998) have explained that to achieve successful diversification, appropriate strategies must be selected and relevant tools and techniques applied to successfully manage the diversified portfolio. As a consequence, unlike the past years, churches today have embraced professionalism as part of their work practice to achieve competitive advantage and in response to the changing operating environment.

There have been some researches done on the subject area of diversification strategies for the private sector in Kenya such as Thuo (2004) and Musembi (2007). In both studies, the results depict diversification strategy as instrumental for the private firms that acquire a competitive edge over others and are able to survive in turbulent times. However, no study specific to churches and in particular the ACK has been done regardless of the extent of the church participation in diversified ventures. The ACK has been pursuing the strategy of diversification as a way of achieving its goals and objectives. Significant growth for the church has been observed over time and today, it is perceived as a ‘rich’ church, owning major commercial properties and various institutions, widely spread across Kenya. The discussion of diversification

as a corporate strategy at the ACK is therefore crucial considering their core business, capacity and experiences regarding the same. Further, a major concern for the churches is their ability to operate beyond pastoral relief and welfare functions and at the same time manage the complex structures.

In spite of the known high rates of failure among firms that have attempted to apply diversification as a corporate strategy, ACK could be considered a success. This study therefore sought to gain an in-depth understanding of the ACK diversification strategy by attempting to answer the following critical questions. What is the nature of the diversification strategy applied at the ACK and the principal motives behind it? And what are the factors that influence the ACK diversification strategy?

1.3 Objectives of the Study

The study has two objectives. These are:

- To establish the nature and motivation behind the ACK adoption of diversification as a corporate strategy.
- To determine the factors influencing the diversification strategy applied at ACK.

1.4 Significance of the Study

This information can be useful to policy experts in making policies that facilitate best practices among churches, and hence benefit the entire society. To the scholars and other researchers, the study contributes to existing literature in strategic management and stimulates a basis for further research.

The study also offers an insight to the church leadership, other stakeholders and related organizations on the contributions of the diversification strategy to the positive performance of the ACK. It can be useful to the current players in the religious sector and particularly the churches since they may borrow a leaf on successful wealth creation and management strategies. The study therefore provides an underpinning for management excellence. ACK would become a point of reference for other organizations to learn from or emulate.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

Strategy is about winning. Strategy has been defined as a unifying theme that gives coherence and directions to the actions and decisions of an individual or organization (Grant, 1998). Mintzberg (1987) proposed the five P's of strategy, namely: as a plan; a ploy; a pattern of behavior; a position in respect to others; and lastly as a perspective. Another definition views strategy as the determination of the basic long-term goals and objectives of an enterprise, the adoption of courses of action and the allocation of resources necessary for carrying out these goals (Chandler, 1962).

Ansoff (1990) adds that effective strategies are those that promote a superior alignment between the organization and its environment and the achievement of its goals. The components of strategy identified by Grundy (1995) include distinctive competence (something an organization does exceptionally well), scope (range of markets in which an organization will compete) and resource deployment (how an organization will distribute its resources across the areas in which it competes). Strategy helps to provide the basic long-term direction for the organization, enabling it to set up a clear direction so that the managers are able to focus on the future while still ensuring the urgent functions are undertaken. Strategy enables the organization to focus its resources and efforts through proper resource allocation resulting to enhanced effectiveness (Pearce and Robinson, 2006).

Porter (1998b), indicates that there are three generic strategies namely, differentiation, overall cost leadership and focus. He states that the generic strategies are approaches to outperforming competitors in the industry. The differentiation strategy is where an organization seeks to distinguish itself from competitors through the quality of its products or services. An organization by pursuing overall cost leadership strategy attempts to gain competitive advantage by reducing its overall costs below the costs of competing firms. The focus strategy is when an organization concentrates on a specific regional market, product line, or group of buyers. While

the issue of generic strategies is debatable, strategists agree about the critical role of grand strategies.

Pearce and Robinson (2006), states that grand strategies, often called ‘master or business strategies’, provide basic direction for strategic actions. There are fifteen principal grand strategies, namely: concentrated growth; market development; product development; innovation; horizontal integration; vertical integration; concentric diversification; conglomerate diversification; turnaround; divestiture; liquidation; bankruptcy; joint ventures; strategic alliances; and consortia. Any of these strategies could serve as basis for achieving the major long-term objectives of a single firm, while with firms of multiple businesses, industries, product lines or customer groups, usually combines several grand strategies.

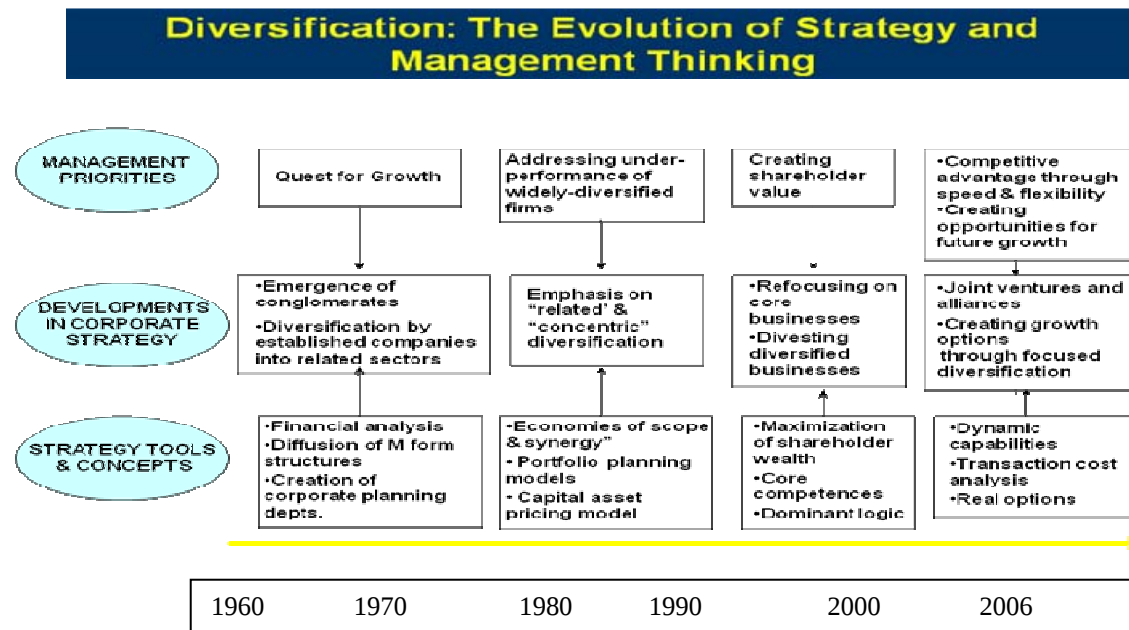
Mintzberg (1999) identifies two main types of strategic alternatives. The first is the business-level strategy, which is the set of strategic alternatives that an organization chooses from as it conducts business in a particular industry or a particular market. The second is the corporate-level strategy, the set of strategic alternatives that an organization chooses from as it manages its operations simultaneously across several industries and several markets. According to Grant (1998), the decisions over which businesses the firm is to operate in are most fundamental strategy decisions and are guided by the firm’s mission statement.

