THE EFFECT OF TOP MANAGEMENT TEAM DIVERSITY AND COMPETITIVE ENVIRONMENT ON THE RELATIONSHIP BETWEEN DIVERSIFICATION STRATEGY AND PERFORMANCE OF COMPANIES LISTED IN THE NAIROBI SECURITIES EXCHANGE

EMILY ONDARI

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

2015

DECLARATION

I, the undersigned, declare that this is my original work and it has not been submitted to any institution of learning for academic credit. All the sources used herein are duly acknowledged.

Signature……. Date…….

Emily N. Ondari

D80/73187/2012

The thesis has been submitted for examination with our approval as university supervisors.

Signature……. Date…….

Prof. Zachary B. Awino, PhD

Department of Business Administration

School of Business, University of Nairobi

Signature……. Date…….

Dr. Vincent N. Machuki, PhD

Department of Business Administration

School of Business, University of Nairobi

Signature……. Date…….

Prof. Ganesh P. Pokhariyal, PhD, D.Sc.

Department of Mathematics

School of Business, University of Nairobi

COPYRIGHT

For information, contact Emily N. Ondari at the following address:

P.O. Box 1481-00100

Nairobi-Kenya

E-mail: emny1000@gmail.com

DEDICATION

This piece of work is dedicated to my children, daughter Kimberley Kemunto and sons Brandon Ondari and Jesse Atika.To my spouse Bernard Ondari for being my pillar and to my parents, brothers and sisters for always being there for me.

ACKNOWLEDGEMENTS

First and foremost I would like to thank the Lord God almighty through whose grace and mercy I have found strength and desire to pursue this degree and for granting me health and wealth to accomplish this task. From the formative stages of this thesis, to the final draft, I owe an immense debt of gratitude to my supervisors Prof. Zachary Awino, Dr. Vincent Machuki and Prof. Ganesh Pokhariyal. Their sound advice and careful guidance were invaluable as I attempted to establish the state of literature in this area of diversification strategy.

I extend a word of appreciation to my PhD colleagues of the 2012 class who have positively impacted on my academic pursuit particularly John Mahasi, Joyce Ndegwa, Lillian Ogendo, Beatrice Ombaka, Fredrick Kasomi, Walter Ongeti, Paul Mwasaru, Bruce Ogaga and Paul Murgor who have supported and pushed me in more ways than I can mention. I sincerely thank my colleague Caroline Mugo for her support and encouragement during this process.

My gratitude goes to Alex Makori for his guidance in data analysis and the respondents who enabled me to obtain the data that I needed. Further, I thank the entire university fraternity for their support in one way or the other. Specifically, I would like to mention Prof. Martin Ogutu of School of Business, Department of Business Administration. To all others who in one way or another contributed to my success in this thesis but whom I could not mention here, thank you all and God bless you.

Last but not least, special gratitude goes to my spouse Bernard Ondari and children Kimberly, Brandon and Jesse for their patience, encouragement and prayers.

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

AIMS: Alternative Investment Markets Segment

BSC: Balanced Score Card

CE: Competitive Environment

CEO: Chief Executive Officer

CBK: Central Bank of Kenya

CMA: Capital Markets Authority

DS: Diversification Strategy

EPS: Earnings per Share

FISMS: Fixed Income Securities Market Segment

GDP: Gross Domestic Product

IO: Industrial Organization

MIMS: Main Investments Market Segment

NSE: Nairobi Securities Exchange

PBT: Profit before Tax

RBT: Resource Based Theory

RBV: Resource Based View

ROA: Return on Assets

SBSC: Sustainable Balanced Score Card

TBL: Triple Bottom Line

TMT: Top Management Team

TMTD: Top Management Team Diversity

UE: Upper Echelons

LIST OF FIGURES

LIST OF TABLES

ABSTRACT

A fundamental question in corporate strategy is the choice of horizontal scope – the set of industries and market segments in which a firm competes. Governing this choice is a trade-off between the threat of losing focus and the opportunity to grow and exploit synergies. This trade-off raises the question of whether and when diversification is profitable. Though diversification has been inconclusively linked to organizational performance, diversification strategy alone cannot influence performance. The top management team is in control of any strategy from formulation to implementation. Different strategies pose different management challenges that, in turn, require systematically different management skills and experiences to be implemented successfully. Designing viable strategies for a firm requires a thorough understanding of the firm's competitive environment. The relationship between diversification and performance is complex and is affected by intervening and contingent variables such as type of relatedness, the capability of top managers, industry structure and the mode of diversification. The study sought to establish the effect of top management team diversity and competitive environment on the relationship between diversification strategy and performance of companies listed at the Nairobi Securities Exchange in Kenya. Specifically, the study sought to establish the influence of diversification strategy on performance as moderated by top management team diversity and competitive environment. A census survey was carried out on all the 59 publicly quoted companies out of which 35 responded. The study reveals statistically significant results for the influence of diversification strategy on non-financial measures of firm performance and statistically not significant results on financial performance. Specifically, diversification relatedness had a statistically significant effect on organizational performance whereas mode of entry into diversification did not have a statistically significant effect. The findings revealed statistically not significant results for the individual and combined moderating influence of TMT diversity and competitive environment on the relationship between diversification strategy and organizational performance. This study has contributed to the general body of knowledge by providing empirical findings for the context of companies listed at the NSE a context which is largely unexplored in literature with regard to diversification strategies. The introduction of TMTD and CE as moderating variables is unique and the statistically not significant results imply that there could be other factors that influence this relationship other than TMTD and CE. For policy makers, the study implies that diversification is an effective strategy for improving firm performance. The results of this study can be used in policy development in the areas of business growth strategies and priority diversification areas for business firms. Managers can use the findings of this study to identify performance drivers in their respective organizations. More importantly, they should establish which DS will lead to a sustainable competitive advantage. One of the main drawbacks of this study was that the financial performance indicators (EPS and PBT) yielded statistically not significant results when they were regressed with the various study variables. The study therefore considered only non-financial measures of firm performance. Secondly, the study employed a cross sectional approach whereas a longitudinal approach would provide for a longer time of study to observe relationships among study variables. Future research studies can use other organizational characteristics as moderators to gain further insights into the relationship between diversification strategy and firm performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

For many years researchers have attempted to interrogate why some organizations achieve higher levels of performance than others. Organizational performance is dependent on many factors among them; the strategy of the firm, structure, resources and capabilities of the firm (Krishnan, 1997). Diversification strategy among other strategy choices can influence the performance of organizations (Purkayastha, 2013). The study by Marlin et al. (2004), found out that firms with different strategies do have different top management teams (TMTs) that appear to be matched with the task demands posed by a particular diversification strategy. Burillo and Moreno (2013) suggested that the skills that constitute the quality of TMT in a single-business firm are distinct from a diversified firm and that as firms diversify, top managers have to acquire those skills.

Both strategy and business environment have been hypothesized and empirically demonstrated to have significant effects on performance (Porter, 1980). Designing viable strategies for a firm requires a thorough understanding of the firm's competitive environment. The state of competition in an industry, which is rooted in its underlying economics, depends on the competitive forces that work to define the industry structure (Ogollah et al., 2011).These linkages are rooted in various theories. These include; the industrial organization theory (Bain, 1968), the portfolio theory (Amit and Lavnit, 1988), resource based theory (Purkayastha, 2013), upper echelons theory (Hambrick and Mason, 1984), the stakeholder theory (Freeman, 1984), and the agency theory (Lewellen, 1971).

According to the industrial organization theory (IO), a firm must find itself a favorable position in an industry from which it can best defend itself against competitive forces, or even influence them in its favor by such strategic actions as deterring entry or raising barriers to entrance (Teece et.al, 1997). The IO theory is complemented by the portfolio analysis theory that postulates that firms should diversify and not depend on a single operation because as seen in the finance theory, whenever the cash flows of individual business units are not perfectly correlated, the total risk, as measured by variability of consolidated cash flows is reduced by diversification (Amit and Livnat, 1988).

The strategic choices that a firm makes are initiated by the organizational leaders known as the upper echelons. Upper echelon theory argues that TMT characteristics shape organizational performance (Beckman and Burton, 2008).The Upper echelon theory postulates that an organization's strategic choices and subsequent performance are a reflection of its TMT (Hambrick and Mason, 1984).The resource based view argues that profit seeking firms diversify in response to excess capacity in resources (Montgomery, 1994). The RBVT suggests that the specific type of diversification strategy a firm can adopt and its performance are conditional on its pool of resources (Newman et al., 2014).

Previous studies (Kariuki, 2013; Machuki and K'Obonyo, 2011) have shown that companies listed in the NSE are diversified. The companies listed at the NSE are constantly faced with the challenge of improving their performance in the face of stiff competition and to partially address this challenge, they have pursued diversification as one of the strategies of growth and sustainability. The TMT members of these firms are responsible in giving the strategic direction and oversee the execution of the

diversification strategy. The state of competition in the industries these firms diversify into will determine the performance of these firms. An understanding of the diversification strategy, TMT diversity, competitive environment and performance relationship is key in improving performance for these companies.

1.1.1 Diversification Strategy

Diversification is of central concern to strategy scholars as it is a critical engine for firm growth (Zhou, 2011). Diversification strategy can be defined as expanding or entering in new markets which are different from the firm's existing product lines or markets (Anil and Yigit, 2011). According to Ogutu and Samuel (2012), diversification is positively related with performance, it enables a firm to generate opportunities in one business, or reduce risk in another by diversifying its activities and balancing its investment risk. Adner and Zemsky (2006) argue that firms diversify when they have valuable and difficult-to-imitate resources that are valuable across industries, or are complementary to resources in other industries, and where these gains cannot be realized by contracting among independent firms.

Diversification is defined as the entry of a firm or business unit into new lines of activity either by processes of internal business development or acquisition, which entail changes in its administrative structure, systems, and other management processes (Ramanujam and Varadarajan,1989). Ansoff (1965) proposed that firms expand along a particular growth vector, seeking to broaden markets for existing products, develop new products for existing markets, or diversify into totally new product markets, depending on the opportunities associated with these different options. Montgomery (1994) researched on

why organizations diversify from three perspectives; the market power view, resource view and the agency view. As per the market power perspective, diversified firms will thrive at the expense of non-diversified firms not because they are any more efficient, but because they have access to what is termed conglomerate power (Bausch and Pils, 2009).

The market power perspective focuses on the ability of large conglomerates to use their dominance in one market to sponsor activities in another market (Neffke and Henning, 2013). To wield power across markets, a firm must first have some measure of strength in its individual markets. Industrial organization theory, for instance, has traditionally emphasized potential benefits of diversification arising from market power. Diversification may lead to increased market power that is exercisable through cross-subsidization, predatory pricing, reciprocity in buying and selling, and the creation of entry barriers (Bausch and Pils, 2009). Diversification may allow a firm to blunt the efforts of competitors via predatory pricing which is defined as sustained price cutting with the design of driving existing rivals from the market or discouraging potential rivals from future entry. Short term losses can be offset with gains from future higher prices.

The resource based view argues that corporate diversification is used to leverage resources that are partially left idle by a firm's current activities (Neffke and Henning, 2013).Researchers in finance argue that diversification benefits managers because it buys them insurance and shareholders usually bear all the costs of such insurance. Accordingly, the agency view would predict a negative relationship between diversification and firm value. Diversification can improve debt capacity, reduce the

chances of bankruptcy by going into new product or markets (Singh et al., 2004), and improve asset deployment and profitability (Teece, 1982; Williamson, 1975). This study emphasized that diversification strategy is one the strategies that can influence organizational performance. The choice of diversification strategy involves allocation and management of resources that has an ultimate effect on the performance of an organization.

1.1.2 Top Management Team Diversity

The TMT constitutes the dominant coalition of individuals responsible for the management of a company, particularly in formulating and implementing strategies for change (Camelo et al., 2010).Irungu (2007) defined the TMT as the primary unit that governs the firm's environment; makes strategic choices and evaluates feedback. TMT can be considered the information processing center of an organization in its relationship with its environment (Thompson, 1967). In large complex organizations, managerial responsibilities are unlikely to be the exclusive domain of just one individual (Hambrick, 2007).

According to Mintzberg (1979), the role of the TMT is to identify environmental opportunities and problems, interpret relevant information, consider the organizational capabilities and constraints, and formulate and implement strategic change. Beckman and Burton (2008) argued that managers' demographic characteristics influence the decisions that they make and therefore the actions adopted by the organizations that they lead. They suggest that this occurs because demographic characteristics are associated with the many cognitive bases, values, and perceptions that influence the decision making of managers.

In recent times, there has been considerable interest in effectiveness of strategic leadership, especially in managing organizational change and sustaining new forms of organization structures.

The upper echelon theory posits that firms are a reflection of their top managers (Hambrick & Mason, 1984) as these leaders play an instrumental role in the performance and long-term viability of their respective organizations (Henderson, Miller and Hambrick, 2006). The main objective of developing the UE theory was to provide scholars a greater ability to predict and understand organizational outcomes with the help of analyzing the powerful actors in the organization that is, the upper echelons that comprises both corporate level and business level upper managers.

The value of a well composed TMT seems to fulfill this criterion to a certain degree as TMTs are inimitable and often non-substitutable. The influence of a strong senior management team can positively affect product development outcome (Verona, 1999). It is important to highlight the relationship between capabilities and performance in product development. Teece (2003) states that the ability to recognize opportunities depends in part on the individual's capabilities and extant knowledge, particularly about user needs in relationship to existing as well as novel solutions.

Diversity is the variation of social and cultural identities among people existing together in a defined employment or market setting (Cox, 2001). Team diversity refers to the distributional differences among members of a team with respect to a common attribute (Harrison & Klein, 2007).These attributes include gender, race, national origin, religion,

age cohort and work specialization, among others. TMT Diversity can be viewed in two perspectives; demographic and cognitive diversity. Miller (1990) defines cognitive diversity in terms of differences in beliefs and preferences held by upper echelon executives within a firm. Cognitive diversity refers to variation in beliefs concerning cause effect relationships and variation in preferences concerning various goals for the organization (Miller, 1990).

This study emphasized the role of TMT because the TMT is seen as the main player in choosing the diversification strategy and the operationalization of the chosen strategy. The chosen strategy is conceptualized as a strategic decision influenced by the TMT characteristics that also influence the actions taken to actualize the objectives of organization's goals. It is expected that successful diversification strategies result from the ability of the TMT to develop skill and competency in managing diversification.

1.1.3 Competitive Environment

Huo et al. (2014) characterized the competitive environment as the degree of competition faced by a company. According to Porter (2008), the nature and degree of competition in an industry hinge on five forces: the bargaining power of customers, the bargaining power of suppliers, the threat of new entrants, the threat of substitute products or services and the jockeying among current contestants. Whatever their collective strength, the corporate strategist's goal is to find a position in the industry where his or her company can best defend itself against these forces or can influence them in its favor (Porter, 2008).

According to Porter (1980), every industry has an underlying structure or a set of fundamental economic and technical characteristics that give rise to these competitive forces. New entrants to an industry bring new capacity, the desire to gain market share and often substantial resources (Marshall, 2013). The seriousness of the threat of entry depends on the barriers present and the reaction from existing competitors that the entrant can expect. Powerful suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased goods and services. Customers likewise can force down prices, demand higher quality or more service and play competitors off against each other all at the expense of industry profits (Alkhafaji, 2003). According to Marshall (2013), substitute products or services limit the potential of an industry and the industry will suffer in earnings and possibly in growth.

Rivalry among existing competitors by use of tactics like price competition, product introduction and advertising can reduce the profitability of an industry. A company's choice of suppliers to buy from or buyer groups to sell to should be viewed as a crucial strategic decision. A company can improve its strategic posture by finding suppliers or buyers who possess the least power to influence it adversely. Porter (2008) argues that by understanding how the five competitive forces influence profitability in their industry, firms can develop a strategy for enhancing their long-term profits.

Porter (2008) suggests the following: position your company where the forces are weakest, exploit changes in the forces and reshape the forces in your favor. According to Porter (2008), the competitive forces reveal the drivers of industry competition. A company strategist who understands that competition extends well beyond existing rivals

will detect wider competitive threats and be better equipped to address them. Coyne and Sujit (1996) challenged the Porter's five forces model because of three assumptions the model was based on: that buyers, competitors, and suppliers are unrelated and do not interact and collude; the source of value in the model is structural advantage (creating barriers to entry) and that uncertainty is low, allowing participants in a market to plan for and respond to competitive behavior.

The impact of complements was introduced as the sixth force in addition to Porter's five forces (Adam and Barry, 1996). According to Grant (2002), Complementors are companies outside the industry selling goods or services that complement industry competitors. Complements are always important in affecting the overall demand for an industry's product. When demand is small or stagnant, firms should encourage the provision of complements and sometimes produce complementary products themselves or partner with other firms to do so. Palvia et al. (1990) suggested adaptations to the Porter's model to suit developing country contexts by adding two more forces: government and logistics.

Governments in developing countries play a very significant and dominant role in the economy especially through policies, infrastructure and regulations. Logistics includes all of the physical systems and infrastructure required to move raw materials from suppliers to the firm and finished goods from the firm to customers. Specifically, logistics includes transportation systems, communication systems, warehousing and distribution networks. This strategic force may not be particularly important in developed nations, but is generally very significant in developing countries (Palvia et al., 1990). Often the logistics

systems and the infrastructure in such countries are far from adequate. Aosa (1997) concurred with Palvia et al (1990) and introduced a new force called power play to the Porter's model. Aosa (1997) noted that the logic of Porter's model holds true in Kenya but before the model is fully applicable, it needs to be modified to include the three forces.

Aosa (1997) further noted that Kenya faced strategic challenges which could not be fully explained by Porter's model. This study sought to assess the effect of competitive environment on the relationship between diversification and performance because the competitive environment that an organization operates in can have an influence on the performance of the organization. A highly competitive environment can reduce the profits that a firm anticipates to make because of the rivalry among competitors. On the other hand, a less competitive environment can improve the performance of the firm.

1.1.4 Organizational Performance

Organizational performance has become a recurrent theme in strategic management research (Machuki and Aosa, 2011). Performance is the attainment of organizational goals by using resources in an efficient and effective manner (Daft, 1983). According to Hamann et al. (2013), organizational efficiency refers to the amount of resources used to achieve an organizational goal and organizational effectiveness is the degree to which organization achieves a stated objective. The more resources wasted during the production process, the more inefficient the manager. If organizations are using their resources to attain their goals, the managers are effective.

According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance, product market performance, and shareholder return. Thompson (1967) and Schendel and Hatten (1972) suggest that the success of an enterprise seldom depends upon a single factor. The performance of an organization is one of the clearest indicators of the viability of the firm's strategy and an important predictor of whether the firm will change the markets it competes in (Boeker and Goodstein, 1991). Performance measurement assesses how well a business is meeting its set goals and objectives and indicates whether the firm needs to improve its operations. There is substantial disagreement, however, concerning the measurement of performance. Some suggest the use of multiple measures while others assert that various aspects of performance may be captured in a single measure (Hatten, Schendel, and Cooper, 1978).

The key ways of measuring and reporting organizational performance are shareholder theory and stakeholder theory (Owen, 2006). In the 1980s, the firm was viewed as belonging to the shareholders, so shareholder theory, which uses shareholder return to measure overall firm performance, dominated organizational performance measurement systems (Porter, 1980). Since the early 1990s, a more stakeholder-based view has gradually come to prevail since the firm is seen to have many responsibilities to a wider set of groups than shareholders. Stakeholder theory assesses organization performance against the expectations of a variety of stakeholder groups that have particular interests in the effects of the organization's activities.

The stakeholder perspective of organizational performance incorporates shareholder value, but recognizes that shareholders are just one group of stakeholders, and only relevant to those organizations that issue shares. Other stakeholders can include employees and their representatives, customers, suppliers, governments, industry bodies, local communities and so forth (Owen, 2006). The BSC performance measurement system is based on stakeholder theory and it incorporates financial, customer, internal processes and, learning and growth perspectives. The financial perspective indicates whether the transformation of a strategy leads to improved economic success.

The customer perspective defines the customer or market segments in which the business competes. The internal process perspective identifies those internal business processes that enable the firm to meet the expectations of customers in the target markets and those of the shareholders. Finally, the learning and growth perspective describes the infrastructure necessary for the achievement of the objectives of the other three perspectives. The SBSC widens the stakeholder base by adding factors specifically designed to capture a firm's social and environmental performance (Hubbard, 2009). At the organizational level, a sustainable business has been defined as one that meets the needs of its stakeholders without compromising its ability also to meet their needs in the future (Hockerts, 1999).

The triple bottom line (TBL) also based on stakeholder theory takes a much wider view of stakeholders than the BSC by adding the social and environmental measures of performance (Elkington, 1997). The TBL approach is based on the idea that a firm should measure its performance in relation to stakeholders including local communities and

governments, not just those stakeholders with whom it has direct, transactional relationships (such as employees, suppliers and customers). This study measured organizational performance using the SBSC approach out of recognition of the inappropriateness of the traditional performance measurement approaches that mainly focused on the shareholder.

1.1.5 Critical Analysis: Linkages of the key variables of the study

Diversification strategy is a strategy implemented by top executives in order to achieve business growth by entering new businesses and attaining above average returns by taking advantage of incoming opportunities (Anil and Yigit, 2011). The structure-conduct-performance (SCP) model stresses the importance of the industrial structure (Porter, 1980) and claims that industrial structure that defines the competitive environment is the key factor that influences strategy and firm performance.