2.2 Diversification Strategy

Corporate diversification has been a subject of discussion in regards to its efficiency. According to Kastens (1973) diversification is a negative strategy and diversifiers are always running away from something. He adds that it runs against one of the oldest ideas in economics, that specialization is productive. Despite that observation, diversification has been a common corporate strategy in the past forty or fifty years. A popular explanation for its prevalence is that firms are plagued with agency problems that allow managers to enter new businesses (from which they privately benefit) at the expense of shareholders (Walker, 2004). However, the empirical evidence suggests that diversification is not entirely an agency phenomenon. The

figure below summarizes the evolution and development of the diversification strategy over the last four to five decades.

Figure 2: Diversification: The Evolution of Strategy and Management Thinking



Source: Retrieved from www.csun.edu/~degravel/MGT693/pwpt%20chapters/ch15.ppt by Degraevl (2006)

Campbell et al (2002) defines diversification as business growth that involves developing new products for new markets. Likewise, Johnson et al (2005) define diversification as a strategy that takes the organization into both new markets and products or services. For the purpose of this study, the researcher adopts the description of diversification as a collection of businesses under one corporate umbrella (Howe, 1986). A company is therefore diversified when it is in two or more lines of business.

Strategy-making in a diversified company is a bigger picture exercise than crafting a strategy for a single line-of-business (Hax and Majluf, 1996). A diversified company needs a multi-business and / or a multi-industry strategy. A strategic action plan must be developed for several different businesses competing in diverse industry environments. In addition to a business strategy which identifies and maintains a sustainable competitive advantage in each of the business units, a

coherent corporate strategy is needed. The corporate-level strategy focuses on how to create value for the corporation as a whole (Johnson et al., 2005).

The two key concerns in corporate strategy relates to what businesses the corporation should engage in (scope decisions) and how the corporate office manages the array of business units (portfolio management). A coherent corporate strategy can best be thought of as how, in pursuit of a vision, the corporation aligns its goals and objectives, organizational structure, systems and processes, and choice of industries and strategies to build and leverage the unique resources to give it a corporate advantage. It is through these actions that the corporation will create value and hence justify its existence as a multi-business entity. Corporate strategy is what makes the corporate whole to add up to more than the sum of its business unit parts (Grundy, 1995).

Thompson and Strickland (1989) have observed that most firms begin as small single business enterprises and seem to follow a fairly standard strategic path to develop to complex organizations. During a company's early years, the product line tends to be limited, the capital base thin and the competitive position weak. Nearly always, the initial strategic theme is to grow and build, with chief strategic thrusts aimed at increasing sales volume, improving market share and cultivating customer loyalty. Opportunities for geographical market expansion are pursued next. This usually proceeds from local to regional to national and to international markets, depending on profit potentials. The third generation of corporate strategy may be towards opportunities for vertical integration, either backward to sources of supply or forward to the ultimate consumer. After this level, the strategic options are either to attempt a more intensive implementation of current line of business or to focus on diversification opportunities and on expanding the kind of business the company is in.

2.3 Motives for Diversification

According to Johnson et al (2005), diversification might be undertaken for a variety of reasons, some more value-creating than others. The reasons that potentially create value include economies of scope or benefits of synergy, gains from applying corporate managerial capabilities and increase in market power. The reasons that serve managerial interests more than

shareholders are taken to be less value creating such as diversifying to respond to environmental change or to spread risk across a range of businesses. Diversification strategies tend to be driven by three major goals of growth, risk reduction and profitability (Grant, 1998). Although growth and risk reduction have been prominent motives for diversification, they tend to be inconsistent with the creation of shareholder value. With regard to growth, any firm that attempts to expand within a single industry immediately faces two limitations: the rate of growth of the market itself, and the ambitions and reactions of its market competitors. Any business seeking to achieve a growth rate above the market rate is implicitly or explicitly envisaging an increase in its market share (Howe, 1986). Such a motive is not only likely to be resisted by competitors but can also be very costly.

The other reason for pursuing diversification strategy is to reduce business risks. Firms tend to distribute their corporate eggs among a number of market baskets. If in the present market a firm's profits are subject to variability over time as a result of being particularly affected by certain environmental factors such as interest rates, cyclical demand or the weather, by combining the firm's activities with those activities less likely to be affected by such factors, the overall riskiness or time variability of profits can be reduced (Howe, 1986).

For firms contemplating diversification, Porter (1987) proposes three "essential tests" to be applied in deciding whether diversification will truly create shareholder value. These are the attractiveness test, the cost-of entry test, and the better-off test. This implies that the industries chosen for diversification must be structurally attractive or capable of being made attractive, the cost must not capitalize all the future profits and finally either the new unit must gain competitive advantage from its link with the corporation, or vice versa.

At a general strategic level, Ansoff (1968) suggests that firm's objectives of profit, risk and growth cannot be achieved by continuing to operate in their existing markets, and hence, their achievement must be sought in new market areas. Therefore, where a business has excess financial resources beyond those necessary to satisfy its expansion plans in existing markets,

they would rather invest in new market areas. If greater opportunities are presented to the firm in new market areas, the diversification programme may be undertaken to benefit from these.

The major reason for a firm adopting a strategy of diversification as summarised by Howe (1986) is to allow it to reduce its dependence upon a single market area. Johnson et al (2005) suggested that organisations often diversify to respond to environmental change, and sometimes in order to satisfy the expectations of powerful stakeholders, including top managers who may want to save their jobs. The following additional reasons (considered as benefits of diversification by other authors) and can be summarised as incentives, resources and managerial motives. The incentives which enhance strategic competitiveness are economies of scope, market power and financial economics. Both the tangible resources such as financial resources and physical assets, and intangible resources such as tacit knowledge, customer relations and image and reputation, have varying effects on value creation and strategic competitiveness. The managerial motives for diversifying include diversifying managerial employment risk and increasing managerial compensation.

2.4 Types of Diversification

There are two broad types of diversification, namely the related diversification and the unrelated diversification (Johnson et al, 2005). Related diversification is a strategy in which an organization operates in several different businesses, industries, or markets that are somehow linked. Johnson et al (2005) has defined related diversification as strategy development beyond current products and markets, but within the capabilities or value network of the organization. Unrelated diversification is a strategy in which an organization operates multiple businesses that are not logically associated with one another. Johnson et al (2005) defines unrelated diversification as the development of products or services beyond the current capabilities or value network. The unrelated diversification is often described as ‘conglomerate strategy’.

One attribute for diversifying into businesses that do not relate to each other is that the decision is financially-driven rather than strategically-driven. Further, issues of strategic fit, value chain relationships or strategic theme are not taken as important, whereas the matters of profitability

and size are highly considered. Another reason for unrelated diversification is to exploit an identified opportunity such as where there are firms with undervalued assets, financially distressed and turnarounds, and there seems to be a bright future with limited capital.

Some advantages for unrelated diversification include: business risk is scattered over different industries; capital resources are invested in those industries offering best profit prospects; there is stability of profits since hard times in one industry may be offset by good times in another and if management is exceptionally astute at spotting bargain-priced firms with big profit potential, then shareholder wealth can be enhanced. However, this strategy sometimes does not always lead to high performance due to the complexity of managing a diversity of businesses and also firms with unrelated strategies fail to exploit important synergies, putting them at a competitive disadvantage to firms with related diversification strategies (Thompson and Strickland, 1989).

Drawing on the idea of the value network, vertical integration and horizontal integration are two major forms of related diversification. Johnson et al (2005) describes vertical integration as either backward or forward integration into adjacent activities in the value network. Backward integration is development into activities concerned with the inputs into the company's current business while forward integration is the development into activities which are concerned with a company's outputs. This is what Porter (1998a) refers to as vertical linkages within a firm's value chain. The way supplier or channel activities are performed affects the costs or performance of a firm's activities. Pearce and Robinson (2006) considers vertical integration as a grand strategy based on the acquisition of firms that supply the acquiring firm with inputs or new customers for its outputs.

Johnson et al (2005) has described horizontal integration as the development into activities which are complementary to present activities. One of the principal attraction of horizontal integration as a grand strategy is that the acquiring firm is able to greatly expand its operations, thereby achieving greater market share, improving economies of scale and increasing the efficiency of capital use (Pearce and Robinson, 2006). Many organizations have realized that

there are opportunities in other markets for the exploitation of the organization's strategic capabilities.

Strategic fit exists among different businesses when their value chains are sufficiently similar and hence offer various opportunities. These opportunities include competitive advantage potential of lower costs, efficient transfer of key skills, technological expertise, managerial know-how and the use of a common brand name. The presence of strategic fit in a diversified firm's portfolio, along with corporate management's skill in capturing benefits of the interrelationships makes related diversification capable of being a $2 + 2 = 5$ phenomenon (Thompson and Strickland, 1989). The four main types of strategic fit are, technology fits, operating fits, distribution and customer –related fits, and managerial fits. Therefore, strategic fit can be based on shared technology, common labor skills, common distribution channels, common suppliers & raw materials sources, similar operating methods, and similar kinds of managerial know-how, ability to share common sales force, customer overlap and any area where meaningful sharing opportunities exist in businesses' value chains (Thompson and Strickland, 1989).

Related diversification is often seen as superior to unrelated diversification, in particular because it is likely to yield economies of scope. However, it is useful to consider that it can also be problematic. First, significant time and cost is involved in top management at the corporate level in trying to ensure that the benefits of relatedness are achieved through sharing or transfer across business units. Secondly, there is difficulty for business-unit managers in sharing resources with other business units or adapting to corporate-wide policies, especially when they are incentivized and rewarded primarily on the basis of the performance of their own business alone (Johnson et al, 2005).

2.5 Competitive Advantage from Diversification

Hundertmark, Olinto, & Shulman (2008) asserts that an analysis of the performance of basic-materials companies suggests that diversified ones can weather business cycles more successfully than their focused counterparts. Reducing organization's dependence on any one of

its business activities reduces economic risk. Further, there are reduced overhead costs associated with managing any one business through economies of scale and economies of scope. Grant (1998), states that the primary source of value creation from diversification is exploiting linkages between different businesses. Some of the specific advantages of related diversification include strategic fit, economies of scope and competitive advantage. Related diversification also allows an organization to exploit its strengths and capabilities in more than one business, and synergy exists among a set of businesses when the businesses' value together is greater than their economic value separately (Thompson et al, 2007).