Research on upper echelons perspective suggests that the TMT is the brain center of an organization, and the effectiveness of any strategy depends on how well the TMT formulates and implements a particular strategy. The upper echelons research has shown that the demographic characteristics of TMT members can influence the decisions and actions adopted by the organizations that they lead. The diversity in TMT can result in either positive or negative outcomes in regard to managing diversification and ultimately performance. Therefore, the TMT diversity influence on the diversification strategy cannot be underscored.

Since organizations do exist in an environment, designing viable strategies for a firm requires a thorough understanding of the firm's competitive environment. The competitive environment can thus have an influence the diversification strategy of the organization since organizations diversify in to other areas of business with the ultimate objective of improving performance. The current study takes cognizant of these facts and has hypothesized the direct influence of DS on organizational performance, and the moderating influence of top management team diversity and competitive environment. Therefore, the influence of TMT diversity and competitive environment on the relationship between diversification strategy and firm performance cannot be ignored.

1.1.6 Companies Listed at the Nairobi Securities Exchange in Kenya

The Nairobi Securities Exchange (NSE) known as Nairobi Stock Exchange until July 2011 was formally recognized in 1954 by the London stock exchange as an overseas stock exchange. The NSE has grown to become a major financial institution; now the fourth largest in trading volume across the African continent and plays a key role in the economic growth of Kenya. In 2001, NSE was restructured to give rise to three market segments namely; the Main Investments Market Segment (MIMS), the Alternative Investment Markets Segment (AIMS) and the Fixed Income Securities Market Segment (FISMS) (www.nse.co.ke). The CMA regulates the NSE listed companies. The NSE has listed firms in various industries ranging from agriculture, banking, insurance and manufacturing among others.

Over the last decade, the Kenyan Government has initiated several far-reaching reforms at the NSE in order to mobilise domestic savings and attract foreign capital investment. These measures include privatisation of state corporations through the stock exchange and allowing foreign investors to own shares in the listed companies. The change of name in July 2011 reflected the strategic plan of the NSE to evolve into a full service securities exchange which supports trading, clearing and settlement of equities, debt, derivatives and other associated instruments. In 2011, the equity settlement cycle moved from the previous T+4 settlement cycle to the T+3 settlement cycle.

Over a seven year period (2006 – 2013), the number of companies listed at the NSE has risen from 51 to 59.The companies listed at the NSE face a myriad of challenges among them; expensive credit, high inflation, and stiff competition (NSE, 2012). This scenario has seen many companies listed in the NSE adopt diversification in an effort to improve their performance. Furthermore, the competitive environment faced by these firms could differ within and across the industries.

1.2 Research Problem

According to Kang (2013), the most researched linkage in strategic management is that involving diversification and performance yet it lacks consensus. Despite the substantial number of empirical studies in both finance and strategic management, research on the relationship between diversification and firm performance has not yet reached a definitive consensus on whether firms are better off remaining focused or diversifying in different businesses (Martin and Sayrak, 2003). Despite proliferations of studies on this subject, no clear consensus exists regarding the state of knowledge to date.

Anil and Yigit (2011) posit that the impact of diversification on firm performance is varied: the empirical evidence is inconclusive; models, perspectives and results differ based on the disciplinary perspective chosen by the researcher; and the relationship between diversification and performance is complex and is affected by intervening and contingent variables such as; related versus unrelated diversification, type of relatedness, the capability of top managers, industry structure, and the mode of diversification. Some researchers; Lubatkin and Chatterjee, (1994); Montgomery, (1994) and Berger, (2010) agree that there is a positive relationship between diversification strategy and performance.

On the other hand, some researchers like Denis et al., (2002) and Harris et al., (1982) have pointed a negative relationship between diversification strategy and performance. According to Yu and Chen (2012), these researchers argue that diversification can also increase costs due to difficulties associated with coordination, information asymmetry, and incentive misalignment between headquarters and divisional managers in multidivisional firms. This view is supported by the agency based view that diversification is carried out for the benefit of managers as opposed to the owners (Ataullah et al., 2014). This study joins this debate to investigate the influence of diversification strategy on organizational performance.

One of the main aspects of a company is its TMT which is responsible for developing strategies and decision-making, enabling the company to achieve planned objectives (Burillo and Moreno, 2013). Matching managers to diversification strategy has long been a cornerstone of strategy implementation research (Michel and Hambrick, 1992). The

basic premise underlying this body of research is that different strategies pose different management challenges that, in turn, require systematically different management skills and experiences to be implemented successfully. Managers with backgrounds and skills matched to the critical task demands of a firm's diversification strategy, therefore, should be reflected in superior performance.

Given that different diversification strategies produce different levels of corporate interdependence and impose different task demands upon those in charge of running the organization, it can be expected that firms that have top managers with the skills, knowledge, and values appropriate for their strategy will perform better than those who do not. In addition, since coordination requirements are expected to vary by diversification strategy, the skills, attitudes and perspectives needed for successful strategy implementation can also be expected to vary (Michel and Hambrick, 1992). Literature on the population ecology of organizations contends that the environment selects out various common organizational forms (McKelvey, 1982). There are only a rather limited number of possible strategies and structures feasible in any type of environment. A few favored strategies and structures cause the organizations pursuing them to thrive at the expense of competing organizations. Competitors must therefore either begin to move toward the superior strategies, or perish.

Previous studies (Rawley, 2010; Marlin et al., 2004; Stimpert and Duhaime, 1997) have argued that diversification strategy has an influence on organizational performance but the impact is varied. However, the empirical evidence on the role of both TMT diversity and competitive environment on this relationship is yet to be documented. Studies by

Muchemi (2013); Isoe et al. (2013); Irungu (2007); and Ogollah (2011) interrogated various variables and their influence on performance. However, these studies remained silent on the influence of diversification strategy on organizational performance.

There has been considerable research in respect of diversification strategies by companies but most of the research has been centered in developed countries. This study extends the previous literature by examining diversification strategy in a developing country. Several factors informed the choice of companies listed at the NSE as the context for this study. Firstly, there exist a number of prior studies that have been carried out in this context that have revealed that diversification is actually manifested in companies listed at the NSE. Machuki and K'Obonyo (2011) found out that diversification is one of the strategies largely followed by companies listed at the NSE. The study by Kariuki (2013) found that there is a weak relationship between growth and diversification of companies listed in the NSE. Secondly, the companies are industry heterogeneous thus providing a within and without industry comparison. Thirdly, the variation in financial performance of the companies notwithstanding that they operate in the same macro-environment may be explained by their strategies key among them diversification strategy.

The study by Song (1982) used only the CEO ignoring other TMT members who are important in making the strategic decisions. The current study targeted all members of the TMT by defining the TMT as the CEO and all top managers that report directly to the CEO. Michel and Hambrick (1992) operationalized diversification strategy by use of relatedness only whereas the current study used both relatedness and mode of entry. Mode of entry to diversification is important because it also signifies the extent of

organizational interdependence that will result from diversification. Research on the consequences of diversification has almost been exclusively limited to diversification's impact on corporate financial performance. While corporate financial performance is an intuitive measure to understand how well a firm is doing, it often fails to provide information on long-term firm performance and viability (Kang, 2013). Irungu (2007) and Singh (2010) operationalized performance along financial indicators only whereas the current study used the Sustainable balanced score card (SCBC). The Sustainable balanced score card incorporates both financial and non-financial performance perspectives namely; financial, customer satisfaction, internal business processes, learning and growth, social and environmental aspects.

From the foregoing, no known study has looked at the moderating effect of TMTD and CE on the relationship between DS and performance of companies listed at the NSE. Specifically, the current study has introduced the moderating role of TMTD and CE to the diversification performance relationship. The study set out to investigate the influence of TMT diversity and competitive environment on the relationship of diversification strategy and performance of firms listed at the NSE. The study therefore attempted to answer the research question: does TMT diversity and competitive environment influence the relationship between diversification strategy and performance of companies listed at the NSE?

1.3 Research Objectives

The general objective of this study was to determine the influence of TMT diversity and competitive environment on the relationship between diversification strategy and performance of firms listed at the NSE. The specific objectives were to:

i) Determine the influence of diversification strategy on performance of firms listed at the NSE.

ii) Establish the influence of top management team diversity on the relationship between diversification strategy and performance of firms listed at the NSE.

iii) Assess the influence of competitive environment on the relationship between diversification strategy and performance of firms listed at the NSE.

iv) Determine the combined effect of TMT diversity and competitive environment on the relationship between diversification strategy and performance of firms listed at the NSE

v) Determine the joint influence of diversification strategy, TMT diversity, and, competitive environment on performance of firms listed at the NSE.

1.4 Value of the Study

This study is expected to add value in the areas of theory, practice and policy development. This study has contributed to the diversification strategy literature by providing empirical findings for companies listed in the NSE, a context largely unexplored in literature. In theory development, this study has contributed to understanding the relationship of diversification strategy and organizational performance. This study introduced the moderating role played by TMT diversity and competitive environment on the relationship between diversification strategy and corporate performance.

Various theories including the industrial organization theory, upper echelons theory, the portfolio theory, the resource based theory and the stakeholder theory have also immensely benefited from the findings of this study. By interrogating diversification strategy and TMT diversity the study advanced the portfolio analysis and upper echelons theories since the findings of the study validated the results that have been achieved in other related studies. This study also contributed to the IO theory by Bain (1951) and Mason (1939) which argues that the structure of an industry influences the strategy and decision making of an organization ultimately influencing performance. Although this study did not establish any statistically significant influence of TMTD and competitive environment on the relationship between diversification strategy and performance, it found that TMTD and competitive environment had some weak positive relationship with performance. The RBV theory also benefitted from this study. The main postulation of this theory in regard to diversification is that diversification is used to leverage resources that are partially left idle by a firm's current activities (Neffke and Henning, 2013).

Policy development in the areas of human resources, business growth strategies and priority diversification areas for the firms listed at the NSE will also benefit from the results of this study. This study can be used to guide policy makers on how to choose a DS and the mode of entry into the market. The findings of this study have clearly shown that DS has an influence on organizational performance. Specifically, relatedness was found to influence all aspects (customer satisfaction, learning and growth, internal business processes, and environmental) of non- financial performance except social performance. From this study therefore, policy makers will be guided in making clear policies that will ensure that the right DS is adopted for improved performance.

The results of this study can also be a guide to human resource policy makers especially in the area of recruitment and talent management. The study will guide on how to match the qualities and attributes of managers to the specific diversification strategy that an organization chooses. The results of the study could have implications for a board of directors in their search for and selection of top-level corporate executives, for executive search firms, for executive mobility and for potential takeover targets.

For management practice, this study is expected to enhance the understanding on how to improve business that can lead to superior performance. The findings of this study will help managers to focus on critical success factors for diversification within their organizations hence improving the performance of their institutions. By establishing that diversification contributes more to performance, managers will need to focus more on diversification if they are to improve their performance. The study has further opened up areas for further research for scholars to pursue.

1.5 Structure of the Thesis

The study is organized into five chapters. Chapter one presents the introduction and background of the study which covers both the conceptual and the contextual background against which the study is grounded. The chapter also presents the research problem, research objectives, value of the study and the structure of the thesis. Chapter two provides an in depth review of theoretical, conceptual and empirical literatue. The chapter introduces the theoretical foundations of the study's variables, discusses empirical literature of the relationship of the study's variables on organizational performance and identifies knowledge gaps. Thereafter, the study's conceptual framework and hypotheses are presented.

Chapter three presents the research methodology, which entails the research philosophy, research design, population of the study, data collection method, operationalization of variables and data analysis techniques. In addition, chapter three defines the instrument validity and reliability. Chapter four provides various data tests and descriptive data analysis, results of tests of hypotheses, interpretation of results and discussion. The fourth chapter discusses pretests for multiple linear regression. Research findings are presented at two levels; the first level deals with descriptive data analysis whereas the second level deals with hypothesis testing. Hypothesis testing was guided by the research objectives and each hypothesis was tested and subsequently interpreted. Chapter five offers the summary of findings, conclusion, contributions to knowledge, recommendations, implications of the study on theory, policy and managerial practice, limitations of the study and suggestions for further research.

1.6 Chapter Summary

This chapter has presented the background of the study, discussed briefly the variables of the study that include diversification strategy, top management team diversity, competitive environment and organizational performance. This chapter shed light on what other scholars have done and the gaps that need to be filled. The context of the study which is the companies listed in the Nairobi Securities Exchange in Kenya was also discussed in light of the study variables.

Further, the chapter gave an overview of the theories that anchor the study variables namely; the industrial organization theory, the portfolio theory, resource based theory, upper echelons theory, the stakeholder theory, and the agency theory. The chapter has also presented the research problem, objectives of the study, value of the study and an outline of the thesis. Chapter two will present the theoretical underpinnings of the study, literature review, conceptual framework and the hypotheses of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter looks at the various studies and theories that have been carried out in the area of diversification strategy, TMT diversity, competitive environment and organizational performance. The chapter is organized into the following sections: theoretical foundation, diversification strategy, TMT diversity, competitive environment and organizational performance. A summary of the research work that has been done in this area is presented in Table 2.1 and at the end of the chapter, the conceptual framework is presented in Figure 2.1.

2.2 Theoretical Foundation of the Study

Organizational performance is dependent on many factors among them; the strategy of the firm, structure, resources and capabilities of the firm (Purkayastha, 2013). According to the industrial organization theory proposed by Bain (1968), the structure of an industry determined conduct (strategy), which in turn determined performance. A firm's choice of a diversification strategy is seen as the conduct of the organization in its objective of achieving good performance. The underlying competition in the industry that a firm operates in has had an influence on the strategies that the organization adopts. The diversification literature has suggested that organizations diversify in response to the competition the firm is facing.

The portfolio analysis theory postulates that firms diversify with the objective of managing risks by entering into various businesses that do not have perfectly correlated incomes such that incase of any risk, the organization is protected. The relevance of the upper echelons theory in this study was informed by the key postulation of UE theory that organizational outcomes and strategic choices are partially predicted by TMT demographics. The UE theory suggests that managerial choices are not always following rational motives but are to a large extent influenced by the natural limitations of managers as human beings (Nielsen, 2010). The upper echelons are a key organizational resource that manages the other resources and by making choices about the organizational strategy, their influence cannot be ignored.

The resource based view argues that rent-seeking firms diversify in response to excess capacity in productive factors, here called resources. The resources include factors the firm has purchased in the market, services the firm has created from those factors, and special knowledge the firm has accumulated through time (Penrose, 1959). Researchers in finance argue that diversification benefits managers because it buys them insurance, and shareholders usually bear all the costs of such insurance. Accordingly, the agency view would predict a negative relationship between diversification and firm value. The stakeholder theory posits that all corporate stakeholders stand in relationship with each other, and no single stakeholder group should have its interests elevated above all others (Scott, 2014).

This study explores the underlying theoretical propositions and pertinent empirical literature in order to depict the relationship of strategy, TMT diversity, competitive environment and firm performance. In the conceptualization of this paper, the theories that are considered to be relevant include; the industrial organization, portfolio analysis, upper echelons, agency, stakeholder and the resource based theories.

2.2.1 Industrial Organization Theory

The diversification strategy (independent variable) and the competitive environment (moderating variable) in this study are anchored on the industrial organization theory. This theory is based on the structure-conduct-performance paradigm of Bain (1951) and Mason (1939). The IO theory puts a focus on the market a company operates in, rather than the company itself (Raible, 2013). It is reflected in the structure-conduct-performance (SCP) model, which claims that there is a causal link between the structure of a market in which a company operates, the organization's conduct and in turn the organization's performance in terms of performance (Raible, 2013).With its focus on the SCP paradigm, the IO view put the determinants of firm performance outside the firm, in its industry's structure (Kraaijenbrink et al., 2010).

The theory posits that organizations achieve high performance when there is a fit between organizational strategy and the environment and that the structure of an industry has an influence on the strategy and decision making of an organization. The primary elements of structure identified as important to performance in the early industrial organization (IO) research were; to entry, the number and size distribution of firms, product differentiation, and, the overall elasticity of demand (Bain, 1956; 1968).

The industry structure was defined as the relatively stable economic and technical dimensions of an industry that provided the context in which competition occurred (Bain, 1972). The conduct of the firm was defined as the firm's choice of key decision variables such as price, advertising, capacity, quality and diversification. Rumelt (1991) and McGahan and Porter (1996) all examined the relative influence of industry membership, diversification and business strategy on business-unit performance outcomes. The studies by Rumelt (1991) and McGahan and Porter (1996) demonstrated that much of the variance in overall performance levels could be traced to business-level effects and that industry membership and corporate parentage had significantly less impact on performance outcomes.

The IO theory is relevant to this study because as organizational leaders make strategic choices such as to diversify, the choice is informed by the industry state and structure. The structure of an industry may force an organization to diversify into other industries or into markets within their primary industry in an endeavor to improve organizational performance. Thus, it can be deduced that, the diversification strategy a firm adopts is how a firm conducts itself in the industry given the industry structure to improve performance. This study used the modified porter's five forces model which is one of the IO tools to analyze the competitive industry construct in this study.

2.2.2 Portfolio Analysis Theory

The diversification strategy construct which is an independent variable in this study is anchored in the portfolio analysis theory of finance proposed by Markowitz in 1952. Diversification, a cornerstone of Markowitz' portfolio selection theory is a risk reduction

concept that involves the allocation of investments among various financial instruments, industries and other investment categories (Mangram, 2013).There is consensus that diversification results in risk reduction (Kisaka et al., 2015). The portfolio analysis theory postulates that firms should diversify and not depend on a single operation because as seen in the finance theory, whenever the cash flows of individual business units are not perfectly correlated, the total risk, as measured by variability of consolidated cash flows is reduced by diversification (Hao et al., 2011).

According to Mangram (2013), the objective of diversification is to maximize returns and minimize risk by investing in different assets that would each react differently to the same event. In other words, investors can reduce their exposure to individual asset risk by holding a diversified portfolio of assets. Each firm faces significant potential uncertainty that poses business risk and to mitigate the risks, firms use strategies like diversification that comes with investment in different portfolios to ensure sustained performance. Risk management is one of the prominent functions in organizations today because as organizations strive to improve their performance, taking risks becomes inevitable.

The portfolio analysis theory is relevant in this study because all organizations operate in environments that pose uncertainty. The uncertainty posed by the operating environments expose the organizations to risks that can adversely affect the performance or existence of an organization. The various risks that the organization is exposed to have made the upper echelons to make strategic choices such as diversification so as to mitigate the risks. The upper echelon in making any strategic choice is cognizant of the fact that there are numerous risks that must be mitigated to ensure survival of the organization.

2.2.3 Upper Echelons Theory

Top management team diversity which was one of the moderating variables of this study, is anchored on the upper echelons (UE) theory. The upper echelons theory acknowledges that individual top managers heavily influence organizational outcomes by the choices they make, which are in turn affected by the manager's characteristics (Hiebl, 2014). The upper echelons theory was developed by Hambrick and Mason (1984). This theory provided a framework within which the role of TMT characteristics in influencing organizational outcomes can be interpreted.

The upper echelons theory posits that firms are a reflection of their top managers (Hambrick and Mason, 1984). The theory offers good predictions of organizational outcomes in direct proportion to how much managerial discretion exists. If a great deal of discretion is present, then managerial characteristics will become reflected in strategy and performance. If discretion is lacking, executive characteristics do not matter much (Hambrick, 2007).These leaders play an instrumental role in the performance and long-term viability of their respective organizations (Henderson, Miller and Hambrick, 2006).

Scholars in strategic management have emphasized the role of TMTs in strategy formation and organizational performance (Hambrick and Mason, 1984). Homberg and Bui (2013) defined TMT as the relatively small group of most influential executives at the apex of an organization—usually the CEO (or general manager) and those who report directly to him or her. Superior performance will emerge because of cross-utilization of unique, valuable, inimitable and immobile resources and capabilities within firms as postulated by the resource based theory (Purkayastha, 2013).

As a TMT engages in the strategic decision-making process, each manager's perceptions and interpretations will reflect his or her own cognitive base. Drawing on Hambrick and Snow (1977), Hambrick and Mason (1984) proposed a model of how a manager's cognitive base influences the perceptual process underlying decision making. First, it limits the manager's field of vision, or the areas in the environment to which attention is directed. Second, selective perception occurs because the manager only pays attention to some of the stimuli in his or her field of vision. And third, the information that is processed is filtered through the lens of the cognitive base. According to this theory, top management demographics include age, education, functional background and financial positions.

Other researchers have also included tenure (Nielson and Nielsen, 2013) and gender (Marimuthu and Kolandaisamy, 2009) as part of what comprises top management demographics. Demographic characteristics of executives can be used as valid, albeit incomplete and imprecise, proxies of executives' cognitive frames (Hambrick, 2007).Given the great difficulty obtaining conventional psychometric data on top executives (especially those who head major firms), researchers can reliably use information on executives' functional backgrounds, industry and firm tenures, educational credentials, and affiliations to develop predictions of strategic actions. Granted, the use of demographic indicators leaves us at a loss as to the real psychological and social processes that are driving executive behavior, which is the well-known "black box problem" (Lawrence, 1997).

2.2.4 Resource Based View Theory

The resource-based view (RBV) theory of the firm is a popular theoretical foundation for many studies seeking to explain the sources of sustainable competitive advantage for organizations (Newman et al., 2014). The RBV theory postulates that if a firm is to achieve a state of sustainable competitive advantage, it must acquire and control valuable, rare, inimitable, and non - substitutable (VRIN) resources and capabilities (Kraaijenbrink et al., 2010). The RBV argues that profit seeking firms diversify in response to excess capacity in productive factors, here called resources (Montgomery, 1994). The basic notion, going back to Penrose (1959), is that the greater the relatedness among the markets within which the firm competes, the greater the scope for sharing resources across business units and hence the greater the performance of diversified firms.