One of the linkages that exist and can be exploited as source of value from diversification is market power. It has been argued by Grant (1998) that large diversified companies could exercise market power through predatory pricing, reciprocal buying and mutual forbearance. Predatory pricing is a key competitive weapon for driving out competitors in particular product markets. Further, a diversified company can leverage its market share across its businesses by reciprocal buying arrangements with customers.

The most general argument concerning benefits of diversification focuses on the presence of economies of scope in common resources (Grant, 1998). Economies of scope utilize strategic fits to gain cost or other competitive advantage while the economies of scale use size to gain advantage. The economies of scope arise from the ability to eliminate costs by operating two or more businesses under same corporate umbrella. It exist whenever it is less costly for two or more businesses to operate under centralized management than to function independently and also when cost savings opportunities can stem from interrelationships anywhere along businesses' value chains. Economies of scope are therefore exploited in different ways according to the tangible and intangible resources and organizational capabilities in question (Teece, 1980).

Egras (1988) argues that although economies of scope provide cost savings from sharing and transferring resources and capabilities, economies of scope can be exploited simply by selling or licensing the use of the resource or capability to another company. An example is where airport and railroad station owners exploit economies of scope in their facilities not by diversifying into

catering and retailing, but by leasing out space to specialist retailers and restaurants. Though the returns to patents and brand names can often be appropriated efficiently through licensing, complex general management capabilities may be near impossible to exploit through market contracts. The more deeply embedded a firm's capabilities within the management system and culture of the organization, then the greater the likelihood that these capabilities can only be deployed internally within the firm.

A central role of the corporate head office in diversified corporations is to allocate capital among the different businesses according to the profit prospects of the different investment opportunities (Mintzberg et al, 2002). Considering the case of financial capital where significant costs are incurred in using external capital markets, diversified companies can benefit from lower costs of capital by building a balanced portfolio of cash generating and cash absorbing businesses. In this respect, the diversified corporation represents an internal capital market in which the different businesses compete for investment funds.

An important benefit of internal capital and labour markets within the diversified corporation is that the corporate head office has a better access to information than is available to external capital and labour markets. As a result, the diversified corporation may be more efficient in reallocating its resources among its divisions. In the case of capital, these information advantages may be especially great for new ventures. Further, a diversified firm that is engaged in transferring employees between business units and divisions has access to much more detailed information such as the abilities, characteristics, and past performance of each of its employees.

2.6 Challenges and Possible Interventions of Diversification

There are a number of reasons that have been given for poor diversification performance. First, problems are likely when there does not appear to be a clear diversification strategy of businesses of a firm (Howe, 1986). Because diversification by nature offers a wide remit to strategists, there is perhaps a reluctance to establish diversification guidelines. Diversification ventures, particularly those arising from acquisitions, may tend to be made on an ad hoc opportunistic basis rather than as part of long-term diversification strategy based upon goals of

the organization and following a thorough investigation of the markets and the individual ventures concerned.

Secondly, management often appears to be over-optimistic in respect of its ability to manage varied interests, or insufficiently well prepared for differences between the new ventures that it undertakes and conditions in its principal market. Management may also be over-optimistic regarding the rate at which diversified interests will generate profits. Firms should encourage positive management of the portfolio of interests rather than simply an 'investment trust' approach to holding a bundle of assets (Hill, 2001).

Thirdly, diversified businesses adopt an uncritical, passive attitude to the management of their varied interests (Howe, 1986). Firms undertaking diversification should do so only in the context of an explicit policy regarding what the objectives of such a strategy are and how diversification is going to achieve these objectives; Individual ventures and their markets should be examined in detail prior to any specific strategy being implemented; time horizons should also be regarded so as to determine time period over which the diversified ventures become profitable.

Finally, Ansoff (1990) strongly asserts that the responsiveness of the firm's capability must match the aggressiveness of its strategy for success. The organization structure of a diversified firm should therefore be carefully chosen to reflect and accommodate this strategy. Most firms face great challenges when they shift from their old strategy and fail to match the same with a structure and capability relevant to the new environment.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was undertaken as a case study design at the organizational level. Yin (1984) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. The emphasis of detail provides valuable insight on the subject being studied. Further, the flexibility of the case study approach and the emphasis on understanding the context of the subject allow for a richness of understanding sometimes referred to as thick description (Cooper and Schindler, 2006).

Researchers who opt for case study approach normally select the specific organization or situations to profile which offer critical, extreme or unusual cases. The choice of the Anglican Church of Kenya was driven by a popular perception among the church circles that 'ACK is a rich church due to its well organized structure of the CCK', hence considered a success story in diversification. The case study was considered appropriate as it gave an in-depth understanding of the diversification strategy applied at the ACK.

3.2 Data Collection

The data required for this study was both primary and secondary so as to gather extensive and comprehensive details that would lead to informed findings and conclusions. Case studies tend to provide in-depth information about a limited number of subjects, and may produce new insights that generate additional studies (Marshall and Rossman, 1999). The major challenge expected in using the case study approach is that the researcher is required to have excellent knowledge of the topic when designing questions.

Most qualitative research relies on the unstructured or semi structured interview as it enables the interviewer to extract more data and to achieve greater clarity and elaboration of answers. For this study an interview guide (see appendix 4) was prepared to assist in collection of primary data. The development process of the interview guide was thorough. The initial draft comprised

of many specific questions which were eventually compressed to some general ones to avoid excess limiting of the target respondents. After it was assessed critically by the project supervisor, the draft was improved to produce the refined document.

To obtain multiple perspectives on diversification strategy at the ACK, the researcher combined interview data from participants with information extracted from secondary sources. The primary data was collected by way of personal interviews guided with the pre-prepared interview guide consisting of open- ended questions. The secondary data was obtained from the ACK website, policy guidelines, brochures, newsletters and other relevant sources.