Several studies have suggested a systematic relationship between the market that a firm chooses to enter and its resource profile specifically the physical, intangible and financial resources (Chatterjee and Wernerfelt, 1991). The weakness of the RBVT is that the RBV perspective does not escape the general problem of finding the appropriate unit of analysis (Foss, 1998). Most contributions within the RBV take the individual resource as the relevant unit of analysis to study competitive advantage. However, Foss (1998) points out that this choice may only be legitimated if the relevant resources are sufficiently well-defined and free-standing. If, in contrast, there are strong relations of complementarity and co-specialization among resources, it is the way resources are clustered and how they interplay and fit into the system that is important to the understanding of competitive advantage.

The RBV theory is relevant in this study because it is the underlying resources that a firm has that majorly guides a firm on the diversification strategy to adopt. Resources of the firm are the foundation for its long-term strategy because they provide the basic direction for a firm's strategy and they are the primary source of profit. The RBV theory suggests that the specific type of diversification strategy a firm can adopt and its performance are conditional on its pool of resources and capabilities.

2.2.5 Agency Theory

A persistent concern within the finance and management literature is the impact of corporate diversification on firm value. From the dominant agency theory perspective, managers implement diversification strategies to benefit themselves at the expense of their shareholders (Ataullah et al., 2014). Despite these potential benefits of corporate diversification, the empirical literature suggests that diversification destroys shareholder wealth (Barnes and Hardie-Brown, 2006). According to Jensen (1986), diversification creates private benefits for managers like; prestige and better career prospects of running a more diversified firm and increased managers pay.

The agency theory posits that managers carry out diversification because they derive private benefit. Diversification, firm size, and executive compensations are highly correlated, which may suggest that diversification provides benefits to managers that are unavailable to investors (Hoskisson and Hitt 1990), creating what economists call the agency problem. Management researchers argue that diversification prolongs the life of a firm. Researchers in finance argue diversification benefits managers because it buys them insurance, and shareholders usually bear all the costs of such insurance (Lewellen, 1971).

Managers have incentives to cause their firms to grow beyond the optimal size since growth increases managers' power by increasing the resources under their control. The agency costs can increase the overall diversification costs such that they may far outweigh the expected benefits. This would call for prudent corporate governance to ensure that the firm is well run so that the ultimate goal of performance is met. This theory poses the need for a cost benefit analysis of the diversification strategy.

2.2.6 Stakeholder Theory

Performance, which was the dependent variable in the study, was anchored on the stakeholder theory. In the 1980s, performance was viewed as belonging to the shareholders only (Freeman, 1984). The shareholder theory, which uses shareholder return, was used to measure performance. However, given the changes in the business environment from the 1990s, a more stakeholder view started creeping in. The stakeholder theory is a theory of organizational management of stakeholders. According to Scott (2014), corporate stakeholders are defined as the groups and individuals who impact or are impacted by corporate decisions and they stand in relationship with each other, and no single stakeholder group should have its interests elevated above all others.

Since the early 1990s, a more stakeholder-based view has gradually come to prevail since the firm is seen to have many responsibilities to a wider set of groups than shareholders. Stakeholder theory assesses organization performance against the expectations of a variety of stakeholder groups that have particular interests in the effects of the organization's activities. Its perspective of organizational performance incorporates shareholder value, but recognizes that shareholders are just one group of stakeholders,

and only relevant to those organizations that issue shares (Scott, 2014). Other stakeholders can include employees and their representatives, customers, suppliers, governments, industry bodies, local communities and so forth. This study used the SBSC as a measure of performance since it includes all the stakeholders of the organization where the shareholder is also viewed as one of the stakeholder.

2.3 Diversification Strategy

Diversification strategy is a strategy implemented by the top executives in order to achieve business growth by entering new businesses and attaining above-average returns by taking advantage of the incoming opportunities (Anil and Yigit, 2011). The diversification strategy of a firm is the choice that the firm makes in relation to which business to enter in terms of relatedness and how to enter. Diversification strategies help the firm not to become too dependent on only one product line but the firm should get involved with new products and aim at new markets (Kotler, 2006).

Gutierrez and Rodriguez (2013) posits that there are two polar forms of diversification; diversification into unrelated businesses, also sometimes referred to as conglomerate diversification, and related diversification, that is to say expansion into businesses that,relate to the original business and is also sometimes referred to as concentric diversifi cation. According to Lee and Lieberman (2010), although firms typically enter new markets organically through internal development, a common alternative is to acquire a firm or business unit that is already established. Numerous studies in the strategy literature have looked into the directions in which firms diversify.

2.3.1 Related Diversification

Related diversification exists when a firm owns a number of different business units, all of which are related in some way. According to Neffke and Henning (2013), diversification activities that build on a firm's current resources is referred to related diversification. Under related diversification, the new business ventures benefit from shared research and development, resources, knowledge and the general brand development (Hao et al., 2011). Relatedness in this regard translates to the fit between the existing operations of a firm and the diversified operations (Choi and Russel, 2004).

Related diversifiers are involved with various businesses that can take advantage of a common pool of corporate resources (Nayyar, 1992). In essence, related diversifiers run a portfolio of businesses that enhance operational synergies and are mutually benefitting. According to Arthur and Thompson (2004), related diversification involves building the company around businesses whose value chains possess competitively valuable strategic fits. Strategic fit exists whenever one or more activities comprising of the value chain of different businesses are sufficiently similar as to present opportunities for the diversifying firm (Arthur and Thompson, 2004).

Concentric diversification is a grand strategy that involves the operations of a second business that benefits from access to the firm`s core competencies (Pearce and Robinson, 2010). Related diversification allows the firm to reap the competitive advantage benefits of skills transfer, lower cost, common brand names and still spread the investors risk over a broad business base (Thompson et al, 2006). On the other hand, Barney (2007) suggests that relatedness hypothesis loosely claims that multi-business firms holding portfolios of

similar or related businesses might obtain efficiency advantages unavailable to non-diversified firms and firms with unrelated portfolios. From the perspective of RBT, diversification research posits that related diversification can lead to superior firm performance, compared to that of a focused strategy, because firms can maximize their resources across several businesses to realize additional returns. Operational economies of scope as afforded by related diversification facilitate a firm to assemble a portfolio of businesses that are mutually reinforcing, as critical resources can be shared among business units (Barney, 1997).

2.3.2 Unrelated Diversification

Unrelated diversification refers to diversification into a new activity that has no obvious similarities with any of the company's existing activities (Yamoah and Kanyandekwe, 2014). According to Lichtenhaler (2005), a strategy of unrelated diversification involves diversifying into whatever industries and businesses that hold the promise for attractive financial gain, pursuing strategic fit relationships that assume a back-seat role. Typically the firms are widely diversified into a number of distinct businesses, each requiring different core technical, market and managerial skills for successful competition. Such a firm may have businesses in agriculture, aerospace, consumer goods, and construction.

Thus, unlike dominant or related product firms, the corporate office in the unrelated product firm is unlikely to be able to make informed decisions on products or technology (Salter and Weinhold, 1979). The only thread linking the businesses of the unrelated product corporation is financial. Each requires a continued commitment of capital to sustain its activities. The major role then, for corporate office has to be the acquisition of

capital and its allocation to growth either internally or through acquisition. For the unrelated product firm, investment projects are typically initiated at a divisional level, and corporate headquarters generally limit their role to granting or denying approval (Lorsch & Allen, 1973). The coordination requirements imposed on top management are primarily financial and consist of allocating capital and monitoring performance through highly quantitative control systems (Dundas & Richardson, 1982). Corporate managers generally refrain from direct intervention in divisional strategy and do not seek synergistic relations between divisions, as both those activities would compromise divisional autonomy and accountability (Michael and Hambrick, 1992).

Drawing from the RBV theory of the firm, most have proposed that the mode of entry choice should depend largely on the relation between the resource base of a firm and the resource requirements of the market that is new to the firm (Chatterjee and Wernerfelt, 1991). It has been predicted that the firm is likely to use internal development to enter markets whose requirements lie close to the firm's existing set of resources and capabilities, whereas the firm may turn to acquisitions to enter markets that are far from its current resource base (Lee and Lieberman, 2010). Choosing between the two entry modes, a firm must consider their relative advantages and disadvantages. Acquisition and internal development are likely to differ with respect to the cost, risk, and speed of entry.

2.3.3 Internal Development

Internal firms diversify primarily through capital expansion projects and research and development efforts aimed toward the internal development of new products and services for new markets. Pitts (1977) was among the first to argue that internal diversifiers

require certain internal structures and systems to be effective when he argued that internal firms show a strong affinity for synergy and high levels of interdependence between business units. Internal diversification (ID) can be viewed as an organizational learning process directed at developing the knowledge necessary to enter and compete in a new domain. Internal diversifiers develop their own knowledge while acquisitive diversifiers purchase this knowledge (Pitts, 1977).

The strategy of internal diversification may be explained in terms of branching out from its existing dominant areas of knowledge and key competencies, and the application of these to the marketing of new and improved products and services (Kim and Kogut, 1996). Internal diversification (ID) can be viewed as an organizational learning process directed at developing the knowledge necessary to enter and compete in a new domain (Normann, 1977). Internal horizontal diversification occurs when a firm enters a different, but usually related, line of business by developing the new line of business itself. Internal diversification frequently involves expanding a firm's product or market base. On the other hand, external horizontal diversification is where a company enters a new area of business by purchasing another company or business unit. Mergers and acquisitions are common forms of external diversification (Thompson et al, 2006).

2.3.4 External Development

External diversification is also referred to acquisitive diversification where firms diversify by acquiring other firms. Acquisitive diversification also requires certain structures and systems to be effective (Berg, 1973; Pitts, 1977). Pitts (1977) argued that successful strategy implementation for these firms requires high divisional autonomy and

the avoidance of interdivisional sharing; while Pitts (1977) asserted that a key capability of these firms is their ability to attract and retain acquired managers who possess the expertise of the newly entered field. Acquisitions almost always require payments of a significant financial premium (Jensen, 1993), and typically there are further transaction costs as well as costs of integrating the acquired company with the acquiring firm (Chi, 1994; Lubatkin, 1983; Zollo and Singh, 2004).

The sum of the acquisition premium, transactions costs, and integration costs can represent a considerable fraction of the business value. Therefore, acquisition tends to be a relatively expensive entry mode in most cases. Multi business corporations can use two pure diversification strategies: internal diversification, relying on development of products or services, or external diversification, relying on the acquisition of other firms. Although corporations could also pursue mixed diversification strategies, combining these two modes, Pitts (1980) posited that successful firms do not mix strategies.

2.4 Top Management Team Diversity

TMT homogeneity refers to similarities among team members in demographics and important cognitive aspects, values, and experiences whereas diversity or heterogeneity refers to differences in the same (Finkelstein and Hambrick, 1996). TMT diversity may result in both positive as well as negative consequences (Nielson and Nielsen, 2013). Bell et al. (2010) argued that a team that is more diverse in terms of demographic variables related to the task may be more successful than a homogeneous team because the former team can draw on a greater pool of knowledge and different perspectives. TMTD helps to determine the nature of a top team's information processing capabilities.

Dutton and Duncan (1987) posited that differentiation in an organization's belief structure, defined as high complexity with low consensus, enhances the search for information, the perception that change is feasible, and the momentum for change. Largeness provides increased capabilities and viewpoints that facilitate information sharing and idea exchange which can be critical in turbulent environments (Bantel and Jackson, 1989). Group heterogeneity has also been shown to be associated with high levels of creativity and innovation (Bantel & Jackson, 1989).

The presumed benefit of a diverse group is that its members' different points of view lead to diversity, novelty, and comprehensiveness in the set of recommended solutions. Demographic heterogeneity is associated with cognitive heterogeneity, both of which increase the number of strategic alternatives considered by a TMT and the evaluation of those alternatives (Wei and Wu, 2013). Despite the large number of studies on TMT heterogeneity, however, research has yielded inconsistent results, and the question of whether diversity in managerial backgrounds is advantageous for companies still remains open (Cannella et al. 2008).

Marimuthu and Kolandaisamy (2009) argued that homogeneity, as manifested in cohesiveness and insularity, leads to inferior decision making. In his view, homogeneity is one of the several conditions that bring on groupthink, which amounts to restricted generation and assessment of alternatives. Filley, House, and Kerr (1976) concluded that routine problem solving is best handled by a homogeneous group, and that ill-defined, novel problem solving is best handled by a heterogeneous group in which diversity of opinion, knowledge, and background allows a thorough airing of alternatives.

Hambrick and Mason (1984) argued that diversity in TMT's backgrounds may be associated with less strategic consensus and subsequently poorer performance, due in part to decreased communication and increased conflict. Unlike heterogeneous TMT, homogeneous TMT can create better communications, develop effective work relationships, and ultimately improve team coherence, which is considered to be positively related with team performance, because its members have similar social backgrounds, education and work experiences.

Hambrick and Mason (1984) also argued that the internal coherence of TMT could help to avoid the internal loss and enable the TMT to quickly make effective strategic decisions. Despite the proposed benefits of diversity, there is evidence that decisions made by heterogeneous groups may not result in better outcomes (Simons and Peterson, 2000; Jackson et al., 1991). Prior research suggests that heterogeneity can adversely impact boards' effectiveness through increased internal conflict and divisiveness (Simons and Peterson, 2000), coordination and communications costs (Van den Steen, 2010), and failure to reach agreement, leading to animosity and dissatisfaction (Wall and Nolan, 1986).

According to Child (1974), managerial youth is associated with corporate growth and this could be explained by the fact that older executives may have less mental and physical stamina. Youthful TMTs have been associated with several organizational outcomes, specifically, young TMTs are perceived to be more proactive to change, willingness to take risk, innovativeness and creativity in decision making that is attributed to the diversity of information sources and perspectives (Wiersema and Bantel, 1992).

Since young managers are likely to have received their education recently, their technical knowledge is considered superior. Prior research has demonstrated that younger managers are associated with greater strategic change (Wiersema & Bantel, 1992). Based on these findings, older executives may be less willing to adapt to new ideas or behaviors (Bantel & Jackson, 1989). In addition, older executives may be at a stage in their careers where financial security is important and risk-taking behaviors may be seen as a threat to that security (Wiersema & Bantel, 1992). Finally, older managers may have a greater stake in supporting the status quo, as it reflects the strategies they adopted over the years (Hambrick & Mason, 1984).

Age cohorts are likely to differ in their attitudes, values and perspectives for two reasons. A major reason is that different age cohorts experience different social, political, and economic environments and events, which have a fundamental role in shaping attitudes and values. In addition, perspectives change as a function of the developmental process of aging (MacCurtain et al., 2010). Assuming that diversity of attitudes and values facilitates group creativity, teams composed of members of diverse ages should be more innovative. Managers in the same age bracket generally have similar experiences and values, so their behaviors are almost the same and it is easy for them to communicate with each other (Peterson & Zhang, 2011). On the other hand, a social comparison theory perspective suggests that people of the same age would regard each other as competitors within the group for valued roles and promotions (Festinger, 1954). Age diversity can thus have negative effects on work group conflict.

The cognitive ability of managers is influenced by the educational level they have attained (Bantel and Jackson, 1989). Managers with a higher educational level bring in more creativity and greater information processing abilities. These managers are better able to draw out implications for various functions and formulate sub-level strategies (Agnihotri,2014).Assuming attained education level is correlated with cognitive ability, higher levels of education should be associated with a team's ability to generate and implement creative solutions to complex problems. The ability to generate creative solutions may explain why people who are more educated have more receptive attitudes toward innovation (Camuffo et al., 2009). The association between education and both cognitive abilities and attitudes toward innovation suggests that more innovative firms should have more highly educated top management teams.

Recent research has suggested a unique influence associated with an elite education. Finkelstein (1992), in his study of power in top management teams, stated that attendance at certain schools carries with it an aura of prominence and suggests that managers with elite educational credentials may enjoy enhanced prestige. Central to this research is the concept that elite educational institutions provide their students with more than just a formal education. A well composed TMT is expected to have formal education and professional qualification. Education and professional qualifications indicate a TMT's knowledge base and skills and can serve as an indicator about a TMT's values, beliefs and preferences. According to Hambrick and Mason (1984), the consistent finding is that a well-educated TMT is more receptive to change and innovativeness.

TMTs are naturally comprised of individuals representing different functional areas, as a result, they bring along specific knowledge and experience from the different areas of a firm's operations (Nielson and Nielsen, 2013). Function can be regarded as both background characteristic and experience: an executive's current function reflects a background, whereas previous functions he or she has had reflect a range of experiences. A certain degree of diversity in managers' knowledge of the different functional areas is a prerequisite for successfully managing the complexity of firms operations (Hambrick and Mason, 1984). Managers with differing histories of functional experiences are likely to differ in their attitudes, knowledge, and perspectives (Hambrick and Mason, 1984).

Differences among managers from different functions may be due in part to differences in their educations, but work experiences in functional areas are likely to further shape cognitive and attitudinal perspectives. These can affect how managers behave at all stages of the innovation process: a person's functional background should affect which problems he or she identifies as important, how these problems are formulated, types of solutions generated, evaluations of alternative solutions, and involvement during the implementation phase. Because creativity and innovation require the combining of facts and ideas in novel ways, cross-functional communication is generally acknowledged as an important precursor to innovation (Bantel and Jackson, 1989).

Career experiences other than functional track also can be expected to have a significant effect on the types of actions taken by a manager or an entire top management team. Depending on the diversification strategy that is followed by an organization, functional background can be of importance. Related diversified firms characterized by high

interdependence require that the top management teams have in depth knowledge and understanding of the operations of the organization such that top management teams members can be transferred within the organization easily unlike unrelated diversifiers.

The tenure of TMT refers to the amount of time that a TMT member has worked with the organization. The length of team tenure affects the nature and depth of internal communications and the modes of interaction among members (MacCurtain et al., 2010). Similar team tenure indicates that team members experience the same development phases of the firm, have similar understanding of the firm's status quo and strategies, and are familiar with the manner of expressing opinions, all of which facilitate communication, cooperation, and agreement when making decisions.

Tenure within a group is an important determinant of group process. Increased tenure is associated with stability, reduced conflict and superior communication (Katz, 1982). In addition, Michel and Hambrick (1992) suggest that longer tenure on the top management team may be associated with social cohesion and shared cognitive structures. These team attributes may enhance socialization and lead to better firm performance (Carroll & Harrison, 1998, Smith et al. 1994). Executives who serve together for extended periods of time may tend to develop similar views since the long-term acculturation of team members may lead to a common perspective or corporate paradigm (Pfeffer, 1983). Other researchers, however, argue that executive team tenure may also be associated with negative effects (Keck, 1997). This can result in dysfunctional decision processes including "groupthink," a collective pattern of defensive avoidance (Janis & Mann, 1977; Keck, 1997).

The average tenure in a firm of a top management team's members can be expected to indicate cohesion. Long tenures reflect a self-selection process by which only those who embrace certain norms and perspectives are willing or allowed to stay in a firm (Pfeffer, 1983).Theorists also have posited that tenure in an organization affects an executive's cognitions. The longer the tenure of an individual, the more rigid his or her cognitive structures and the less likely he or she is to promote or champion change. Organizational tenure is thought to be associated with rigidity and commitment to established policies and practices (Katz, 1982) and may also restrict information processing through the establishment of routines and repertoires for dealing with problems and issues (Miller & Friesen, 1984).

In an empirical study, Hambrick, Geletkanycz, and Fredrickson (1993) found that long-tenured executives were significantly more committed to the status quo than executives with shorter tenure. Additional evidence that executive tenure reduces strategic change was provided by Finkelstein and Hambrick (1990), who found that the company tenure of top executives was highly positively related to the absence of strategic change. It is not only the absolute level of a top management team's tenure, but also the homogeneity of the tenure distribution that leads to a propensity to maintain the status quo (Wiersema & Bantel, 1992). Group-level homogeneity on demographic traits leads to perceptions of similarity with and attraction to others (Pfeffer, 1983). Conversely, TMTs with diverse tenure distributions will be composed of individuals likely to have different attitudes toward an organization and its strategy because of their tenure-stage differences (Katz, 1982). A well-diversified TMT has members with varying job tenures that serve well in terms of knowledge transfer and retention.

Research on gender results suggests that the more homogeneous the gender composition of the groups, the higher their job satisfaction (Konrad et al., 1992). Additionally, others suggest that group cohesion will be lower and conflict higher in gender mixed groups (Jackson et al., 1991). Williams and O'Reilly (1998) state that a large number of field studies revealing heterogeneity in race and gender often have negative effects on group process and performance. One reason is that people are more satisfied when working with others who are perceived to have similar attitudes (Jackson et al., 1991).From a similarity/attraction perspective, mixed gender groups are less effective because people have less opportunity for interpersonal attraction based on similarity (Byrne, 1971).

Williams and O'Reilly (1998) posit that some of the negative outcomes of mixed gender groups include less positive attitudes, less frequent communication, and a higher likelihood of turnover from the group. Williams and O'Reilly (1998) found that men and women working in gender-balanced groups are more satisfied with their job than those working in homogeneous groups. They argued that work group heterogeneity increases rather than decreases social interaction between minority and majority members. It therefore reduces the importance attached to differences between subgroups (i.e. males or females) and improves the relations among group members (Blau, 1977). Blum (1984) suggests that with more women in the workforce, the increased interaction between them may lead to greater acceptance and familiarity of their working relationships. Such acceptance may lead to more positive work-related outcomes. The study of Mutuku et al. (2013) particularly identified gender diversity as having a negative effect on firm performance.