The respondents were drawn from the senior management team of the ACK since they are involved in crafting of organizational strategy and thus expected to have a better understanding of the issues pertinent to diversification, which is a corporate level strategy. Eight senior officers comprising the Provincial Secretary, three directors of various boards and four institutional heads were interviewed. The gender representation which was two females (20%) against six males (80%) corroborates with the male dominance of the top leadership of the entire church. Since seven out of the eight respondents had been in service in the organization for more than five years, their responses are considered as objective and well informed because the long duration of service is believed to enrich an individual's institutional memory.

3.3 Data Analysis

Data analysis is the process of bringing order, structure and interpretation to the mass of collected data (Marshall and Rossman, 1999). According to Cooper and Schindler (2006), it usually involves reduction of the accumulated data into a manageable size, developing summaries, looking for patterns and applying statistical techniques. For qualitative research, data analysis is primarily non-quantitative and it forces the researcher to see the contextual framework of the phenomenon being measured.

For the purpose of this study, data collected was analyzed qualitatively using content analysis, based on analysis of the information emanating from the responses to the open-ended

measurement questions and the data collected from secondary sources. Content analysis measures the semantic content or the 'what' aspect of a message. Its breadth makes it a flexible and wide-ranging tool that may be used as a stand-alone methodology or as a problem-specific technique. Content analysis has been described as a research technique for the objective, systematic, and quantitative description of the manifest content of a communication (Cooper & Schindler, 2006).

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

4.1 Historical Background and the Role of the Church Commissioners for Kenya

The missionaries who came to Kenya under the auspices of various church denominations such as the Anglicans, the Roman Catholics, Baptists and Presbyterians played a critical role in the inception of the diversification strategy applied by mainstream churches in Kenya today. The various missionary societies established except for the Catholics and Seventh Day Adventists, were operated under the umbrella of the Alliance of Protestant Missions, the forerunner of the National Council of Churches of Kenya. From the interviews, it emerged clearly that these missionaries applied similar grand strategies to address the needs of the native people by focusing on a holistic approach that resulted to construction of churches, schools, hospitals, and commercial centres among other.

The main goal of the CMS was evangelism (spreading the gospel or the white man's religion). Since the CMS considered the use of education and provision of social services as fundamental and powerful tools for achieving their objectives rapidly, the society went ahead to acquire plots for its mission stations, churches and schools, with the title deeds issued in the name of the Church Missionary Trust Association whose registered office was in London. During the colonial times, the CMS just like any other missionary society held properties in trust for the local people. In accordance with their policies, the CMS subsequently transferred all their properties to the local Anglican Church and as a consequence, the current diversification strategy of the ACK owes its ancient times to the Church Missionary Society. This led to the establishment of the Church Trust in 1957 and was renamed as the Church Commissioners for Kenya in 1962, a body of trustees to hold properties and handle investments on behalf the entire Anglican Churches of Kenya.

The CCK is a corporate entity registered under the Kenyan Companies Act (CAP 486) and currently owned by the thirty dioceses of the ACK, with a mandate to undertake all investment services and generate income on behalf of the church so as to facilitate its core mission of spreading the gospel. The CCK also plays a trusteeship role as the custodian of the church land and ACK retirement benefit scheme. The study established that the main objects of CCK were

exactly the same as those of the CMS Trust. The reasons for which the CMS Trust was established was to assist the spreading of the gospel and extension of Christ's kingdom through its activities and to make a contribution to the religious, social, economic and cultural life of the people among whom it serves.

For the last about fifty years, the structure of the CCK has been made up of the main body consisting of members who are representatives of their dioceses known as Commissioners. Each diocese is represented by its bishop, one clergyman and one layman. In addition to the diocesan representatives, the CMS nominates one person for election. The Archbishop of Kenya is the chairman of the church commissioners body which meets once every year to receive the governor's report, audited financial statements and to consider any matters which may be referred to them by the governors. The CCK board of governors which is elected by the commissioners meets monthly to formulate policies of the Trust. The board comprises the Archbishop of Kenya and chairman of Provincial Board of Finance as ex-official members, six members and three professional advisers and business practitioners who are experienced in their areas are co-opted in order to strengthen the board's capacity in the execution of the organization's mandate in property development and investment.

The CCK has over time been under pressure to have prudent investment plans to sustain adequate funding for the church activities which have been growing rapidly. In appreciation of the emerging challenges, the CCK developed a ten year strategic plan (2006 to 2016) and revised it in 2008 with the hope that it will act as a bridge to enable the CCK achieve its core goals and objectives over the plan period based on clearly defined mission and vision. The adoption of the strategic plan resulted to a restructuring process which led to some old long serving staff being declared redundant to give way to a highly qualified and professional youthful team. In that plan, institutionalizing of four committees of the CCK board to serve in the areas of Human Resources, Finance and Investments, Technical and Development and Provident Fund Management was recommended for effective implementation of the strategic plan. Though at the time of this study, these positions had not been filled up, it is envisioned that the new structure of the CCK will be very instrumental towards achievement of its goals and objectives.

The bulk of the income generated by CCK is from investments in properties, fixed-term deposits and equity. The new CCK leadership recognizes the competitive profile of the investment sector in Kenya and is aggressively seeking ways to improve its investment income through the upgrading and development of existing properties and further diversification of its investments. The organization has made progress in modernizing its processes and systems through computerization. The CCK also recognized the need to invest in technology upgrade and developing staff competence to remain relevant in today's highly dynamic operating environment. The study established that the leadership anticipates that effective implementation of the identified changes through structured programmes would result to significant growth for the CCK and the trickling effects to be felt by the entire ACK.

4.2 The nature of the diversification strategy at the ACK

The diversification strategy of the ACK was described by the respondents as very broad and complex in nature. As a grand strategy, it provides basic direction for all strategic actions of the organization. Though the ACK has several multi businesses (see Appendix 1 for the provincial institutions) which are supported by multi structures, the varied interests are all managed for the purpose of achieving the vision and mission of the entire church. The CCK controls the investment interests of the head office, also referred to as the provincial office, because the dioceses have been operating autonomously in developing and implementing their strategic decisions. Since the dioceses pursue their strategies as guided by their localised vision and mission statements, they all differ in terms of levels of development.

The church has been pursuing its diversification strategy in line with its vision and mission statements and in the process propagates the intentions of its predecessors, who applied a holistic approach to issues of life. The paramount goal is therefore to equip all God's people to face the challenges of the times they are living in. The church desires to nourish people spiritually, socially, economically and intellectually, hence, all the ACK activities revolve around its core mission of preaching, provision of social services and education / training. The establishment of the multi businesses and institutions are targeted to impact on the society positively and profit realized in the process committed to sustaining operations and for growth. All the dioceses are

actively involved in the core mission of evangelism while the head office ensures that the bishops are well equipped for the task. The social ministry programmes are implemented through nine regions known as Christian Community Services and each region initiates and implements development projects through participatory and sustainable approaches. The ACK's educational and training programmes are founded on the biblical quote in Hosea 4:6 that "my people perish for lack of knowledge". All the activities revolve around the arm of finance and are somehow linked to achieve economies of scope and synergy.

All interviewees concurred that the ACK pursues the related type of diversification strategy and enjoys strategic fit in form of market, operations and management. The Nairobi guest house for example was initially set up as a central accommodation point for the missionaries who travelled to various destinations to preach the gospel. The language school was mainly for the missionaries with a need to learn the local language. Since the Language and Orientation school attracts customers from all over the world, its proximity to the guest house is strategic as it generates a lot of customers and also makes marketing of the guest house easier. The language school was rapidly expanded to meet the needs of voluntary agencies (NGOs), church workers of various denominations and individual persons wishing to exploit its facilities of language study. Theological institutions prepare individuals for the mission work while development department ensures that the communities are transformed physically, intellectually, environmentally, socially and economically.

In the above context, the nature of diversification strategy of the ACK, particularly the extent, direction and entry mode provides a clear linkage to the literature review findings. According to Ramu (1999), the diversification strategy of a firm depends on the direction pursued which could be vertically integrated, related or unrelated. There is a common finding in the literature review and this study that diversified firms perform better if they operate in closely related industries.

4.3 The motives behind the ACK diversification strategy

The church through its investment arm engages in diversification strategy to generate sufficient resources to run all its institutions and for growth. Since overtime there have been changes in

priorities and funding of some church activities (previously substantially financed by overseas partners), turning to local fundraising has been a worthwhile alternative for ACK. The sound financial standing of the ACK makes it possible to support its core activities and to actively participate in social responsibility programmes such as famine relief contributions and sustainable programmes like constructing boreholes and dams for the community. The church encourages its regions and dioceses to be keen on emerging global and local trends and design response mechanisms in order to remain relevant.

The advancement of the diversification strategy of the ACK is also driven by the significant contributions towards the growth of the Kenyan economy by way of providing employment opportunities, per capita income growth, and provision of social amenities to improve living standards among other. This makes the church to be highly appreciated and recognized by the government and the society at large. The ACK church, for example is normally consulted by the Kenyan government on some policy and governance issues that affect the educational sector such as the development of curriculum / syllabus for primary and secondary schools as a result of the active role that ACK has played in the educational sector for many years.

Some motives for the expansion of the current diversification strategy of ACK are driven by responsiveness to the dynamic environment. For example, the church is planning to establish of more secondary schools with a national outlook. The main motive for the planned establishment of such institutions is to have them become tools for breaking the tribal divisions in the society. Following the recent political crises in Kenya that led to eruption of tribal wars, the church leadership believes that coexistence of communities is very important since perception can kill a country. Further, expansion in the area of provision of middle level training for the increasing number of those who are not able to proceed with higher education is also a current focus as ACK seeks to address the gap in the education system. The church, through its communication department is helped to understand and interpret the environment within which she finds her mission so as to respond appropriately.

The establishment of most institutions by ACK plays a catalytic role in facilitating achievement of its goals and objectives. The language school has been long established and known for many years. It has been instrumental for breaking of language barriers affecting most workers in the society. Most countries in the region, Africa and world at large have found it key for assisting in the smooth running of their diplomatic missions. The orientation programmes offered to new workers in the church and other organizations has been helpful in preparing excellent performers for organizations and governments. The Rwandan and Burundian governments for example are using the school largely since they have been francophone for long and have recently decided to appreciate English as an official language. The flow of customers to the school remains high since it is a specialised service offered by the school in the region.

In the literature review, the key motives identified for diversification include growth, profitability and risk spread. The study findings relate with all the three motives and further suggest that the operating environmental effect which may be related to the risk aspect is also critical as far as the diversification strategy is concerned.

4.4 Factors that influence the diversification strategy at the ACK

The study established that one of the key policies of CCK requires distribution of two thirds of its annual profit by way of dividends to all the dioceses of the church as grants to finance both recurrent and capital expenditure, while the remaining third should be ploughed back for re-investment and long-term growth. The rapid diocesan growth has reduced the size of dividends made to each diocese over the years. In order to keep up with the diocesan and provincial head quarter demand for funds to carry out their activities, very minimal funds were set aside for further development in the past. To address this challenge, it was decided that for the period between 2007 and 2011, dividend payments would be suspended and resume thereafter at an improved level.

The respondents expressed concern over the intensified level of competition facing the institutions as income generating units to support the churches' mission. Most of these institutions were established in the earlier years when trade liberalization and globalization were

not prevailing. There are future plans to upgrade the ACK facilities to meet the needs of the customers. In this regard, the CCK is vigorously monitoring its strategies for maximum productivity. The management for example has intentions of converting all the guest houses into three or four star fully fledged hotels so as to bring them to the level of competitors.