Several scholars have argued that large groups are superior to small ones because big groups have more capabilities and resources with which to solve group tasks (Certo et al, 2006). Large groups can enhance problem solving capabilities by; increasing the number of items of information that can be absorbed and recalled, increasing the number of critical judgments available to correct errors in inference and analysis, increasing the number of potential solution strategies, and increasing the range of perspectives brought to bear on a problem (Haleblian and Finkelstein,1993). Such an increase in capabilities and resources may help account for the higher-quality decisions sometimes reported in large groups (Cummings, Huber, & Arendt, 1974; Ziller, 1957). Two studies of founding teams in high-technology firms reported that team size was associated with growth, ostensibly because larger teams provided more capabilities (Eisenhardt and Schoonhoven, 1990).

Although the advantages of large groups are considerable, their size also tends to create coordination and communication problems that smaller groups do not have (Blau, 1970). Small groups tend to be more cohesive and their members experience more satisfaction than is common in large groups. So, although decision quality in small groups tends not to match that in large groups, small groups may be more appropriate when problem-solving tasks are relatively easy (Hare, 1952). Large top management team generates more discussions, hence slows down decision making and results in disharmony (Hartman, 1956). Although existing research is split on the relative merits of large and small top management teams, the team size that is appropriate may very well depend on an organization's environment.

The degree of environmental turbulence or stability greatly influences the information processing requirements of a top team and the complexity of managerial work. The turbulence of an organization's environment moderates the association between top team size and firm performance. The more turbulent the environment, the more varied and fragmented the nature of managerial work (Mintzberg, 1979) and the greater the information-processing demands on the top team (Daft, Sormunen, & Parks, 1988).

Galbraith (1973) argued that the greater the task uncertainty, the greater the amount of information that must be processed among decision makers during task execution in order to achieve a given level of performance. Turbulent environments increase information-processing needs by creating new opportunities and crises that often necessitate strategic and structural adaptations (Galbraith, 1973). Hence, as an environment grows more turbulent and a firm's decision-making tasks grow more difficult, managers have greater information processing requirements.

2.5 Competitive Environment

Designing viable strategies for a firm requires a thorough understanding of the firm's industry and competition. The state of competition in an industry, which is rooted in its underlying economics, depends on the competitive forces that work to define and/or characterize the industry structure (Ogollah et al., 2011). The threat of entry in an industry depends on the height of entry barriers that are present and on the reaction entrants can expect from incumbents. If entry barriers are low and newcomers expect little retaliation from the entrenched competitors, the threat of entry is high and industry profitability is moderated.

It is the threat of entry and not whether entry actually occurred that holds down profitability (Porter, 2008). Barriers to entry are advantages that incumbents have relative to new entrants. According to Porter (2008), there are seven major sources of barriers to entry; supply side economies of scale that arise when a firm produces large volumes at lower costs, demand side benefits where buyers are loyal to a company's product, customer switching costs, huge capital investment requirements that make it difficult for new entrants to enter an industry; incumbency advantages irrespective of firm size, unequal access to distribution channels, and restrictive government policy.

Powerful customers can capture more value by forcing down prices, demanding better quality or more service (thereby driving up costs), and generally playing industry participants off against one another, all at the expense of industry profitability. The power of each buyer group depends on the attributes of the market situation and the importance of purchases from that group compared with the overall business (Alkhafaji, 2003).

Arons and Waalewijn (1999) contend that a powerful buyer group has the following characteristics: they buy in large quantities or control many access points to the final customer; only few buyers exist; switching costs to other supplier are low; they threaten to backward integrate; there are many substitutes; and the buyers are price sensitive. Powerful customers can force down prices, demand higher quality or more service and play competitors off against each other all at the expense of industry profits. Powerful suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased goods and services.

Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants. Powerful suppliers, including suppliers of labor, can squeeze profitability out of an industry that is unable to pass on cost increases in its own prices. Suppliers have strong bargaining power when: there are few suppliers but many buyers; they are large and threaten to forward integrate; few substitute raw materials exist; suppliers hold scarce resources; and, Cost of switching raw materials is especially high (Riley, 2012).

A substitute performs the same or a similar function as an industry's product by a different means (Riley, 2012). Sometimes, the threat of substitution is downstream or indirect, when a substitute replaces a buyer industry's product. This force is especially threatening when buyers can easily find substitute products with attractive prices or better quality and when buyers can switch from one product or service to another with little cost (Porter, 2008). For example, to switch from coffee to tea doesn't cost anything, unlike switching from car to bicycle. Substitutes limit an industry's potential returns by placing a ceiling on the prices that firms within that industry can charge to make a profit.

As the price-performance alternative offered by substitutes becomes more attractive, it becomes even more difficult for those firms to make a profit. Demand for substitutes can also reduce the demand for industry products and services. Substitutes can create intense competition during normal economic times, and reduce potential profit increases during positive economic times (Porter, 2008). The threat of a substitute is high if: the substitute offers an attractive price-performance trade-off to the industry's product and the buyer's cost of switching to the substitute is low.

In most industries, especially when there are only a few major competitors, competition will very closely match the offering of others. Aggressiveness will depend mainly on factors like number of competitors, industry growth, high fixed costs, lack of differentiation, capacity augmented in large increments, diversity in type of competitors and strategic importance of the business unit (Arons and Waalewijn, 1999).This force is the major determinant on how competitive and profitable an industry is.

In competitive industry, firms have to compete aggressively for a market share, which results in low profits. Rivalry among competitors is intense when: there are many competitors; exit barriers are high; industry of growth is slow or negative; products are not differentiated and can be easily substituted; competitors are of equal size; and there is low customer loyalty (Porter, 2008). Rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements. High rivalry limits the profitability of an industry.

Complements are products or services used together with an industry's product. Complements arise when the customer benefit of two products combined is greater than the sum of each product's value in isolation. Computer hardware and software, for instance, are valuable together and worthless when separated. In recent years, strategy researchers have highlighted the role of complements, especially in high-technology industries where they are most obvious. Porter (2008) posits that complements can be important especially where they drive the demand of a product or service. The presence of the sixth force of Porter, complementors, can benefit or hurt the firms competing in an industry, depending on the circumstances.

If business is booming for the complementors, this could positively affect the business of the firms in the given industry. On the other hand, if business is slow for the complementors, this could adversely affect the business of the firms in the given industry. So, complementors and complementary goods do not necessarily increase or decrease the competitiveness of an industry, they merely add another layer to the structural complexity of the competitive environment (Porter, 2008).

Generally, the government adopts a significant role in developing countries. From the firm's perspective, this role may be regulatory, supportive, or both. In either case, the firm may take steps to take advantage of these governmental forces (Palvia et al, 1990). Policies set out by the government can help or hinder new entrants. Through licensing requirements and restriction on foreign investment the government can regulate industries aiding or preventing new entrant from gain access to a particular market.

Porter (1990) denies a direct role of the government in business but recognizes the indirect role of government in creating competitive advantage. The Kenyan government plays a very conspicuous role in business. This can be seen through regulatory bodies that have been set up to regulate the businesses. The various regulatory bodies that have been set up include: the Central bank of Kenya, the insurance regulatory authority, the capital markets authority, the national environment management authority, energy regulatory commission, the retirement benefits authority, the competition authority among others. Some of the policies and regulations can impede business thus reduce profits that an industry can get. At the same time, some regulations can improve the business environment and increase industry profitability.

Some of the clear roles that the government of Kenya has pursued include; maintenance of stable political and economic climate in which business can thrive; enactment of laws that are used by government to promote competition; protection of consumers from unsafe products, false adverts; protection of the environment by setting standards, anti-pollution practices and using fines; provision of infrastructure and security that supports business activities; enactment of export and import policies that are meant to protect and promote the business.

2.6 Organizational Performance and Measurement

Richard et al. (2009) view firm performance as relating to the efficiency and effectiveness of the firm. As part of their overall management strategy, the leaders of public agencies can use performance measurement to; evaluate, control, budget, motivate, promote and, celebrate (Behn, 2003). Venkatraman and Ramanujam's (1986) performance-measurement framework focuses on multiple indicators of organizational performance. These indicators are financial performance, operational performance and overall effectiveness.

Financial performance is the narrowest conception of business performance that centers on the use of simple outcome-based financial indicators that are assumed to reflect the fulfillment of the economic goals of the firm (Hofer, 1983). Typical of this approach would be to examine such indicators as; sales growth, profitability (reflected by ratios such as return on investment, return on sale, and return on equity), earnings per share, and so forth. Operational performance refers to non-financial dimensions, and focuses on operational success factors that might lead to financial performance.

Operational performance includes both product-market outcomes (including market share, efficiency, new product introduction and innovation, and product or service quality) and internal process outcomes (productivity, employee retention and satisfaction, and cycle time). Organizational effectiveness is broader and captures organizational performance plus the plethora of internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation either by shareholders, managers or customers (Richard et al., 2009).

Measurement of overall effectiveness reflects a wider conceptualization of performance and includes reputation, survival, perceived overall performance, achievement of goals, and perceived overall performance relative to competitors (Venkatraman and Ramanujam, 1986).The implementation of balanced scorecards has increased the attention given to wider aspects of organizational effectiveness in management research. Although primarily used for internal management and control, balanced scorecards explicitly include measures of financial and non- financial performance (Kaplan & Norton, 1996).

2.7 Diversification Strategy and Organizational Performance

The link between firm diversification and performance is probably the most frequently investigated research topic within the field of strategic management (Wan et al. 2011). Corporate diversification has been touted as a solution for competitive advantage, growth, and the survival of firms (Kang, 2013). Despite the substantial number of

empirical studies in both finance and strategic management, research on the relationship between diversification and firm performance has not yet reached a definitive consensus on whether firms are better off remaining focused or diversifying in different businesses (Berger, 2010). Limited diversification represents a strategy of restricted business where the firm focuses on a single industry, thus limiting opportunities to leverage resources and capabilities across divisions.

Lubatkin and Chatterjee (1994) observe that single-business firms do not have the opportunity to exploit between-unit synergies or the portfolio effects that are available only to moderately and highly diversified firms. That is, focused enterprises do not have multiple businesses, so they do not enjoy scope economies. Also, as Lubatkin and Chatterjee (1994) indicate, these firms bear greater risk since they have not diversified away that risk by combining less than perfectly correlated financial streams from multiple businesses. This has negative implications for the debt capacity, cost of capital, and market performance of single-business entities (Lubatkin and Chatterjee, 1994). Rumelt (1974) concluded that firms pursuing related diversification strategies enjoy higher levels of performance than firms pursuing unrelated diversification strategies, and many subsequent studies have supported this finding.

The highest levels of profitability were exhibited by those having a strategy of diversifying primarily into those areas that drew on some common core skill or resource. The lowest levels were those of vertically integrated businesses and firms following strategies of diversification into unrelated businesses. Grant et al, (1988) specifically hypothesized that high levels of diversification would be associated with high firm

performance but that beyond some point; increasing levels of diversification would be associated with lower firm performance. Synergistic economies can be realized by firms that have diversified into a related set of businesses. A potential source of benefit arises from inputs that are shared or utilized jointly by related activities. This is referred to as economies of scope (Teece, 1980).

Tangible interrelationships between divisions refer to policies for joint procurement of raw materials, joint development of shared technology or production processes, joint sales forces, and joint physical distribution systems. Intangible interrelationships refer to know-how or capability that is learned in one situation but applied to another. While synergy results from coordination, achieving synergy comes at the cost of implementing and maintaining coordinated production (Hill and Hoskisson, 1987). Thus, realized economies of scope associated with diversification are equal to potential economies of scope less the costs of implementing new coordination procedures.

Yip (1982) posited that relatedness reduces the costs of entry when a firm enters via internal development, because the firm can leverage its resource base to overcome barriers to entry. In contrast, relatedness does not reduce the costs of entry when a firm enters via acquisition, since the price of the target is set by the market for corporate control. Hence, a firm is likely to enter related markets via internal development but may enter unrelated markets via acquisition (Yip, 1982). Chatterjee (1990) argued that relatedness leads to more reduction in operating costs because the firm's resources are more applicable. Since the prospect of reducing operating costs provides an incentive for a firm to use its own underutilized resources as opposed to acquiring resources from

external sources, a firm is expected to enter related markets via internal development. Unrelated diversification can do more to reduce risk since this strategy involves business units in multiple industries (Amit and Livnat, 1988). Risk reduction is a greater advantage for unrelated diversifiers (Barney, 1997). A diversified firm can transfer funds from a cash surplus unit to a cash deficit unit without taxes or transaction costs (Bhide, 1993). Diversified firms pool unsystematic risk and reduce the variability of operating cash flow and enjoy comparative advantage in hiring because key employees may have a greater sense of job security (Bhide, 1993).

2.8 Diversification Strategy, TMT Diversity and Organizational Performance

Research on upper echelons perspective suggests that the TMT is the brain center of an organization, and the effectiveness of any strategy depends on how well the TMT formulates and implements a particular strategy (Nielson and Nielsen, 2013). Prahalad and Bettis (1986) clarify that it is the insight and the vision of the top managers in choosing the right strategy (how much and what kind of relatedness), rather than diversification per se, which is the key to successful diversification.

Accordingly, it is not product-market diversity but the strategic logic that managers use that links firm diversification to performance; which implies that diversified firms without such logic may not perform as well. Mintzberg (1979) identified two important types of strategic choices facing TMTs in diversified firms: whether and how to extend the core business, and whether and how to reconceive the core business. The nature and effectiveness of organizational responses vary in part with the characteristics and composition of the TMT (Wiersema and Bantel, 1992).

Heterogeneity in TMT characteristics allows decision-makers to identify environmental opportunities and threats, filter and interpret relevant information and formulate strategic alternatives while considering organizational capabilities and constraints. Song (1982) showed that the background and prior experience of the incumbent CEO and the diversification strategy of a firm are significantly related. Song (1982) found that the chief executive officers (CEOs) of internal diversifiers (largely all related firms) tended to rise through careers in operations and marketing, but the CEOs of acquisitive diversifiers (unrelated firms) tended to rise through finance, accounting, and law.

Hambrick and Michel (1992) argued that a firm's diversification posture determines the degree of integration it needs across business units, which in turn influences the ideal composition of its corporate TMT. They suggested that a high level of interdependence tends to be accompanied by two important qualities in a top team: social cohesion and a corporate wide operating knowledge base. The study by Hambrick and Michel (1992) suggested that the profiles of TMTs are associated with their firms' diversification postures.

The greater the need for interdependence posed by a firm's diversification strategy, the greater its top team's firm-wide operating knowledge base and social cohesion. Marlin et al (2004) confirmed the findings of Hambrick and Michel (1992) that firms with different strategies do have different TMTs that appear to be matched to the task demands posed by the diversification strategy. Unlike Hambrick and Michel (1992) who defined diversification strategy in terms of relatedness only, Marlin et al (2004) included diversification mode.

Experienced top executives help in multiple ways, such as bringing knowledge of opportunities, threats, competitive conditions, and regulations in the environment, as well as in developing goodwill and a good reputation with a firm's suppliers and customers (Singh et al., 2010). New developments in technology, competition, government regulations as well as other environmental conditions are connected to prior industry conditions (Oster 1999). Finally, a manager's experience brings with itself capabilities to maximize the productivity of other resources available to a firm (Penrose, 1959), as well as to make the best use of the opportunities available in the external environment.

At the same time, greater TMT experience may help in achieving better synergies in a firm's operations across different products and geographic boundaries, enhancing the gains from diversification. The cost-benefit analysis of diversification suggests lack of experience and expertise as important factors responsible for the costs associated with diversification. Diversification brings more governance complexities and higher information processing requirements for the managers (Grant et al. 1988).

2.9 Diversification Strategy, Competitive Environment and Organizational Performance

Early IO researchers concluded that differences in profitability across firms could largely be explained by industry membership and that industry performance levels could be explained by barriers to entry and other structural characteristics (Bain, 1956; Scherer, 1980). The structure of the industries in which the firm competes and the competitive position of the firm's businesses within these industries are the key determinants of performance (Montgomery, 1985; Wernerfelt & Montgomery, 1986).

The most noteworthy expression of this perspective is found in an article by Schmalensee (1985) that assessed the relative influences of industry, firm, and market share effects on business unit profitability. The strategic implications of Schmalensee (1985) findings would appear to be straightforward: firm performance is a function of operating in profitable industries, and the way for firms to improve performance is to diversify into more profitable industries. Markides and Williamson (1994) show that strategic relatedness is superior to market relatedness in predicting when diversifiers related outperform unrelated ones.

Stimpert and Duhaime (1997) found that industry profitability is an important influence on firms' diversification decisions. The study found that firms operating in less profitable industries are likely to become more diversified. Chang and Thomas (1989) found that firms that are performing poorly tend to engage in more diversification activity but that this activity does not necessarily improve their performance. Where barriers to entry exist there is a degree of monopoly power since the firm can price above the competitive level. The higher the barriers, the higher the profits that accrues to the industry.

2.10 Diversification Strategy, TMT Diversity, Competitive Environment and Organizational Performance

Literature on the population ecology of organizations (Hannan and Freeman, 1988; McKelvey, 1982) contends that the environment selects out various common organizational forms. There are only a rather limited number of possible strategies and structures feasible in any type of environment. A few favored strategies and structures cause the organizations pursuing them to thrive at the expense of competing

organizations. Competitors must therefore either begin to move toward the superior strategies, or perish. Lawrence and Lorsch (1967) studied firms in three different industries. They conclude that high-performance firms adopt structures that are more suited to competitive conditions in their environments than low-performance firms.

Matching managers to DS has long been a cornerstone of strategy implementation research (Krishnan et al, 1997). The basic premise is that different strategies pose different management challenges that, in turn, require systematically different management skills and experiences to be implemented successfully. Managers with backgrounds and skills matched to the critical task demands of a firm's DS, therefore, should be reflected in superior financial performance. Experienced top executives help in multiple ways, such as bringing knowledge of opportunities, threats, competitive conditions, and regulations in the environment, as well as in developing goodwill and a good reputation with a firm's suppliers and customers (Kor, 2003).

Wiersema and Bantel (1992) found out that certain demographic traits suggest receptivity to change and willingness to take risk. Tushman and Romanelli (1985) pointed out that low organizational performance results when a firm's strategy fails to achieve an appropriate alignment with its environment. Diversification strategy can introduce complexities in the business resulting to either costs or benefits. The choice of whether to enter related markets or not needs to be carefully analyzed taking into consideration the resources and capabilities of the organization at the same time ensuring that focus is not lost. Therefore, the influence of TMT diversity and competitive environment on the relationship between diversification strategy and firm performance cannot be ignored.

2.11 Research Gaps

In this section, previous and current studies done in the area of diversification strategy, top management team diversity, competitive environment and organizational performance have been discussed. Table 2.1 gives an overview of the knowledge gaps that have been summarized and extracted from the extant literature.

Table 2.1: Knowledge and Research Gaps

Researcher	Focus	Methodology	Findings	Knowledge Gap/Current Study
Song (1982)	Diversification strategies and the experience of top executives of large firms.	Cross sectional survey Sample size of 53 large firms in the USA	The study shows that the background and prior experience of the incumbent CEO of each firm is significantly associated with the diversification strategy of a firm.	The study only used the CEO of diversified organizations. Other TMT members were not included ignoring the dominant coalition in an organization.
Chatterjee and Wernerfelt (1991)	The link between an organization's resources and diversification.	Cross sectional survey Sample size of 118 firms in USA Secondary data	Excess physical resources, most knowledge-based resources, and external financial resources are associated with more related diversification, while internal financial resources are associated with more unrelated diversification.	The study left out an important class of resources – the human resource that is key in making the diversification decision.

Table 2.1 Continued

Michel and Hambrick (1992)	Firms diversification posture, degree of integration and composition of TMT	Cross sectional survey Sample size of 134 firms in USA Secondary data	The more interdependent a firm's DS, the greater the social cohesion and company-wide knowledge base of its TMT, and the greater the positive association between its TMT's social cohesion and company-wide knowledge base and corporate performance.	Study did not examine diversification mode that is also related to corporate interdependence. Current study defined diversification strategy in terms of relatedness and mode of entry
Marlin et al., (2004)	Diversification strategy and TMT fit	Cross sectional survey Sample size of 134 highly diversified firms in the USA Diversification defined in terms of both relatedness and mode of entry	Firms with different strategies do have different TMTs that appear to be matched to the task demands posed by the strategy. Descriptive links were found between corporate interdependence (mode & or relatedness) &TMT characteristics.	The study assumed that firms are either related internal diversifiers or unrelated acquisitives. There exist firms that are related acquisitives and unrelated internal developers. Current study looked at firms pursuing mixed strategies
Irungu (2007)	Effect of TMT on performance	Cross sectional Survey Sample size of 56 companies listed at NSE	Relationships exist between TMT characteristics and various financial indicators of performance	Study used financial indicators of performance Current study uses SBSC perspectives
Singh et. al (2010)	Corporate diversification, TMT experience and performance	Cross sectional Survey of 565 Small and medium size enterprises in Germany	Diversification has a curvilinear relationship with performance TMT experience has a moderating influence on the relationship between diversification and performance	Study used financial indicators (ROA) of performance Study used TMT experience only whereas current study used several TMT demographics

Table 2.1 Continued

Researcher	Focus	Methodology	Findings	Knowledge Gap/Current Study
Anil and Yigit (2011)	Relation between diversification strategy and organizational performance	Cross sectional Survey Sample size of 318 companies listed on the Istanbul Stock Exchange of Turkey	Relationship between measures of diversification and return on assets and return on sales is statistically significant	Study used financial indicators of performance only i.e. return on assets (ROA) and return on sales (ROS) Current study uses SBSC perspectives
Purkayastha (2013)	Impact of diversification strategy, either related or unrelated on firm performance.	Cross sectional survey of manufacturing firms in India	The impact of diversification strategy, either related or unrelated on firm performance is influenced by industry characteristics.	Group and firm performance is measured using accounting-based data, i.e., return on assets. Other measures of performance may increase robustness of the study.
Mutuku et al. (2013)	The effect of TMT diversity on firm performance.	Cross sectional survey of commercial banks in Kenya Service Industry context	Involvement Culture has a significant effect on the relationship between TMT diversity and firm performance.	A longitudinal study may increase the robustness of the study since Involvement culture can best be observed over a long period of time. One industry was studied Current covered more than one industry

Table 2.1 indicates the focus, methodology, findings, and the knowledge gaps identified in each study. The table further shows how the study addressed the knowledge gaps that were identified. From the literature review, it was established that the variables have been discussed in isolation. The current study is cognizant of this fact and has hypothesized the moderating influence of TMT diversity and competitive environment.

2.12 Conceptual Framework

The conceptual model considers how diversification strategy, TMT diversity and competitive environment can influence organizational performance. Previous studies have established that diversification strategy and specifically relatedness and mode of entry have an impact on firm performance. Grant (1988) specifically hypothesized that high levels of diversification would be associated with high firm performance but that beyond some point; increasing levels of diversification would be associated with lower firm performance.

Dess et al, (1995) reviewed the theoretical literature and identified four potential sources of economic benefits for diversified firms; economies of scope, superior internal governance mechanisms, the transfer of core competencies across businesses, and the joining of complementary assets. While synergy results from coordination, achieving synergy comes at the cost of implementing and maintaining coordinated production (Hilland Hoskisson, 1987). Thus, realized economies of scope associated with diversification are equal to potential economies of scope less the costs of implementing new coordination procedures and structures.

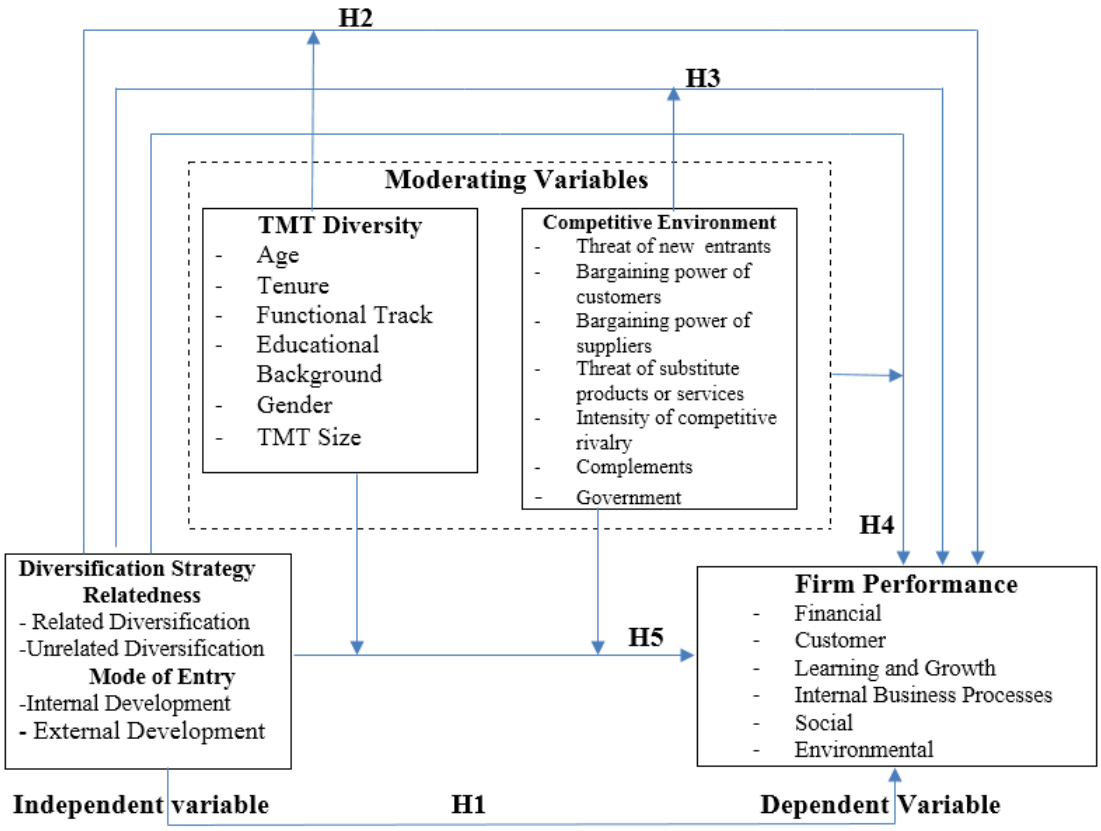
According to Prahalad and Bettis (1986), the quality of management' in a single-business firm are distinct from a diversified firm; and that as firms diversify, top managers have to acquire those skills. Prahalad and Bettis (1986) clarify that it is the insight and the vision of the top managers in choosing the right strategy (how much and what kind of relatedness), rather than diversification per se, which is the key to successful diversification.

According to Beckman and Burton (2008), top managers have characteristics that can be linked to organization outcomes such as strategy and performance. Prescott (1986) carried out a study to establish whether environments independently influence performance or they modify the strength or form of the relationship between strategy and performance. The results of the study by Prescott (1986) revealed that the environment modified the strength of the relationship between strategy and performance.

Lenz and Engledow (1986) identified five approaches to modeling environments: the industry structure model (Porter, 1980), the cognitive model (Weick, 1979), the organizational field model (Dill, 1958), the ecological and resource dependency model (Pfeffer & Salancik, 1978), and the era model (Naisbitt, 1982). All these approaches to modeling environments vary in terms of assumptions about environmental structures, assumptions about the process and causes of environmental change, and assumptions about how managers or researchers know and understand environments (Lenz & Engledow, 1986).

This study conceptualized a relationship between diversification strategy (relatedness and mode of entry) and organizational performance. This relationship is perceived to be affected by both intervening and moderating variables. In this study, TMT diversity and competitive environment were perceived to modify the strength of the relationship between diversification strategy and firm performance. The industry structure model by Porter (1980) was used to analyze the competitive environment whereas the TMT demographics were used to analyze TMT diversity. These relationships are visually shown in Figure 2.1.

Figure 2.1: Conceptual Model



Source: Researcher (2014)

The conceptual model in Figure 2.1 indicates that diversification strategy is the independent variable while firm performance is the dependent variable. The strength of the relationship between diversification strategy and performance is moderated individually and jointly by TMT diversity and competitive environment.

2.13 Conceptual Hypotheses

A hypothesis is a tentative explanation for certain behaviors, phenomena, or events that have occurred or will occur. The hypothesis states the researcher's expectations concerning the relationship between the variables in the research problem. In the words of Leedy and Ormrod (2005), a hypothesis is a logical supposition, a reasonable guess or an educated conjecture. It is a speculation on how the study will turn out. Christensen, (2001) asserts that a hypothesis attempts to explain, predict and explain the relationship between two or more variables being studied. The following hypotheses were derived from the conceptual framework and were used to guide the study.

H_{01}: There is no significant relationship between diversification Strategy and Firm performance

H_{02}: Top Management Team diversity has no significant moderating effect on the relationship between Diversification strategy and Organizational performance.

H_{03}: Competitive Environment has no significant moderating effect on the relationship between Diversification strategy and Organizational performance.

H_{04}: The joint moderating effect of TMT diversity and competitive environment on the relationship of diversification strategy and firm performance is not significantly different from the independent effect of the individual moderating variables on this relationship.

H_{05}: There is no significant joint effect of diversification strategy, TMT diversity and competitive environment on organizational performance.

2.14 Chapter Summary

This chapter covered the literature review in the fields of diversification strategy research, top management team diversity, competitive environment and organizational performance. The review of literature has established the theoretical foundations upon which this study is anchored on. Additionally, a number of knowledge gaps in the diversification research have been identified. In order to address some of the identified unresolved issues, a conceptual framework has been presented and the research hypotheses stated.

The next chapter describes the research methodology that was used in the study. The chapter discusses the philosophical orientation of the research and the research design. Thereafter, the chapter presents the population of the study, data collection and shows how the research variables were operationalized. Finally, data analysis and analytical methods are presented.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that guided this study. Specifically, the chapter will discuss the research philosophy, the research design, population of the study, data collection, validity and reliability of the instrument and data analysis.

3.2 Research Philosophy

Research philosophy can be defined as the development of the research background, research knowledge and its nature (Saunders and Thornhill, 2007). The strategic management research is dominated by two research paradigms of positivism and phenomenology. Positivism philosophy is objective, deductive with an aim of falsifying the research hypothesis and is concerned with theory testing. On the other hand, phenomenology approach tries to understand social phenomena from the viewpoint of the object being studied and is concerned with theory building. This paradigm focuses on interpretation, meaning and immediate experience with the researcher being open and relying on experience (Irungu, 2007).

Research philosophy relates to the development of knowledge and the nature of that knowledge. This study was based on positivism philosophy because the researcher sought facts and followed scientific processes in hypothesizing fundamental laws then deduced the observations. In order to empirically establish the relationships between variables in this study, hypotheses were formulated and tested and findings generalized. The study verified propositions through empirical testing of the operationalized variables.

According to Saunders (2009), ontology is concerned with nature of reality and there are two aspects of ontology namely objectivism and subjectivism. Objectivism portrays the position that social entities exist in reality external to social actors. The concept of Positivism is directly associated with the idea of objectivism. In this kind of philosophical approach, scientists give their viewpoint to evaluate the social world with the help of objectivity in place of subjectivity (Cooper and Schindler, 2006). According to this paradigm, researchers are interested to collect general information and data from a large social sample instead of focusing details of research. According to this position, researcher's own beliefs have no value to influence the research study.

The subjectivists on the contrary believe that reality and the individual who observes it cannot be separated (Cooper and Schindler, 2006).The phenomenological paradigm's basic assumption is that the world is socially constructed and subjective. Interpretivism can be referred as the Social Constructionism in the field of management research. According to this philosophical approach researchers give importance to their beliefs and values to give adequate justification for a research problem (Easterby- Smith et al., 2006).

3.3 Research Design

Cooper and Schindler (2008) define the research design as the plan and structure of investigation conceived by the researcher. The plan is the overall scheme or program of the researcher which includes the outline of what the investigator will do from formulating hypotheses, operationalizing the study variables to the final analysis of data. The research design also seeks to provide confidence that the findings derived from the design captures reality and possess high levels of reliability and validity.

This study was a descriptive cross sectional survey. The study is descriptive in nature because the researcher undertook to investigate and describe the characteristics of some variables like TMT diversity and competitive environment. Other researchers (Irungu, 2007; Mutuku, 2012) used similar research design for similar studies. Cross-sectional survey was chosen because data was collected across a large number of organizations at one point in time. Bryk and Raudenbus (1992) argued that in cross sectional surveys either the entire population or a subset thereof is selected, and from these individuals data are collected to help answer research question of interest.

3.4 Population of the Study

The target population of the study was all the publicly quoted companies at the NSE as at 31st December 2013 (see appendix 2). The companies listed at the NSE are classified into segments of; agriculture, commercial and services, telecommunications and technology, automobiles and accessories, banking, insurance, investment, manufacturing and allied, construction and allied, energy and petroleum, and growth enterprise market segment. The rationale for the choice for these firms was because they cut across the key economic sectors in the Kenyan economy.

The firms listed in NSE are also important for this study since there is demand for high performance placed on them by the shareholders and other stakeholders. Since the population of the study was small, a census study was done. The entire population was studied and thus no sampling was required. As shown in Table 3.1, the banking sector at NSE had the highest number of representation of 11 banks while the growth enterprise and technology sectors had the least representation of one firm each listed at the NSE.

Table 3.1: Population Distribution Frequency

Sector	No. of Companies	Percentage
Commercial & Services	8	14
Insurance	6	10
Banking	11	19
Manufacturing & Allied	7	12
Construction & Allied	5	9
Automobiles And Accessories	3	5
Agricultural	8	14
Energy & Petroleum	5	9
Investment	3	5
Growth Enterprise Market	1	2
Telecommunication and Technology	1	2
	58	**100**

Source: Field Data (2014)

3.5 Data Collection

Given the population size, all the 59 companies listed at the NSE were contacted to participate in the survey. The data was collected from both primary and secondary sources. The two sources of data are meant to reinforce each other (Schindler, 2006). The primary data for the study was collected through the use of structured questionnaires. The questionnaire comprised of questions generated from previous empirical studies, theory and the researcher's own based on the context. Both hard copy and online questionnaires were used in order to improve response rate.

The questionnaires were administered through drop and pick method where the researcher contacted the respondents and left them with the questionnaire. The date of picking the filled up questionnaire was agreed upon. The respondents targeted were TMT members specifically; the CEOs, Corporate Strategy and HR managers because it was

assumed they have a good understanding of the strategies and environment of the company. Primary data was collected on Diversification strategy, TMT diversity, CE and non – financial indicators using a questionnaire (see appendix 1) that was divided into various sections depending on the research objective. The first section sought to obtain organization data; Section two covered DS; Section three addressed TMTD; Section four addressed CE; Section five covered questions on the non – financial indicators of firm performance. The questionnaire included both open-ended and likert type questions.

Secondary data was obtained through a review of the NSE handbook published as at 2013. The specific data derived from the handbook was the PBT and EPS for a five year period covering the years 2009 to 2013. The choice of 2013 was informed by the fact that the annual reports for 2014 had not been released by the NSE. Some data on TMT demographics was obtained from the financial statements and company websites. The data collected in the questionnaires was validated against the financial statements and the company website since all the NSE listed companies publish some of this information that was sought.

The organization was the unit of analysis and the target respondents were the members of the TMT of companies listed at the NSE. The target respondents completed the questionnaires by themselves on a drop-and-pick up later basis where the tentative collection date was agreed. The filled up questionnaires were stamped with the company seal as evidence that the target respondents filled up the questionnaires.

3.6 Reliability Test

Reliability is a measure of the degree to which instruments yields consistent results or data after repeated trials (Mugenda and Mugenda, 2003). It is important that the measurement instrument is reliable for it to measure consistently. According to Robson (2002) there may be four threats to reliability of subject and participant error, subject or participant bias, observer error and observer bias. Cronbach Alpha coefficient was used to test whether the variables are within the acceptable range of between 0 and 1(Mugenda, 2003). The closer the Cronbach Alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale. The summary of the reliability test results is presented in Table 3.2

Table 3.2: Cronbach Alpha Reliability Coefficients

Variable	Cronbach' s Alpha	No. of Items
Diversification Strategy	0.842	9
Competitive Environment	0.631	14
Non-Financial Performance	0.871	16

Source: Field Data (2014)

Based on the Cronbach alpha test results summarized in Table 3.2, diversification strategy which had 9 items had a reliability coefficient of 0.842, competitive environment that had 14 items had a reliability coefficient of 0.631 and non-financial performance with 16 items had a reliability coefficient of 0.871. The closer the Cronbach alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale. Churchill and Peter (1984) indicated that a value of alpha below 0.6 is undesirable and that which is

above 0.6 is generally acceptable. The questions on top management team diversity variable were not on the likert type scale and as such no reliability test was carried out. Financial performance was assessed from secondary data and hence no reliability tests since reliability tests checks the internal consistency of items in the questionnaire.

The questionnaire was piloted to three firms in order to establish whether the questions therein measured the expected theorized variables in the conceptual framework. Respondents were asked to comment on the clarity and the amount of time it would take to fill out the questionnaire. Based on the findings, the questionnaire was then adjusted on the basis of the pilot's findings and a final questionnaire developed.

3.7 Validity Test

Saunders et al. (2007) defines validity as the extent to which the data collection method or methods accurately measure what they are intended to measure and the extent to which research findings are really about what they profess to be about. Validity requires that an instrument is reliable, but an instrument can be reliable without being valid. A pilot study enables one to obtain assessment of the validity of the data that will be collected (Saunders, Lewis, and Thornhill, 2007). Validity of the instrument was measured by testing the questionnaire using data from a pilot study. The purpose of the pilot test was to refine the questionnaire so that respondents would have no problems in answering the questions and there would be no problems in recording the data. To ensure content validity, the researcher carried out a review of literature and identified items required to measure the concepts, and also to ensure that questions cover all areas of the study. The research instrument benefitted a lot from the departmental, open and doctoral discussions

held at the School of Business to discuss the research proposal as refinements were made at each stage. To establish face validity, fellow research students were asked to give their opinions as to whether or not the instrument met the expected criteria. A pilot study was also conducted to find out the respondents' understanding of the questionnaire.

3.8 Operationalization of Research variables

The Independent variable in this study is diversification strategy and comprises both relatedness and mode of entry into the market. Marlin et al. (2004) posited that in analyzing the diversification strategy that a firm has adopted, both relatedness and mode of entry are important. Relatedness and mode of entry determine the coordination and interdependencies that one strategy will require. Marlin et al. (2004) concluded that both mode and relatedness determine the structures and systems that an organization will put in place. The dependent variable in this study is organizational performance.

Respondents were asked to rate their firm's performance in the terms of non-financial perspectives using the SBSC perspectives namely; customer, internal business process and, learning and growth social and, environmental. Profit before tax and Earnings per share were used to measure the financial performance perspective. TMT Diversity variable was operationalized by use of TMT demographics namely; age, gender, tenure in organization, tenure in current position, education background, functional background and, TMT size. A modified Porter's (1980) five forces model was used to analyze the competitive environment. The competitive environment was operationalized by use of; threat of new entrants, power of customers and suppliers, rivalry among players, substitutes and complement products and the role of government. Table 3.3 shows how the study variables were operationalized.

Table 3.3: Operationalization of study variables

Variable	Indicator	Measurement	Operational Definition	Questionnaire items
Diversification Strategy **(Independent Variable)**	Relatedness	5- point Likert type scale	other sector firm is operating in other than enlisted sector at NSE	Section 2
	Mode of Entry	5- point Likert type scale	acquisition or internal development	Section 2
TMT Diversity **(Moderating Variable)**	Gender	Nominal scale	Gender of position holder	Section 3
	Age	Ordinal Scale	Individual member age	Section 3
	Education Level	Ordinal Scale	Highest level of education	Section 3
	Tenure	Ordinal Scale	Total number of years spent in the firm as TMT	Section 3
		Ordinal Scale	No. of years the Executive has spent in the organization	Section 3
	Professional qualification	Ordinal Scale	Actual qualification held	Section 3
	Functional background	Ordinal Scale	Area of specialty with most experience	Section 3
	TMT size	Ordinal Scale	Number in TMT	Section 3
Competitive Environment **(Moderating Variable)**	Level of competition	5- point Likert type scale	-Threat of new entrants -Bargaining power of customers -Bargaining power of suppliers -Threat of substitutes - Intensity of rivalry - Complements - Government	Section 4
Performance **(Dependent Variable)**	Financial Perspective	Ratio scale	Earnings Per share & Profit before tax	Not applicable
	Customer Perspective	5- point Likert type scale	Customer relation outcomes	Section 5
	Internal business process	5- point Likert type scale	Efficient and effective outputs	
	Learning and growth,	5- point Likert type scale	Learning and growth outcomes	
	Social perspective	5- point Likert type scale	Corporate social responsibility	
	Environmental perspective	5- point Likert type scale	Green technology	

3.9 Data Analysis

This study used both descriptive and inferential statistics to analyze data. Descriptive statistics provided information about measures of central tendency and dispersion such as mean, standard deviation, coefficient of variation and percentages. Descriptive statistics provide the basic feature of the data collected on the variables under study and provide the impetus for conducting further analysis on the data (Mugenda, 2003). On the other hand, inferential statistics was used to test a number of hypothesized relations so as to allow generalization of the findings to a larger population. Statistical techniques such as simple regression analysis, hierarchical regression analysis, and multiple regression analysis were used to analyze data.