The bulk of ACK income is from investments in properties, fixed-term deposits and equity, whose performance mainly depends on the prevailing political and economic climates. When the prevailing conditions are unfavourable, the returns from the investments are adversely affected. For example, prior to year 2003, investments were affected by political uncertainty, harsh economic environment and loss of investor confidence unlike the five year period of 2003 to 2007 which saw the country slowly emerge from a depressed economy to an emergent and robust one with increased demand for investments in properties and businesses. This created great opportunities for CCK with investments growing significantly than ever before. The CCK is seeking other areas to further diversify its interests as a way of risk management.

Another challenge has been to administer the entire church from centralised offices in Nairobi. This has been difficult due to poor infrastructure of transport and communication networks in the country coupled with its growth in size. This has led to each diocese following its vision and applying unique strategies in running its affairs. The Trinity church in the United States of America was very instrumental in the improvement of the technological aspects of the church. However, this project stalled after emergence of the debatable issue of same sex unions, for which the Kenyan church forthrightly could not support. Development of an all inclusive and comprehensive long and short term strategic plans for the entire church is currently in place to ensure better focus on the key issues affecting the church. A decision to split the church structure into 4 regions, each headed by a regional archbishop to ease the management of the entire church has also been reached.

Maintaining relevance with the changing times has also been a challenge facing the organization as far as developing and implementing the diversification strategy is concerned. The ability to detect glaring and forthcoming opportunities and possible threats that may need exploration,

exploitation or addressing has not been trouble-free. In some cases, it has resulted to loss of assets such as the 'Rabai' museum at the Kenyan coast which is now managed by the government, who generate significant financial resources from the former ACK missionary church. The recent nomination of the "policy reference group" who are professional people and members of the church as a think tank for the organization is a positive step to achieving growth. For example the group is expected to make valuable contributions towards sound government policies. When the government developed its 'vision 2030' document, the group has been keen on studying it and monitoring its implementation as a way of identifying where the church can work in partnership with the government in achieving its goals and point out what has been left out that needs to be addressed.

An effective and efficient organization has employees who are vibrant, versatile and dedicated to their work. Writers of business strategy such as Porter (1998a), emphasize that competitive advantage is achieved through people. The key differentiation between good and poor performers is the quality of staff employed & the extent to which those staff are motivated and committed to making an effective contribution to organizational success. In other words, 'people make the difference'. The ACK has sometimes faced the challenge of selection and placement of the right calibre of staff to appropriate positions. In some instances, bishops heading dioceses engage in making decisions in certain fields where they lack the relevant qualification or the experience. The ACK leadership anticipates a great improvement in the area of human resource management as the church enters a new era of leadership.

The study established that there are several factors that may determine the success or failure of the diversification strategy of an organization. In this case, some of the factors are institutional such as the policies in place while others relate to external environment such as political and economic factors. The way a firm responds to the environment is critical as Ansoff (1990) strongly asserts that the responsiveness of the firm's capability must match the aggressiveness of its strategy for success.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

5.1.1 The nature and motivation behind the ACK adoption of diversification strategy

The results of the study indicate that the diversification strategy at the ACK owes its inception to the missionary / colonial days and in about the last one decade, the organization has grown tremendously towards making the strategy a success. The findings indicate that the diversification strategy which is founded and practised in line with the vision and mission of the organization is focused towards equipping all God's people for the times they are living. To achieve such a broad purpose, the strategy is designed in such a way that its nature is holistic targeted to addressing all issues of human life. All activities of ACK which are related in nature are geared towards achieving the prime goals of the organization.

Grant (1998) argues that diversification strategies tend to be driven by three major goals of growth, risk reduction and profitability. The study established that in the case of ACK all the three motives are relevant although the growth motive seems to override the other two. The study further established that profitability, though a secondary motive is considered very important as it is the engine that drives all the activities by way of resource generation for the sustainability of the ACK mission and achievement of its goals. Risk reduction is also appreciated by way of establishing diverse business units. The diversification strategy of the ACK is very flexible to the dynamic environment and hence some driving forces are responsive in nature to the changing needs of the people.

5.1.2 The factors that influence the ACK diversification Strategy

The results of the study show that the ACK diversification strategy required minimal efforts for its success in the past years due to less competition prevailing then. However, with the emerging situations and changing operating environment, there was a great need to respond appropriately so as to remain relevant and to acquire a competitive edge for survival. The study established that some of the factors affecting the strategy include competition, overstretching of available resources due to high growth rate of the church, centralization as way of managing the church, human resource management and the political and economic factors affecting Kenya.

The factors affecting the diversification strategy of the ACK and the interventions are dynamic with the prevailing operation environment. Since the goal of strategic management is to build and maintain sustainable competitive advantage and to maximize shareholder value, organizations have to change to align themselves to changes in their environments. There have been interventions put in place to counter the challenges facing the organization's diversification strategy such as amending income distribution policies governing the CCK for the sake of achieving long-term growth for the entire church. The church has also recently approved the establishment of four regional offices each to be headed by a regional archbishop in addition to the current archbishop of Kenya.

5.2 Implications of the Study

Based on the findings of the study, the focus on diversification strategy is a powerful tool for acquiring and sustaining a competitive advantage. It is thus expected that the leadership and management of the ACK, its entire stakeholders and other organizations will gain a better understanding of the diversification strategy in place and the pertinent factors, both the challenges and the possible interventions that influence the same. This will ensure that policy makers and practitioners have a better focus in future decision making.

Since diversification strategy is likely to be widely practiced in the religious sector in Kenya today, this study provides an insight for more relevant studies to be done. It is therefore hoped that the findings of this study will contribute to the existing body of knowledge and form a basis of further research for future researchers.