Regression analysis is used to examine the relationship between variables particularly the extent to which independent variable affects dependent variable (Aiken and West, 1991). Coefficient of determination (R^2) was also used to determine the goodness of fit of different models. As the study consists of a combination of independent, moderating and dependent variable, it was apparent that different kinds of regression analysis be performed. Hierarchical regression was used to determine the moderating effect of TMT diversity and competitive environment. The regression model (details Table 3.4) is of the general form;

$Y= \beta_0+ \beta_1X_1+\beta_2X_2 + \beta_3X_{3+} e$

Where Y=Firm performance

β_0, is a constant, β_1-β_3, are coefficients of the criteria, X_1= Diversification Strategy

X_2= TMT Diversity, X_3= Competitive Environment and e =error term

Table 3.4: Study Objectives, Hypotheses and Analytical Models

Objective	Hypotheses	Analytical Model
To determine the relationship between diversification strategy and performance of firms listed at the NSE	**H_{01}**: There is no significant relationship between diversification strategy and Firm performance	**Simple Linear regression Analysis** Y= f (Diversification strategy) **$Y= \beta_0+ \beta_1X_1+e$** Where Y=Firm performance; β_0, β_1, are coefficients ; X_1= Diversification Strategy; e =error term
To establish the influence of Top Management Team Diversity on the relationship between diversification strategy and performance of firms listed at the NSE	**H_{02}**: Top Management Team diversity has no significant moderating effect on the relationship between Diversification strategy and Organizational performance	**Hierarchical Regression Analysis** **$Y= \beta_0+\beta_1X_1 + \beta_2X_2 + \beta_3(X_1*X_2) + e$** Where Y=Firm performance; β_0, β_1, β_3 are coefficients ; X_1= DS; X_2 = TMT Diversity; X_1*X_2= interaction term between diversification strategy and TMT Diversity; e =error term
To assess the influence of Competitive environment on the relationship between diversification strategy and performance of firms listed at the NSE	**H_{03}**: Competitive environment has no significant moderating effect on the relationship between DS and Organizational performance	**Hierarchical Regression Analysis** **$Y= \beta_0+\beta_1X_1 + \beta_2X_2 + \beta_3(X_1*X_2) + e$** Where Y=Firm performance; β_0, β_1, β_3 are coefficients ; X_1= DS; X_2 = CE; X_1*X_2= interaction term between diversification strategy and Competitive environment; e=error term
Determine the combined effect of TMT diversity and competitive environment on the relationship between diversification strategy and performance of firms listed at the NSE	**H_{04}**: The joint effect of TMT diversity and CE on the relationship of DS and firm performance is not significantly different from the independent effect of the individual moderating variables on this relationship.	**Hierarchical Regression Analysis** **$Y= \beta_0+\beta_1X_1 + \beta_2X_2 + \beta_3(X_1*X_2) + e$** Where Y=Firm performance; β_0, β_1, β_3 are coefficients ; X_1= DS; X_2 = TMT Diversity CE combined; X_1*X_2= interaction term between DS and TMT Diversity & Competitive environment combined; e =error term
To determine the joint influence of diversification strategy, TMT diversity, and, competitive environment on performance	**H_{05}:** There is no significant joint effect of DS, TMTD and CE on organizational performance.	**Multiple Regression Analysis** **$Y= \beta_0+\beta_1X_1 + \beta_2X_2 + \beta_3X_3+ e$** Where Y=Firm performance; β0, β 1, β 3 are coefficients ; X1= DS; X2 = TMT Diversity; X3 = CE; e =error term

Table 3.4 indicates for each objective, the hypothesis that was used to explain or predict the expected relationship. For each hypothesis, the analytical model that was used is indicated showing the various variables and the Statistical techniques such as regression analysis, hierarchical regression, and multiple regression analysis that were used to analyze the data.

3.10 Chapter Summary

This chapter has discussed the research methodology that was used in the study. In particular, the chapter has presented the research philosophy, research design, population of the study, data collection, reliability and validity tests, operationalization of research variables and data analysis methods. The chapter also presented a tabulated summary of the objectives, corresponding hypotheses, and analytical models.

The next chapter presents the results of various tests namely; normality tests, linearity tests, tests of multicollinearity and homoscedasticity. The profile of the organizations studied and that of respondents is presented thereafter. A presentation of descriptive statistical analyses as guided by the research's question, objectives and hypotheses is also presented in Chapter 4. The results of the tests of hypotheses are presented in chapter four and In particular, results of regression analysis are presented for every hypothesis.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter describes the actual findings as per the feedback from the respondents and links them to the objectives of the study. Questionnaires were used to seek the respondents' perceptions of the various attributes defining diversification strategy, TMT diversity, competitive environment and performance of firms listed at the NSE. This chapter presents the findings and discussions on the descriptive statistics which formed the basis of testing the four hypotheses of the study.

4.2 Response Rate

The total number of questionnaires distributed was 58 and out of these, 35 questionnaires were filled and returned indicating a response rate of approximately 60%. Though there are 59 firms listed at the NSE as at December 2013, one (1) firm confirmed that as at the time of the study, it had been delisted from the NSE thus could not respond. Three firms declined to respond to the questionnaire citing company policy that does not allow them to participate in such studies.

The questionnaire was distributed with a cover letter from the university indicating clearly the objective of the study. The letter indicated the study topic and emphasized that the response was to be used for academic purpose only. The response rate of 60% for this study compares well with past studies. Machuki (2011) and Adegelu (2012) attained a response rate of 43 percent and 53 percent respectively.

The response rate for this study was satisfactory given that the researcher made efforts to contact all the targeted companies but a few declined to participate in the study citing company policy constraints. Some respondents did not return the questionnaires despite the effort made to follow up. This study targeted top managers to respond to the questionnaire and most of them cited busy schedules in their work and consequently, 35 top managers provided the primary data required.

Nachmias and Nachmias (2004) have pointed that survey researches face a challenge of low response rate that rarely goes above 50 percent. They concluded that a response rate that is over 50% is satisfactory and presents a good basis for data analysis. Mangione (1995) provided a classification of response rate and a response rate of over 60 percent was rated as acceptable. This response rate is good considering the target respondents were members of TMT who may have little time to dedicate to responding to questionnaires.

4.3 Tests of Normality

The importance of normal distribution is undeniable since it is an underlying assumption of many statistical procedures such as analysis of variance (ANOVA), t- tests, linear regression analysis and discriminant analysis (Razali and Wah, 2011). Before proceeding with inferential statistics analyses it is always advisable to determine the normality of the data because normal data is an underlying assumption in parametric testing. Normality was tested using both the Shapiro - Wilk and Kolmogorov - Smirnov test. For the assumption of normality to hold both the tests were to return a statistically insignificant outcome. The results are presented in Table 4.1(a).

Table 4.1(a): Test of Normality

Variable	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df.	Sig.	Statistic	df.	Sig.
Diversification strategy	.142	35	.070	.962	35	.270
Competitive environment	.105	35	.200*	.982	35	.835
Top management team diversity	.119	35	.200*	.875	35	.001
Non-financial performance	.093	35	.200*	.964	35	.302

a. Lilliefors Significance Correction

*. This is a lower bound of the true significance.

Source: Field Data (2014)

The results in table 4.1(a) indicated that diversification strategy, competitive environment and non-financial performance (p value>0.05) could be assumed to follow a normal distribution. However top management team diversity (p value<0.05) was assumed not to follow the normal distribution.

4.4 Tests of Linearity

Before further analysis, it was important to test for linearity because if there is nonlinearity, then the forecasts and confidence intervals yielded by regressions model may be inefficient, biased or misleading. In testing for Linearity diversification strategy was squared and a stepwise regression carried out based on the null hypothesis that the relationship was linear. If the significance value of the squared term of the variable is smaller than 0.05 then there is a statistically significant association between diversification strategy and non-financial performance that is not accounted for by the purely linear model and therefore it is assumed to represent a curved element of the association.

The general rule is that if we have a regression model where an independent variable is represented by both a squared and non-squared term and the squared term's regression coefficient has a significant value that is lower than 0.05 then we must accept the hypothesis that the population association between the dependent and the independent variables is curved and refute the association is linear. If the significance value is not lower than 0.05, we do not discard the null hypothesis that the association is linear. In our case the sig value of the squared term (0.763) is greater than 0.05 and therefore we fail to discard the null hypothesis. There is sufficient evidence to assume that the association is reasonably linear. Evaluation of the squared terms for competitive environment (sig=0.667) and top management team diversity (sig=0.485) indicate reasonably linear associations. The results are presented in Appendix III.

4.5 Tests of Multicollinearity and Homoscedasticity

Heteroscedasticity is a situation in which the variance of the dependent variable varies across the data (Ghasemi & Zahediasl, 2012). This complicates analysis because many methods in regression analysis are based on the assumption of equal variance (Hansen, 2013). Homoscedasticity (homogeneity of variance) refers to the assumption that the dependent variable exhibits similar amounts of variance across the range of values for an independent variable (Hair et.al., 1998). Heteroscedasticity occurs when the variance of the errors of the dependent variable are not the same across the data. It complicates the analysis because methods of regression assume equal variances (homoscedasticity). There should be consistency of variance of the error term (i.e. residual) at different levels of the predictor variable.

Heteroscedasticity was tested visually using histograms and scatter diagrams for the residual values of the variables. The graphs presented in Appendix IV (a - f) indicate that there was very slight homogeneity in variances with the scatter diagram indicating variation. The Koenker test for heteroscedasticity was also conducted basing on the null hypothesis of no heteroscedasticity. The test follows a chi distribution. The test returned a p value of 0.5469 which supported the hypothesis of no difference. Basing on the outcome of the tests the variances were assumed to be homogenous. The results are presented in Appendix IV (g).

Multicollinearity occurs when the association between independent variables is so high that their individual prediction of the variation in the dependent variable is affected. Multicollinearity in the current study was tested using the variance inflation factor (VIF) calculated using SPSS regression procedure as well as examination of correlation coefficient among variables. If the variables have VIF greater than 5 then we conclude that there may a problem with multicollinearity a VIF greater than 10 indicates a serious problem of multicollinearity. The VIF for all the independent and dependent variables were found to be less than 2 (VIF<2) indicating that there is no multicollinearity. These results are presented in Table 4.1(b).

Table 4.1(b): Tests of Multicollinearity

Variable	Collinearity Statistics	
	Tolerance	**VIF**
Diversification Strategy	.925	1.081
Competitive Environment	.920	1.087
Top Management Team Diversity	.986	1.014

Source: Field Data (2014)

4.6 Organizational Demographics

According to Fellows and Liu (2008), there are two classifications of statistics: descriptive and analytical statistics. Descriptive statistics are used to express the important features of a population (population parameters), intended sample or sample obtained (samples statistics) numerically; they include percentages and other numerical descriptors of the distribution under examination. Descriptive statistics include mean, median mode, variance, standard deviation, percentiles, etc. This section presents the descriptive statistics for the organizational demographics.

4.6.1 Organizational Sector

The respondents were asked to indicate the sectors in which the organization operates in at the NSE. The respondents ticked the sector they are listed in at the NSE and if they operated in other sectors, they were asked to indicate the other sectors. The sector listing at the NSE gives an indication of the industry which the organization is operating in. In regard to diversification, it can be deduced that organizations that operate in one sector are either not diversified at all or are related diversifiers. On the other hand, organizations operating in other sectors in addition to the sector they are primarily listed are considered diversified. The NSE has 11 sectors and the results are presented in Table 4.1.

Table 4.2: Organizational Sector

Sector	Frequency	No. of firms operating in other sectors	Percentage
Banking	5	5	100
Investment	2	2	100
Commercial & Services	7	3	43
Insurance	5	2	40
Automobiles and Accessories	3	1	33
Manufacturing and Allied	4	0	0
Construction and Allied	4	0	0
Agricultural	3	0	0
Energy and Petroleum	2	0	0
	35	**13**	

Source: Field Data (2014)

As shown in Table 4.2, it is a clear indication that firms are not only operating in the sectors they are primarily listed. Respondents from thirteen (13) organizations indicated that their organizations operate in more than one sector. From the results, all the respondents from firms listed in the banking and investment sectors indicated that their organizations operate in other sectors whereas respondents from manufacturing, construction, agricultural and energy sectors indicated that their organizations do not operate in other sectors. From the results in Table 4.2, it can be interpreted that the firms in banking, investment, commercial, insurance and automobile sectors are diversified whereas the rest are not diversified or could be diversifying into related products in the same sector.

4.6.2 Products and Services offered

The respondents were asked to indicate the number of products or services the organization offers. A firm's product offering is a good indicator of diversification. Firms that offer few products are deemed to be less diversified whereas firms that offer many products could be offering the same by diversification. Diversifying firms offer more than one product that could be related or unrelated. The results are in Table 4.3.

Table 4.3: Products and Services Offered

Number of Products/ Services	Frequency	Percentage
1 - 2	6	17.14
3 - 4	4	11.43
5 - 6	7	20.00
7 - 8	5	14.29
More than 9	13	37.14
	35	**100.0**

Source: Field Data (2014)

The results in Table 4.3 show that eighteen (18) organizations (51%) offer more than 7 products or services and only ten (10) firms (29%) offer between 1 and 4 products or services. Twenty percent (20%) of the organizations offer 5-6 products or services. It can be deduced from the results in Table 4.3 that firms listed at the NSE offer a variety of products. Firms offering more than one product can choose to offer related or unrelated products. Related products indicate a related diversification strategy whereas unrelated products are an indication of unrelated diversification.

4.6.3 Respondent's position in the organization

The respondents were asked to indicate their position in the organization. This study targeted employees in the TMT because they are well placed in understanding the strategy of the organization. The TMT is involved in making decisions about the strategy and at the same time, they have good knowledge and understanding on the organization's performance. The results are presented in Table 4.4.

Table 4.4: Respondent's position in the organization

Position	Frequency	Percentage
Top Management Team	28	80.00
Operations Team	5	14.29
Middle Management Team	2	5.71
	35	**100.00**

Source: Field Data (2014)

The results in Table 4.4 show that the majority (80%) of the respondents was in the TMT and 5.71% were in middle management team. Only 14.29% of the respondents were from the operations team. The results imply that the responses that were given are authentic and reliable since the questionnaire was filled majorly by the target respondents.

4.6.4 Respondent's length of service in the organization

The respondents were asked to indicate the number of years they have worked in the organization. Length of service has a relationship on work competence hence performance of the employees and the organization (Patel, Kaufman & Magder, 1996).The length of service in an organization by an employee is a good indicator of stability of tenure and job experience in an organization. The results are presented in Table 4.5.

Table 4.5: Respondents' length of service in the organization

Respondent Years of service	Frequency	Percentage
Less than 1 year	2	5.71
1-5 Years	11	31.43
6-10 Years	10	28.57
Over 10 Years	12	34.29
	35	**100.00**

Source: Field Data (2014)

As shown in Table 4.5, twenty two (22) respondents, approximately 63% had worked in the organization for more than 6 years. Only two (2) about 6 % had worked for less than a year in the organization. The results in Table 4.4 imply that there is stability of tenure in the respondent firms. Stability of tenure and employee experience is associated with good performance because of less recruitment costs and job satisfaction. Stability of tenure means that employees do not easily exit from the organization.

4.7 Diversification Strategy Indicators

In this section, the researcher sought the respondents' perception regarding the various aspects defining diversification strategy. Diversification strategy was defined as both relatedness and mode of entry. Firms can choose to pursue related or unrelated business (Pitts, 1980). Firms can enter diversification through internal development or acquisition of another firm to pursue the new business. To establish the diversification strategy adopted by the organization, descriptive statements were presented to the respondents on a 5-point Likert scale. They were required to indicate the extent to which these statements apply to the organizations. The results are displayed in Table 4.6(a).

Table 4.6(a): Diversification Strategy Indicators

Diversification Strategy Indicators	N	Mean	Std. Deviation	CV	t	Sig. (2-tailed)
Relatedness						
The Company has added new products or services to the current business	35	3.2	1.183	0.37	1	0.324
The Company has added new products / services that are related to the current business.(same industry)	**35**	**3.4**	**1.193**	**0.351**	**1.983**	**0.055**
The Company has added new products / services that are NOT related to the current business (other industries)	**35**	**1.97**	**1.224**	**0.621**	**-4.97**	**0.000**
The Company has added new products or services that are BOTH related and Unrelated to the current business	**35**	**2.34**	**1.235**	**0.528**	**-3.147**	**0.003**
Mode Of Entry						
Our Company has used existing capacity from within to carry out the additional business	**35**	**3.77**	**1.239**	**0.329**	**3.684**	**0.001**
Our Company has acquired new firms to carry out the additional business	**35**	**2**	**1.372**	**0.686**	**-4.312**	**0.000**
The output of the acquired firm(s)is key input of production for our company	**35**	**1.66**	**1.136**	**0.684**	**-6.993**	**0.000**
Our company relies on the acquired firms for the sale and distribution of our products	**35**	**1.57**	**1.119**	**0.713**	**-7.553**	**0.000**
Our company is offering current products in new markets	35	3.09	1.442	0.467	0.352	0.727

Source: Field Data (2014)

The results in Table 4.6(a) indicate that all the responses were statistically significant except responses to the statements; the company has added new products or services to the current business (p value = 0.324, CV =0.37) and, our company is offering current products in new markets (p value = 0.727, CV = 0.467).The various aspects of diversification strategy indicators were ranked differently on the relatedness and mode of entry.

For statements in regard to relatedness, the company has added new products / services that are related to the current business (same industry) received the highest ranking (Mean = 3.4, CV = 0.351) and the company has added new products / services that are NOT related to the current business (other industries) received the lowest ranking (Mean = 1.97, CV = 0.621). The statement in regard to the company has added new products / services that are not related to the current business had the highest variability (CV = 0.621).

For statements in regard to mode of entry, our company has used existing capacity from within to carry out the additional business received the highest ranking (Mean = 3.77, CV = 0.329). On the other hand, our company relies on the acquired firms for the sale and distribution of our products (Mean = 1.57, CV = 0.713) received the lowest ranking. From the results in Table 4.6(a), it can be interpreted that the respondent firms are diversified and the dominant diversification strategy adopted by firms listed at the NSE is related diversification through internal development.

The respondents gave a high mean (mean =3.4) to the statement in regard to adding new products or services that are related to the current business whereas the statement in regard to unrelated diversification received the lowest mean (mean =1.97). The statement in regard to our company relies on the acquired firms for the sale and distribution of our products had the highest variability (CV = 0.713).

The results in Table 4.6(a) indicate that the mode of entry that the organizations have used to carry out the additional business is through internal capacity that makes use of the already existing capacity to enter new business. This is emphasized by the fact that the respondents gave a higher ranking to the statement in regard to internal development (mean =3.77) as opposed to the statement in regard to acquisition of new firms to carry out the additional business (mean =2).The results in Table 4.6(a) are categorized per sector and presented in Table 4.6(b).

Table 4.6(b): Diversification Strategy Indicators Sector wise

Diversification Strategy Indicators	Energy & Petroleum N=2		Comm. & Services N=7		Manuf. & Allied N=8		Auto& Accessories N=2		Investment N=2		Insurance N=5		Banking N=5		Agricultural N=3		Const & Allied N=1
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean
Relatedness																	
The company has added new products or services to the current business	3	1.41	2.71	1.38	3.25	0.89	2	1.41	4.5	0.71	3.2	0.45	4.6	0.55	2	1.00	3
The company has added new products / services that are related to the current business.(same industry)	3	1.41	3.14	1.35	**3.75**	**1.04**	2	1.41	4	0.00	3.2	0.45	**4.8**	**0.45**	2	1.00	3
The company has added new products / services that are NOT related to the current business (other industries)	2	0.00	1.86	1.46	2.13	1.36	1.5	0.71	2.5	2.12	1.6	0.89	**2.6**	**1.52**	1.67	1.16	1
The company has added new products or services that are BOTH related and Unrelated to the current business	2	0.00	2	1.16	**2.63**	**1.51**	2	1.41	3	1.41	2.6	1.14	**2.8**	1.48	1.67	1.16	1
Mode of Entry																	
Our company has used existing capacity from within to carry out the additional business	3.5	2.12	3.57	1.40	4	1.07	2	1.41	3.5	0.71	**3.8**	0.84	**4.8**	**0.45**	3	1.73	5
Our company has acquired new firms to carry out the additional business	1	0.00	1.86	1.22	2.38	1.51	2	1.41	**4.5**	0.71	1.4	0.89	2.4	1.67	1	0.00	1
The output of the acquired firm(s)is key input of production for our company	1	0.00	1.57	1.13	2.13	1.46	1	0.00	**2.5**	**2.12**	1.4	0.89	2	1.23	1	0.00	1
Our company relies on the acquired firms for the sale and distribution of our products	1	0.00	1.57	1.51	2.13	1.36	1	0.00	**2.5**	**2.12**	1.2	0.45	1.6	0.89	1	0.00	1
Our company is offering current products in new markets	2.5	2.12	2.86	1.57	3.75	0.89	1.5	0.71	3	2.83	3.6	1.14	4	1.23	1.67	0.58	1

Source: Field Data (2014)

The results in Table 4.6(b) present the responses on DS indicators per sector. For the statistically significant statements in regard to diversification relatedness highlighted in Table 4.6(a), the banking sector gave the highest mean for the statement the company has added new products / services that are related to the current business (Mean = 4.8, SD = 0.45) followed by the manufacturing sector (Mean = 3.75, SD = 1.04). The banking sector also gave the highest ranking for the statement the company has added new products / services that are not related to the current business (Mean = 2.6, SD = 1.52). For the statements in regard to mode of entry, the banking sector gave the highest ranking to the statement our company has used existing capacity from within to carry out the additional business (Mean = 4.8, SD = 0.45) followed by the insurance sector (Mean = 3.8, SD = 0.84). The investment sector gave the same ranking for the statements in regard to the output of the acquired firm(s)is key input of production for our company and our company relies on the acquired firms for the sale and distribution of our products (Mean = 2.5, SD = 2.12).

It can be interpreted that the banking and manufacturing sectors are diversified and the DS that is widely adopted is related diversification through internal development. The two sectors gave the highest ranking (mean = 4.8 and 3.75) to the indicators of the related DS. The agriculture and auto sectors are less diversified given the low ranking (mean =2) to the relatedness indicators. The investment sector seems to be following both the related and unrelated strategy because the response to the company has added new products or services that are both related and unrelated to the current business (mean =2) and at the same time our company has acquired new firms to carry out the additional business received a high ranking from this sector (Mean = 4.5, SD = 0.71).

4.8 TMT Demographics

In this section, the researcher sought information regarding the various demographic aspects of the TMT members. The TMT was defined as all those managers who report to the CEO including the CEO. The information sought was in regard to the following aspects; TMT size, age, educational background, functional track background, tenure in the organization and, tenure in current position.

The respondents were asked to indicate the number of employees in top management. TMT members were defined as all top managers who report to the CEO including the CEO. A large team of top managers is a good indicator of TMT diversity since organizations with large teams imply that they consist of members with diverse backgrounds. Several scholars have argued that large groups are superior to small ones because big groups have more capabilities and resources with which to solve group tasks (Hill, 1982; Jackson, 1992).

Table 4.7: TMT Size

Number of executives	**Frequency**	**Percentage**
1 - 5	3	8.57
6-10	17	48.57
10 - 20	14	40.00
over 20	1	2.86
	35	**100.00**
Mode	**10**	
Average	**10.54**	

Source: Field Data (2014)

From the results in Table 4.7, a total of 369 members were indicated as being TMT members for all the respondent organizations. The largest top management team had twenty one (21) members whereas the smallest team had five (5) members. The most common size of the TMT was ten (10) where seven (7) organizations had ten top managers. Only one (1) organization (2.86%) listed in the banking sector had more than twenty executives. From the results, it can be deduced that the TMTs are diverse in terms of background since organizations with many team members can be interpreted to consist of members with diverse backgrounds in various aspects.

The respondents were requested to indicate how many TMT members were either male or female. Research on gender results suggests that the more homogeneous the gender composition of the groups, the higher their job satisfaction (Konrad et al., 1992). Additionally, others suggest that group cohesion will be lower and conflict higher in gender mixed groups (Jackson et al., 1991). The results are presented in Table 4.8

Table 4.8: TMT Gender

Gender	No.	Percentage	Max	Min
Male	272	74%	17	3
Female	97	26%	6	0
Total	**369**		**21**	**5**

Source: Field Data (2014)

From the results in Table 4.8, out of the 369 TMT members, 74% (272) were male whereas only 26% (97) were female. Three (3) organizations (9%) had male top managers only and there was no organization with female top managers only. The organization with the highest number of male TMT members had seventeen (17) whereas the one with highest female TMT members had six (6) members. The results in Table 4.8 indicate that the TMTs are not diverse in the aspect of gender because one gender has more than 60% members. This is seen in the fact that all the respondent organizations had male TMTs and three (3) organizations had male TMTs only.

The respondents were requested to indicate the age of the TMT members in age brackets. Youthful TMTs have been associated with several organizational outcomes, specifically, young TMTs are perceived to be more proactive to change, willingness to take risk, innovativeness and creativity in decision making that is attributed to the diversity of information sources and perspectives compared to older executives (Wiersema and Bantel, 1992). The results are presented in Table 4.9.

Table 4.9: TMT Age

Age Bracket	Frequency	Percentage	Cumulative Percentage
25-30 Years	1	0.27	0%
30-35 Years	43	11.65	12%
36-40 Years	71	19.24	31%
41-45 Years	73	19.78	51%
46-50 Years	99	26.83	78%
Over 50 Years	82	22.22	100%
	369	**100.0**	
Mean Age	**44**		

Source: Field Data (2014)

From the results in Table 4.9, one hundred and eighty one (181) executives (49%) are above 46 years of age whereas only one (1) executive is in the 25-30 age brackets from the insurance sector. The mean age was 44 years. It can be deduced from the results in Table 4.9 that the top managers are well diversified in regard to age. This clearly indicates that the firms employ managers of varying ages that would be capable of responding swiftly to the changes that the external environment presents and the dynamic business environment. A well-diversified TMT in regard to age is an indicator of good succession planning.

The respondents were requested to indicate the highest education level attained by the TMTs. Education provides an important dimension that helps shape an individual's cognitive base (Hambrick & Mason, 1984). Assuming attained education level is correlated with cognitive ability, higher levels of education should be associated with a team's ability to generate and implement creative solutions to complex problems. The ability to generate creative solutions may explain why people who are more educated have more receptive attitudes toward innovation (Rogers and Shoemaker, 1971).The results are presented in Table 4.10.

Table 4.10: TMT Highest Educational Background

Highest Education Level	Frequency	Percentage	Cumulative Percentage
PhD	11	2.98	2.98
Masters Degree	173	46.88	49.86
Bachelors Degree	169	45.80	95.66
Diploma	10	2.71	98.37
Certificate	5	1.36	99.73
High School	1	0.27	100.00
	369	**100.0**	

Source: Field Data (2014)

From Table 4.10, eleven (11) TMT members (3%) are PH.D holders, 173 members (47%) are Master's degree holders, 169 members (46 %) hold a bachelor's degree and only 6 members (2%) are certificate holders and below. It can be deduced from the results in Table 4.10 that the TMTs in the respondent firms are well educated since majority (96%) of the top managers have at least university education. Only six (6) top managers did not have university education. Out of the six top managers, five (5) were in the banking sector and one (1) from the agricultural sector. Furthermore, 226 TMT members (61%) have professional qualifications like CPA, CFA, CIMA, CISA, FRM, et cetera. A well-educated TMT is associated with creativity in problem solving, decision making and receptivity to change that can be associated with good organizational performance.

The respondents were requested to indicate the functional background of the TMTs that shows the experience of the TMT. A top management team with diverse functional backgrounds suggests different views and attitudes that can help in complex problem solving that needs diverse opinions and ideas that is associated with good performance. Diverse functional backgrounds also indicate less top management turnover because of redundant roles that can arise when a TMT is composed of top managers that have the same functional backgrounds. Top management stability is associated with good performance. The results are presented in Table 4.11

Table 4.11: TMT Functional Background

Functional Background	Frequency	Percentage
Marketing and Sales	109	29.14
Finance	101	27.01
Engineering and IT	61	16.31
Human Resources	34	9.09
Legal	25	6.68
Others(specified)	44	11.76
	374	**100.00**

Source: Field Data (2014)

From Table 4.11, one hundred and nine (109) TMT members (29%) are in Marketing and sales, 27% (101) are in Finance whereas, 16% (61) are in the area of engineering and IT. Only 9% (34) members are in human resources management and 6% are in the Legal field. 12% of the TMTs are in other functional areas that are specific to the organization. 5 members of the TMT held more than one functional background making the total TMT members to be 374.It can be interpreted from Table 4.11 that the organizations are well diversified in terms of functional background. Functional background gives an indication about knowledge and experience of the top managers.

The respondents were requested to indicate the number of years the TMT members had been in the organization. How long a manager has worked in an organization is a good indicator of job experience, job satisfaction and stability of tenure. Employee experience and job satisfaction are both associated with superior organizational performance. The results are presented in Table 4.12

Table 4.12: TMT Tenure in the Organization

Number of Years in the Organization	Frequency	Percentage	Cumulative Percentage
1-5 Years	133	36.04	36.04
6-10 Years	115	31.17	67.21
11-15 Years	54	14.63	81.84
16-20 Years	41	11.11	92.95
Over 20 Years	26	7.05	100.00
	369	**100.00**	

Source: Field Data (2014)

The results in Table 4.12 show that 236 of the TMT members (64%) have been in the organizations for more than 5 years. Only 133 members (36%) have been in the organization for periods of between 1 and 5 years. It can be interpreted from Table 4.12 that there is stability of tenure in the respondents' organization. This means that it is not easy for top managers to exit their organizations given that 236 top managers (64%) have worked in the organization for more than six years. Stability of tenure for the top managers is also an indication that the top managers have a good understanding of the business, strategy and environment that contributes to good organizational performance.

The respondents were requested to indicate the number of years the TMT have held their current TMT positions. TMT tenure in current position is an indicator of the experience the top manager has in that position. Long tenures in the same position indicate that a top manager has high experience in their area whereas short tenures indicate low experience. The results are presented in Table 4.13

Table 4.13: TMT Tenure in Current Position

Number of Years in Current Position	Frequency	Percentage	Cumulative Percentage
1-5 Years	212	57.45	57.45
6-10 Years	96	26.02	83.47
11-15 Years	39	10.57	94.04
16-20 Years	15	4.07	98.10
Over 20 Years	7	1.90	100.00
	369	**100.00**	

Source: Field Data (2014)

From Table 4.13, 57% TMT members (212) had held their current positions for a period between one and five years. Twenty two (22) top managers (6%) have held their current positions for more than sixteen years. It can thus be interpreted from the results that the top managers for the respondent's firms have moderately low experience given that the majority of them (57.45%) have held their current positions for a period of one to five years. Only 43% percent of the top managers have held their current positions for more than six years.

For each of the TMT demographic aspect that was sought, the Blau's index was calculated. The Blau's index formula is shown below.

$$\mathrm{BI_{it}} = 1 - \sum_{j=1}^{S} p_{jit}^2$$

Where $\mathbf{BI_i}$ is the Blau index for firm *i* in year *t*,

$\boldsymbol{J}$ is the number of categories an individual can belong to

$\boldsymbol{P}$ is the proportion of TMT members in firm *i* that belong to category *j* at time *t*

Blau's index is the most frequently used approach for measuring diversity in work group heterogeneity studies (Harrison and Klein, 2007). The statistical interpretation of the Blau index, ranging from 0 to 1, is the chance that two randomly selected individuals from a group belong to different categories (Harrison and Klein, 2007). This approach is appropriate for measuring diversity of a group where the variable of interest is categorical (i.e. male/female) and no group member belongs to multiple categories simultaneously. The results are presented in Table 4.14.

Table 4.14: Descriptive Measures of TMT Diversity Indicators

TMT Demographic	n	Blau's Index
Gender	369	0.35
Age	369	**0.58**
Education Background	369	0.44
Functional Track background	374	**0.67**
Tenure (No. of years served in the organization)	369	**0.57**
Tenure (No. of years served in current position)	369	0.45
Heterogeneity Index (Average)		**0.51**

Source: Field Data (2014)

As shown in the results in Table 4.14, the firms are more diverse in aspects in regard to functional track background (Blau's index = 0.67), and moderately diverse in age (Blau's index = 0.58) and the number of years the TMT members have served in the organization (Blau's index =0.57). The results show that the firms are less diversified in gender, education background and the number of years the TMT members have served in their current positions that received an index of (0.35, 0.44, and 0.45 respectively). Overall, the TMT attributes gave an average heterogeneity index of 0.51 indicating that the firms are moderately diversified in terms of the TMT demographics.

4.9 Competitive Environment

In this section, the researcher sought the respondents' perception regarding the various aspects defining the Competitive Environment. Porters' modified five forces model was used to analyze the competitive environment. Seven forces namely; threat of new entrants, power of suppliers, power of customers, substitutes, rivalry amongst players, complements and government aspects were used to indicate the competitive environment. To establish the perceptions in regard to competitive environment faced by the organization, descriptive statements were presented to the respondents on a 5-point Likert scale.

The results are presented in Table 4.15(a).

Table 4.15(a): Competitive Environmental Indicators

Competitive Environment Indicators	N	Mean	Std. Deviation	CV	t	Sig. (2-tailed)
Our products have substitutes (goods sold by other firms that can be used as alternatives to our goods)	35	3.26	1.421	0.436	1.07	0.292
Our customers are loyal to our brand	**35**	**4.09**	**0.742**	**0.181**	**8.651**	**0.000**
High investment and capital is required to enter business in the industry we are operating	**35**	**4.49**	**0.742**	**0.165**	**11.838**	**0.000**
Access to key raw materials/inputs in the industry we operate in is controlled by existing key players	**35**	**2.49**	**1.173**	**0.471**	**-2.595**	**0.014**
There are many firms of the same size in the industry we operate in	35	3.17	1.15	0.363	0.882	0.384
There are a few large suppliers for our key raw materials/inputs	35	2.63	1.352	0.514	-1.625	0.113
There are substitutes for the key raw materials/inputs for our products/services	**35**	**2.2**	**1.132**	**0.515**	**-4.179**	**0.000**
Our suppliers for key inputs/raw materials have the capacity to produce the goods or services we offer to our customers	**35**	**2.31**	**1.231**	**0.533**	**-3.295**	**0.002**
There are a few large customers for our goods/services	35	3.06	1.235	0.404	0.274	0.786
Our customers will incur costs if they switch to use substitutes	**35**	**2.46**	**1.442**	**0.586**	**-2.227**	**0.033**
Our customers have the capacity to produce the products/services we offer to them	**35**	**1.83**	**1.175**	**0.642**	**-5.896**	**0.000**
Our products have complements (goods sold by other firms that drive the demand for our goods)	35	2.77	1.114	0.402	-1.214	0.233
The government controls the business in our industry	35	2.74	1.4	0.511	-1.086	0.285
Government policies affect our business	**35**	**4.06**	**1.162**	**0.286**	**5.384**	**0.000**

Source: Field Data (2014)

From the results in Table 4.15(a), most of the responses were statistically significant with the exception of responses in regard to there are a few large customers for our goods/services (p value = 0.786, CV = 0.404), there are many firms of the same size in the industry we operate in (p value = 0.384, CV = 0.363),our products have substitutes (p value = 0.292, CV = 0.436),the government controls the business in our industry(p value = 0.285, CV = 0.511),our products have complements(p value = 0.233, CV = 0.402) and, there are a few large suppliers for our key raw materials/inputs(p value = 0.113, CV = 0.514).

The results indicate that that the various aspects of competitive environment were ranked differently. The statements in regard to high investment and capital is required to enter business in the industry we are operating (Mean = 4.49, CV = 0.165) and our customers are loyal to our brand (Mean = 4.09, CV = 0.181) received the highest ranking. The statements with the lowest ranking were; our customers have the capacity to produce the products/services we offer to them (Mean = 1.83, CV = 0.642) and, there are substitutes for the key raw materials/inputs for our products/services (Mean = 2.2, CV = 0.515).The response in regard to our customers have the capacity to produce the products/services we offer to them had the highest variability (CV = 0.642) whereas the statement in regard to high investment and capital is required to enter business in the industry we are operating in had the lowest variability (CV = 0.165).

Interpreting the results in Table 4.15(a) indicates that there are barriers of entry that exist in the industries that the firms operate in. High investments and capital requirements (mean = 4.49) and customer loyalty (mean = 4.09) that indicate barriers of entry received a high ranking that can also be interpreted to mean that the threat of new entrants is low. Barriers to entry are advantages that incumbents have relative to new entrants. According to Porter (2008), huge capital investment requirements and customer loyalty make it difficult for new entrants to enter an industry.

The threat of new entry in an industry depends on the height of entry barriers that are present and the reaction entrants can expect from incumbents. If entry barriers are low and new comers expect little retaliation from the entrenched competitors, the threat of entry is high and industry profitability is moderated. It is the threat of entry and not whether entry actually occurred that holds down profitability (Porter, 2008). It can be interpreted from the results that there is no threat of new entry to the industries that the organizations belong to because the barriers of entry are high.

The results indicate that the power of suppliers is low since the statements in regard to substitutes for the key raw materials/inputs for our products/services (mean = 2.2) and our suppliers for key inputs/raw materials have the capacity to produce the goods or services we offer to our customers (mean = 2.31) received low ranking. According to Porter (2008), some of the characteristics of powerful suppliers include: there are few suppliers but many buyers; they are large and threaten to forward integrate; few substitute raw materials exist; suppliers hold scarce resources; and, Cost of switching raw materials is especially high.

It can also be deduced from the results that the power of customers is low given that the statement in regard to our customers have the capacity to produce the products or services we offer to them received a low ranking (mean = 1.83). Powerful customers can squeeze profitability out of an industry by demanding lower prices and higher quality. The customers can also shift to use substitutes of the product thus lowering the industry profits. This force is especially threatening when buyers can easily find substitute products with attractive prices or better quality and when buyers can switch from one product or service to another with little cost (Porter, 2008).

The results also indicate that the government policies affect the businesses to a greater extent (mean = 4.06). Porter (1990) denies a direct role of the government in business but recognizes the indirect role of government in creating competitive advantage. The Kenyan government plays a very conspicuous role in business. This can be seen through regulatory bodies that have been set up to regulate the businesses. Overall, it can be interpreted that the profitability of the respondents' firm is good since barriers of entry exist and the customers and suppliers do not have power to reduce profits. The results in Table 4.14(a) are categorized per sector in Table 4.15(b).

Table 4.15(b): Competitive Environment Indicators Sector wise

Competitive Environment Indicators	Energy and Petroleum N=2		Commercial & Services N=7		Manuf. & Allied N=8		Auto & Accessories N=2		Investment N=2		Insurance N=5		Banking N=5		Agricultural N=3		Constr. & Allied N=1
	Mean	**SD**	**Mean**	**SD**	**Mean**	**SD**	**Mean**	**SD**	**Mean**	**SD**	**Mean**	**SD**	**Mean**	**SD**	**Mean**	**SD**	**Mean**
Our products have substitutes (goods sold by other firms that can be used as alternatives to our goods)	1.5	0.707	4.3	0.756	3.5	1.414	2.5	2.121	2	0	3.4	1.817	2.8	1.304	3.7	1.53	2
Our customers are loyal to our brand	4	1.414	3.9	0.378	4.3	0.707	**4.5**	**0.707**	**4.5**	**0.707**	4	1	4.4	0.894	3.7	0.58	**3**
High investment and capital is required to enter business in the industry we are operating	**5**	**0**	4.3	0.951	4.1	0.641	**5**	**0**	**5**	**0**	4.4	0.894	4.8	0.447	4.3	1.16	**5**
Access to key raw materials/inputs in the industry we operate in is controlled by existing key players	3.5	0.707	2.6	1.134	2.5	1.195	3	0	2	1.414	2.2	1.304	2.4	1.14	1.3	0.58	**5**
There are many firms of the same size in the industry we operate in	1.5	0.707	3.1	1.215	2.6	0.916	4	1.414	2	0	3.8	0.837	4	0.707	3.7	1.53	3
There are a few large suppliers for our key raw materials/inputs	3.5	0.707	3.1	1.069	3.1	1.642	2.5	2.121	2.5	2.121	1.6	0.894	2.4	1.342	1.7	1.16	3
There are substitutes for the key raw materials/inputs for our products/services	**3**	**1.414**	2.1	0.9	1.9	0.835	2.5	2.121	1.5	0.707	1.4	0.548	**3**	**1.414**	3.0	1.73	2
Our suppliers for key inputs/raw materials have the capacity to produce the goods or services we offer to our customers	2.5	0.707	2.7	1.604	2.1	0.991	2	1.414	1.5	0.707	2.2	1.304	2.4	1.14	2.3	2.31	**3**
There are a few large customers for our goods/services	4	0	2.9	1.773	3.0	0.756	2	1.414	4	1.414	3.6	0.894	2.8	1.483	3.3	0.58	1
Our customers will incur costs if they switch to use substitutes	**4.5**	**0.707**	2.1	1.574	2.1	1.553	2.5	2.121	2	1.414	2.6	1.14	2.6	1.14	1.7	1.16	**5**
Our customers have the capacity to produce the products/services we offer to them	**3**	**1.414**	1.9	1.464	1.9	1.126	1.5	0.707	1	0	2	1.414	1.8	1.304	1.7	1.16	1
Our products have complements (goods sold by other firms that drive the demand for our goods)	3	1.414	2.6	0.976	2.9	0.835	4	0	2	1.414	2.4	0.894	3	1.225	2.0	1.73	5
The government controls the business in our industry	4.5	0.707	3.3	1.496	1.8	0.886	2.5	0.707	1.5	0.707	2.2	0.837	4.4	0.894	2.3	1.53	2
Government policies affect our business	5	0	4.4	0.787	4.1	1.126	4.5	0.707	3	2.828	3.8	0.447	4.6	0.548	2.0	1.00	5

Source: Field Data (2014)

Table 4.15(b) presents the response received on competitive environment per sector. For the statistically significant statements, the automobiles & accessories sector and the investment sector gave the highest and equal ranking to the statement in regard to our customers are loyal to our brand (Mean 4.5 SD= 0.707). The energy, automobiles and, investment sectors gave the highest ranking for the statement in regard to high investment and capital is required to enter business in the industry we are operating in (Mean 5.0 SD= 0.000). The construction and allied sector gave the highest ranking for the statement in regard to access to key raw materials/inputs in the industry we operate in is controlled by existing key players (Mean 5.0 SD= 0.000).

All the sectors gave a mean that is below 2 for the statement in regard to there are substitutes for the key raw materials/inputs for our products/services except the energy, banking and agricultural sectors that all gave the same mean of 3. The statement in regard to our suppliers for key inputs/raw materials have the capacity to produce the goods or services we offer to our customers was given a mean of 2 and below by all sectors except the construction and allied sector that gave a mean of 3.The statement in regard to our customers have the capacity to produce the products/services we offer to them received a mean of below 2 from all the sectors except the energy sector (Mean 3.0 SD= 1.414). All sectors gave a mean of 3 and above for the statement in regard to government policies affect our business except the agricultural sector (Mean 2.0 SD= 1.000).Categorizing the results based on the Porter's force of threat of new entrants can be seen below as presented in the Tables 4.16.

Table 4.16: Threat of New Entry Force Indicators

Threat of New entry Indicators	N	Mean	Std. Deviation	CV	t	Sig. (2-tailed)
High investment and capital is required to enter business in the industry we are operating	35	4.49	0.742	0.165	11.838	0.000
Our customers are loyal to our brand	35	4.09	0.742	0.181	8.651	0.000
Access to key raw materials/inputs in the industry we operate in is controlled by existing key players	35	2.49	1.173	0.471	-2.595	0.014
Grand Mean		**3.69**				

Source: Field Data (2014)

All the statements regarding threat of new entrants are statistically significant (p value is less than 0.05). The statements received a grand mean of 3.69 indicating moderate acceptance in the aspect of threat of new entrants. Categorizing the results based on the Porter's power of suppliers' force can be seen below as presented in the Table 4.17.

Table 4.17: Power of Suppliers Force Indicators

Power of Suppliers Indicators	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
There are substitutes for the key raw materials/inputs for our products/services	35	2.2	1.132	0.515	-4.179	0.000
Our suppliers for key inputs/raw materials have the capacity to produce the goods or services we offer to our customers	35	2.31	1.231	0.533	-3.295	0.002
There are a few large suppliers for our key raw materials	**35**	**2.63**	**1.352**	**0.514**	**-1.625**	**0.113**
Grand Mean		**2.4**				

Source: Field Data (2014)

All the statements in regard to powerful suppliers are statistically significant (p value is less than 0.05) except there are a few large suppliers for our key raw materials/inputs (p value = 0.113, CV = 0.514).The statements received a grand mean of 2.4 indicating a less extent acceptance in the aspect of power of suppliers. Categorizing the results based on the Porter's power of customers' force can be seen below as presented in the Table 4.18.