5.3 Suggestions for further research

Considering the previously autonomous relationship between the ACK head office and the current thirty dioceses of the church, it would be worthwhile to conduct a survey of the extent of application of diversification strategy at the level of these dioceses. Further, since the entire church is currently undergoing a transition, the extent to which these strategic changes will have on the corporate strategies of ACK is a potential area to research on.

Whereas this study focused on the diversification strategy as applied at the ACK, it is also possible that other mainstream churches have also employed a similar strategy. A study on the diversification strategy applied by the religious sector or a comparison of the diversification strategy among various churches may be useful.

5.4 Limitations of the Study

The researcher conducted the interview during a transitional period for the organization in terms of leadership of the entire church and reorganization of its investment arm, the CCK. It was therefore not possible to interview some of the senior staff and also some respondents felt that things were moving towards a different direction and as such it was difficult to respond appropriately.

Another challenge experienced by the researcher was the length of time taken for the interviews. Though the researcher had indicated to the interviewees that the interviews would be short, it proved difficult to be in control in some cases due to the broad nature of the subject, hence the tendency to diverge from the topic. Some of the interviewees, due to their senior positions had busy time schedules dealing with emergency responses and it required a lot of patience on the part of the researcher.

5.5 Conclusion

It is clear from the study that successful application of diversification strategy at the ACK church just like in any other corporate body has yielded great results for growth, profitability and risk reduction. A coherent corporate strategy that focuses on creating value for the organization as a whole is therefore essential for success. Further, the ACK considers itself as a learning institution and is determined to advance in its diversification strategy by embracing relevant emerging environmental changes and responding appropriately. Understanding and anticipating the factors that influence the diversification strategy is instrumental for gaining and sustaining a competitive edge over other firms.

Through its diversification strategy, the ACK has made great achievements in tackling major human life challenges such as poverty, unemployment and poor standards of living. Despite the various arguments regarding pitfalls that have faced most multi business organizations, the case for ACK emerges as a success. It proves that organizations can benefit from diversification strategy, which should encourage the religious sector and other organizations who are contemplating adopting a similar strategy to venture into such diversification. From the study, it is apparent that profitability, growth and risk spread are the principal benefits associated with diversification strategy of the ACK, which concurs with the reviewed literature.

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APPENDICES

APPENDIX 1: PROVINCIAL INSTITUTIONS

GUEST HOUSES

Nairobi Guest House

Mombasa Guest House

St. Julian's Centre

THEOLOGICAL INSTITUTIONS

St. Andrews Theological College, Kabare

St. Pauls Theological College, Kapsabet

Berea Theological College, Nakuru

St. Phillips Theological College, Maseno

Bishop Hannington Theological College, Mombasa

Provincial T.E.E Programme - Trinity College, Nairobi

Church Army Africa

OTHER INSTITUTIONS

Language and Orientation School

Church Commissioners

Uzima Publishing House

St. Nicholas Community Development Centre

APPENDIX 2: LETTER OF REQUEST FOR STUDY

September, 10 2008

The University of Nairobi

School of Business

P.O Box 30197,

Nairobi.

To,

The Provincial Secretary

The Anglican Church of Kenya

P.O. Box 40502,

Nairobi

Dear Sir / Madam,

REF: REQUEST FOR DATA AND USE OF ORGANIZATION INFORMATION

I am a post graduate student undertaking an MBA degree course at the University of Nairobi. My area of specialization is Strategic Management. As a requirement of partial fulfilment of the award of the degree, I am currently undertaking a management research project entitled, "Application of Diversification strategy at the Anglican Church of Kenya".

In order to ensure that my study is complete, I am required to seek relevant information from your organization. I am therefore requesting your permission to use your organization's information to be collected through the interview guide attached. The information gathered will be treated as confidential and will be used for academic purposes only. A copy of the completed project will be availed to your organization upon request for record purpose.

Your co-operation is highly appreciated.

Thanking you in advance.

Yours faithfully,

Rose N. Musila:.....

Prof. Evans Aosa (Supervisor).....

APPENDIX 3: LETTER OF INTRODUCTION

September, 10 2008
The University of Nairobi
School of Business
P.O Box 30197,
Nairobi.

To,
The Director
Board of Missions, ACK
P.O Box 40502,
Nairobi.

Dear Sir / Madam,

REF: INTERVIEW GUIDE RESPONSES

I am a post graduate student undertaking an MBA degree course at the University of Nairobi. As partial fulfilment of the requirements of the course, I am currently undertaking a management research project entitled, “Application of Diversification strategy at the Anglican Church of Kenya”.

To this end, I kindly request you to respond to the attached interview guide, to the best of your knowledge and as soon as you can to facilitate this research. I would like to give assurance that all information provided will be treated with utmost confidentiality and will be used solely for the purpose of this research. Further, your name will not be disclosed in the research findings or anywhere in the report.

Your co-operation is highly appreciated.

Thanking you in advance.

Yours faithfully,

Rose N. Musila:.....

Prof. Evans Aosa (Supervisor).....

APPENDIX 4: INTERVIEW GUIDE

This interview guide has been designed to collect information from selected staff of the Anglican Church of Kenya and is meant for academic purposes only. Please feel free to participate in the discussion as all the information that you provide will be treated in confidence.

PART A: RESPONDENT'S PROFILE

1. Gender:.....
2. Current department:.....
3. Current position held:.....
4. Total number of years in service at the ACK:.....

PART B: DIVERSIFICATION STRATEGY AT THE ACK

5. Discuss the diversification strategy of the ACK.
6. What are the motives behind the ACK adoption of the current diversification strategy?
7. Are there possibly any new business units or ventures currently being considered?
What are the motives behind it?
8. What type of diversification strategy is the ACK pursuing and what strategic fit exists among the ACK business units?
9. What are benefits to the ACK associated with the diversification strategy in place?
10. What are the challenges and possible interventions that the organization has been experiencing in managing its multi business / multi institutions?
11. Please indicate the suggestions / recommendations on how the diversification strategy in your organization could be improved.

Thank you for your time and patience.