Table 4.18: Power of Customers Force Indicators

Power of Customers Indicators	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
Our customers have the capacity to produce the products/services we offer to them	35	1.83	1.175	0.642	-5.896	0.000
There are a few large customers for our goods/services	35	3.06	1.235	0.404	0.274	0.786
Grand Mean		**2.4**				

Source: Field Data (2014)

The statement in regard to there are a few large customers for our goods/services is statistically insignificant (p value = 0.786, CV = 0.404).Categorizing the results based on the Porter's substitute products and complements can be seen below in the Table 4.19.

Table 4.19: Substitutes and Complements Force Indicators

Substitutes and Complements Indicators	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
Our products have substitutes (goods sold by other firms that can be used as alternatives to our goods)	35	3.26	1.421	0.436	1.07	0.292
Our products have complements (goods sold by other firms that drive the demand for our goods)	35	2.77	1.114	0.402	-1.214	0.233

Source: Field Data (2014)

All the statements in regard to substitutes and complements are statistically insignificant (p values greater than 0.05). From the results in Table 4.19, it can be seen that the statement in regard to our products have substitutes (goods sold by other firms that can be used as alternatives to our goods) received a higher rank (Mean = 3.26, CV = 0.436). Categorizing the results based on the modified Porter's government forces can be seen below as presented in the Table 4.20.

Table 4.20: Government Force Indicators

Competitive Environment	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
The government controls the business in our industry	35	2.74	1.4	0.511	-1.086	0.285
Government policies affect our business	35	4.06	1.162	0.286	5.384	0.000

Source: Field Data (2014)

From Table 4.20, the statement on government policies affects our business was ranked highly (mean = 4.06) and was statistically significant (p value less than 0.05, CV = 0.286) whereas, the statement on the government controls the business in our industry was statistically insignificant (p = 0.285, CV = 0.511). Lastly, the statement in regard to intensity of rivalry there are many firms of the same size in the industry we operate in received a mean of 3.17 though it was found to be statistically insignificant (p = 0.384, CV = 0.363).

4.10 Non- Financial Performance Indicators

In this section, the researcher sought the respondents' perception regarding the various aspects defining non- financial organization performance. The respondents were expected to indicate to what extent the various statements that define non-financial performance variable apply to their organization. To establish the perception on the performance of the organization, descriptive statements were presented to the respondents on a 5-point Likert scale. The results are presented in Table 4.21(a).

Table 4.21(a): Non-Financial Performance Indicators

Non-Financial Performance Indicators	N	Mean	Std. Deviation	CV	t	Sig. (2-tailed)
Our market share has been improving over the years	35	3.66	1.162	0.317	3.347	0.002
Our organization responds to customer concerns on a timely basis	35	4.17	0.785	0.188	8.824	0.000
Our product/service quality has improved for the last 5 years	35	4.2	0.759	0.181	9.35	0.000
There are good structures to support customer relationship management.	35	4.11	0.758	0.184	8.695	0.000
Our business processes are automated	35	3.97	0.822	0.207	6.992	0.000
There are high performance work systems in my organization	35	4	0.767	0.192	7.714	0.000
Our internal business processes are documented in manuals	35	4.03	0.891	0.221	6.832	0.000
Employees are trained on a regular basis to improve their skills and competences	35	4.09	0.887	0.217	7.242	0.000
There are mentors and tutors within the organization in different fields of specialization	35	3.6	1.143	0.318	3.106	0.004
Our organization has a budget for research and development	**35**	**3.26**	**1.358**	**0.417**	**1.12**	**0.27**
We have introduced new products in the last three years	35	3.51	1.292	0.368	2.355	0.024
Our organization has been engaged in corporate social responsibility over the years	35	4.37	0.808	0.185	10.047	0.000
Corporate social participation and performance has improved	35	4.17	0.985	0.236	7.038	0.000
We engage in environmentally sound and sustainable practices	35	4.23	1.003	0.237	7.25	0.000
The firm's budgetary allocation on environmental management and conservation has increased	35	3.57	1.17	0.328	2.889	0.007
The firm has adopted Green Technology for cleaner environment.	**35**	**3.37**	**1.215**	**0.361**	**1.809**	**0.079**
Grand Mean		**3.9**				

Source: Field Data (2014)

From the results in Table 4.21(a), all the statements in regard to non-financial performance are statistically significant (p values less than 0.05) except for our organization has a budget for research and development that was statistically insignificant (p = 0.27, CV = 0.417) and the firm has adopted green technology for cleaner environment (p = 0.079, CV = 0.361). The statements received a grand mean of 3.9 indicating acceptance to a larger extent. The statement in regard to our organization has a budget for research and development had the highest variability (CV = 0.417) whereas the statement in regard to our product/service quality has improved for the last 5 years had the lowest variability (CV = 0.181).

Table 4.21(b) has categorized the non-financial performance responses per sector. All the sectors gave a mean greater than 3.5 to the statement in regard to our market share has been improving over the years except the energy sector (Mean = 2.5, SD = 0.707) and the construction and allied sector (Mean = 1, SD = 0.0). The banking sector gave the highest ranking (Mean = 4.4, SD = 1.342) for the statement in regard to our organization has a budget for research and development. The banking sector also gave the highest ranking (Mean = 4.8, SD = 0.447) to the statement in regard to we have introduced new products in the last three years.

The insurance sector gave the highest ranking (Mean = 4.8, SD = 0.447) to the statement in regard to our firm has been engaged in social responsibility over the years. All the sectors gave a mean of 4 and above to the statement in regard to we engage in environmentally sound and sustainable practices except the automobiles (Mean = 2, SD = 1.414) and the investment sectors (Mean = 2.5, SD = 2.121).

Table 4.21(b): Non-Financial Performance Indicators Sector wise

Non - Financial Performance Indicators	Energy and Petroleum N=2		Commercial & Services N=7		Manuf. & Allied N=8		Auto & Accessories N=2		Investment N=2		Insurance N=5		Banking N=5		Agricultural N=3		Const. &Allied N=1
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean
Our market share has been improving over the years	**2.5**	**0.707**	3.57	0.976	3.6	1.302	3.5	0.707	4.5	0.707	3.8	1.095	4.2	1.30	4.0	1	**1**
Our organization responds to customer concerns on a timely basis	4	0	4.14	0.378	4.4	0.518	4.5	0.707	3	2.828	4	0.707	4.6	0.55	4.3	0.577	3
Our product/service quality has improved for the last 5 years	4	0	4.29	0.756	4.4	0.518	4	0	4.5	0.707	4	0.707	4.6	0.89	4.0	1	2
There are good structures to support customer relationship Management	3.5	0.707	4	0.816	4.1	0.835	4.5	0.707	4.5	0.707	3.8	0.837	4.8	0.45	4.0	0	3
Our business processes are automated	4	0	3.86	0.9	4.3	0.707	3.5	0.707	4	0	4	0.707	4.6	0.55	**2.7**	1.155	4
There are high performance work systems in my organization	4.5	0.707	4	0.577	4.3	0.707	3.5	0.707	4	0	3.8	0.837	4.4	0.89	3.0	1	4
Our internal business processes are documented in manuals	5	0	3.57	0.976	4.1	0.641	3	1.414	4	0	4.2	0.837	4.6	0.55	3.7	1.528	4
Employees are trained on a regular basis to improve their skills	4.5	0.707	3.43	0.787	4.1	0.835	4	1.414	4.5	0.707	4.8	0.447	4.4	0.89	3.3	1.155	4
There are mentors within the organization in different fields of specialization	3.5	0.707	2.86	0.9	3.9	0.991	3	1.414	4.5	0.707	4	1	4.4	1.34	2.7	1.528	3
Our organization has a budget for research and development	4	0	2.86	1.574	3.8	1.035	3.5	0.707	1.5	0.707	3	1.225	**4.4**	1.34	2.3	1.528	2
We have introduced new products in the last three years	2	1.414	3.43	1.134	4.0	1.069	2	1.414	5	0	3	0.707	**4.8**	0.45	2.7	1.528	2
Our firm has been engaged in social responsibility over the years	4.5	0.707	4.14	0.9	3.9	0.835	4	1.414	5	0	**4.8**	**0.447**	4.6	0.89	4.7	0.577	5
Corporate social participation and performance has improved	4	0	4	0.816	3.9	0.991	3.5	0.707	4.5	0.707	4.6	0.894	4.2	1.79	**4.7**	**0.577**	5
We engage in environmentally sound and sustainable practices	4.5	0.707	4.29	0.488	4.4	0.744	**2**	**1.414**	**2.5**	**2.121**	4.4	0.548	4.8	0.45	4.7	0.577	5
The firm's budgetary allocation on environmental management and conservation has increased	3.5	0.707	2.86	0.9	4.4	0.518	2.5	0.707	2.5	2.121	4	1	4	1.73	3.7	0.577	2
The firm has adopted Green Technology for cleaner environment.	4.5	0.707	2.57	1.134	4.0	0.756	**2**	**0**	4.5	0.707	3.2	1.304	3.6	1.67	3.3	0.577	2

Source: Field Data (2014)

4.11 Financial Performance Indicators

The study used profit before tax (PBT) and Earnings per share (EPS) due to availability of this data. The PBT and EPS analysis was based on information covering five years from 2009 to 2013. An average of the five years was computed for all the respondent companies. We obtained data on financial performance from listed firms' annual reports as published by the Nairobi Securities Exchange. The profit before tax for the respondent companies listed at the NSE for the years 2009 – 2013 is presented in Table 4.22.

Table 4.22: Financial Performance (PBT) for the NSE Listed companies

YEAR	N	TOTAL PBT KSHS '000'	AVERAGE PBT '000'	MAXIMUM PBT KSHS '000'	MINIMUM PBT KSHS '000'
2013	35	**94,278,380.00**	2,693,668.00	**20,123,759.00**	**(10,826,000.00)**
2012	35	101,536,216.00	2,901,034.74	17,419,407.00	(1,032,914.00)
2011	35	89,566,585.00	2,559,045.29	15,129,374.00	(222,355.00)
2010	35	69,320,748.00	1,980,592.80	9,797,971.00	(344,722.00)
2009	34	46,799,194.00	1,376,446.88	9,596,000.00	(5,664,000.00)

Source: Secondary Data (2014)

From the results in Table 4.22, the total profit before tax for the NSE listed companies has been increasing from 2009 except for 2013. The total PBT figure declined for the year 2013 though the highest PBT (Kshs. 20.1 billion) was made in 2013 by a company in the banking sector. The same period of 2013, had the highest loss before tax (Kshs. 10.8 billion) by a firm in the commercial and services sector.

Table 4.23: Financial Performance (EPS) for the NSE Listed companies

YEAR	N	AVERAGE EPS	MAXIMUM EPS	MINIMUM EPS
2013	35	**8.7**	94	(8)
2012	35	7.4	98	(11)
2011	35	3.7	33	**(47)**
2010	35	7.7	**100**	(8)
2009	34	5.2	41	(9)

Source: Secondary Data (2014)

As shown in Table 4.23, the highest average EPS (Ksh. 8.7) was attained in 2013. The highest EPS (Kshs. 100) was attained in 2010 by a company in the agriculture sector whereas the lowest EPS (negative Kshs. 47) was attained in 2011 by a company in the agricultural sector.

4.12 Results of Tests for Hypotheses

A hypothesis is a declarative statement that predicts an expected outcome. A hypothesis can further be categorized into two; research or statistical. A research hypothesis also known as a scientific hypothesis consists of a statement about the expected relationship of the variables. If the researcher obtains statistically significant findings for a research hypothesis, the hypothesis is supported. On the other hand, a statistical hypothesis also known as a null hypothesis states that there is no relationship between the independent and dependent variables. Rejection of the null hypothesis is the acceptance of the research hypothesis.

This study sought to establish the effect of TMT diversity and competitive environment on the relationship between diversification strategy and performance of firms listed at the Nairobi Securities Exchange (NSE). The tests were carried out using simple regression analysis, multiple regression analysis, and hierarchical regression analysis. The tests were done at 5% significance level (α =0.05). The evaluation focused on the hypotheses derived from the objectives of the study.

To test the hypotheses, it was necessary to compute composite scores for variables that had several measures. In this regard, overall non-financial measures of firm performance (customer perspective, internal business processes, learning and growth, social and, environmental perspectives) were collapsed into one composite index. Similarly, composite scores were calculated to represent the responses to the various attributes that defined diversification strategy, TMT diversity, and, competitive environment which were used as input to the evaluation.

Each analysis generated a constant, the standardized beta coefficients (β) for the independent variable, t values, and significance levels among other outputs. The beta coefficients (β) indicates the contribution of the predictor variable towards a unit change in the dependent variable whereas the t-values indicate the significance of the independent effect of predictor variables on the performance indicator. This formed the basis of rejecting or failing to reject the main hypotheses. If the p-value was > 0.05 the hypothesis was rejected and if the p-value was < 0.05 the hypothesis was not rejected. The outline and the results from the evaluation were as discussed below:

4.12.1 Diversification Strategy and organizational performance

The first objective of this study was to determine the influence of diversification strategy on performance. In carrying out this analysis, performance indicators were regressed on the diversification strategy variables (relatedness and mode) at 95% confidence level. Three sub hypotheses were derived from the first hypothesis. The first and second sub hypothesis tested the diversification strategy influence on financial performance (profit before tax and EPS) respectively.

The third sub hypothesis tested the diversification strategy influence on the aspects of non-financial performance (customer service, internal business processes, learning and growth, social and environmental perspectives). PBT and EPS were computed for a five year period (2009, 2010, 2011, 2012 and 2013). An average of the five years was then computed and the average used for regression analysis.

H_{01a}: Diversification strategy has no significant influence on Profit before Tax

Sub hypothesis 01a sought to establish the influence of diversification strategy on financial performance (profit before tax). This hypothesis was tested by regressing profit before tax on diversification strategy guided by the equation $Y= \beta_0+\beta_1X$ where X represented diversification strategy and Y denoted profit before tax. The results of the regression are presented in Table 4.24.

Table 4.24: Diversification Strategy and Profit before Tax

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.230[a]	.053	.024	3.43020E6

ANOVA

Model		Sum of Squares	df.	Mean Square	F	Sig.
1	Regression	2.169E13	1	2.169E13	1.843	.184[a]
	Residual	3.883E14	33	1.177E13		
	Total	4.100E14	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-251401.995	1909712.257		-.132	.896
	diversification strategy	4833206.337	3560021.465	.230	1.358	.184

a. Predictors: (Constant), diversification strategy

b. Dependent Variable: profit before tax

Source: Field Data (2014)

The results presented in table 4.24 indicate that diversification strategy has a weak positive influence on Profit before tax (R = 0.230, R Square =0.053, F= 1.843, p = 0.184). The results indicate that only approximately 5.3% of variations in profit before tax can be explained by diversification strategy. The remaining 94.7% variations are explained by other strategies not included in this study. The results also indicate that the influence of diversification strategy on Profit before tax was not statistically significant (β = 0.230, t= 1.358, p = 0.184). The hypothesis was thus not rejected with respect to profit before tax hence concluded that DS has no significant effect on PBT. The model could be explained using the equation:

Profit before tax = -251,401.995+ 4,833,206.337 DS

The regression equation above indicates that for every unit change in diversification strategy, there is a Kshs. 4,833,206.337 change in profit before tax.

H_{01b}: Diversification strategy has no significant influence on Earnings per Share

Sub hypothesis 01b sought to establish the influence of diversification strategy on financial firm performance (EPS). This hypothesis was tested by regressing EPS on diversification strategy guided by the equation $Y= \beta_0+\beta_1X$ where X represented diversification strategy and Y denoted EPS. The results of the regression are presented in Table 4.25.

Table 4.25: Diversification Strategy and Earnings per Share (EPS)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.204	.042	.013	8.92361

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	113.955	1	113.955	1.431	.240
	Residual	2627.819	33	79.631		
	Total	2741.775	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	11.075	4.968		2.229	.033
	DS	-11.079	9.261	-.204	-1.196	.240

Predictors: (Constant), diversification strategy

Dependent Variable: earnings per share

Source: Field Data (2014)

The results presented in table 4.25 indicate that DS has a weak positive influence on the EPS (R= 0.204, R Square =0.042, F= 1.431, p =0 .240). The results indicate that only approximately 4.2% of variations in EPS can be explained by diversification strategy. The remaining 95.8% variations are explained by other strategies not included in this study. The results also indicate that the influence of diversification strategy on EPS was not statistically significant (β = -0.204, t= -1.196, p = 0.240). The hypothesis was thus not rejected with respect to EPS hence concluded that DS has no significant influence on EPS. The model could be explained using the equation: EPS = 11.075-11.079DS.The regression equation indicates that for every unit change in diversification strategy, there is a Kshs. 11.079 negative change in EPS.

H_{01c}: Diversification strategy has no significant influence on non-financial firm performance

Sub hypothesis 01c sought to establish the influence of diversification strategy on overall non-financial firm performance. To address this sub hypothesis, the independent influence of diversification strategy (relatedness and mode of entry) was tested on various non – financial performance indicators (customer perspective, internal business processes, learning and growth, environmental aspect and social performance). The composite index of non-financial firm performance measures was regressed on the composite index of diversification strategy measures.

Table 4.26 shows regression results for influence of diversification strategy on customer satisfaction perspective. Customer satisfaction was regressed on diversification strategy guided by the equation $Y= \beta_0+\beta_1 X$

where X represented diversification strategy and Y denoted customer satisfaction.

Table 4.26: Diversification Strategy and Customer Satisfaction

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.367[a]	.135	.081	.13316

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.088	2	.044	2.489	.099[a]
	Residual	.567	32	.018		
	Total	.656	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.745	.079		9.473	.000
	relatedness	.317	.143	.439	2.225	.033
	mode of entry	-.193	.141	-.269	-1.364	.182

a. Predictors: (Constant), mode of entry, relatedness

b. Dependent Variable: customer satisfaction

Source: Field Data (2014)

The results presented in Table 4.26 indicate that DS (relatedness and mode) has a positive influence on customer satisfaction (R=0.367, R Square = 0.135, F= 2.489, p >0.05). The R squared (R^2) value of 0.135 indicates that approximately 13.5% of variation in customer satisfaction could be explained by variation in DS. The remaining 86.5% variations are explained by other strategies put in place to enhance customer satisfaction performance. Relatedness significantly influenced customer satisfaction (B = 0.317, t=2.225, p = 0.033) whereas mode of entry was not statistically significant (B = -0.193, t=-1.364, p = 0.182).

Table 4.27 shows regression results for influence of DS on internal business processes perspective. Internal business processes was regressed on DS guided by the equation:

$Y= \beta_0+\beta_1X$ where X represented DS and Y denoted internal business processes.

Table 4.27: Diversification Strategy and Internal Business Processes

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.479[a]	.229	.181	.12152

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.141	2	.070	4.765	.015[a]
	Residual	.473	32	.015		
	Total	.613	34			

Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.612	.072		8.523	.000
	relatedness	.322	.130	.461	2.478	.019
	mode of entry	.021	.129	.031	.165	.870

a. Predictors: (Constant), mode of entry, relatedness

b. Dependent Variable: internal business processes

Source: Field Data (2014)

The results presented in Table 4.27 indicate that DS (relatedness and mode) has a moderate positive influence on internal business processes (R=0.479, R^2 = 0.229, F= 4.765, p =.015). The R^2 value of 0.229 indicates that approximately 22.9% of variation in internal business processes could be explained by variation in DS. The remaining 77% variations are explained by other strategies put in place to enhance internal business processes performance. Relatedness significantly influenced internal business processes (B = 0.322, t=2.478, p = 0.019) whereas mode of entry was not statistically significant (B = 0.021, t=0.165, p = 0.870).

Table 4.28 shows regression results for influence of DS on learning and growth perspective. Learning and growth performance was regressed on DS guided by the equation $Y= \beta_0+\beta_1X$ where X represented DS and Y denoted learning and growth.

Table 4.28: Diversification Strategy and Learning and Growth

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.636[a]	.404	.367	.17939

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.698	2	.349	10.839	.000[a]
	Residual	1.030	32	.032		
	Total	1.727	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.543	.106		5.123	.000
	relatedness	.713	.192	.608	3.711	.001
	mode of entry	.055	.190	.048	.292	.772

a. Predictors: (Constant), mode of entry, relatedness

b. Dependent Variable: learning and growth

Source: Field Data (2014)

The results presented in Table 4.28 indicate that DS (relatedness and mode) has a positive influence on learning and growth performance (R=0.636, R Square = 0.404, F= 10.839, p =.000). The R^2 value of 0.404 indicates that approximately 40% of variation in learning and growth performance could be explained by variation in diversification strategy. The remaining 60% variations are explained by other strategies put in place to enhance learning and growth performance. Relatedness significantly influenced learning and growth performance (B = 0.713, t=3.711, p =0.001) whereas mode of entry was not statistically significant (B = 0.055, t=0.292, p =0 .772).

Table 4.29 shows regression results for the influence of diversification strategy on social performance perspective. Social performance was regressed on diversification strategy guided by the equation $Y= \beta_0+\beta_1 X$where X represented diversification strategy and Y denoted social performance.

Table 4.29: Diversification Strategy and Social Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.306[a]	.094	.037	.16888

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.094	2	.047	1.652	.208[a]
	Residual	.913	32	.029		
	Total	1.007	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.732	.100		7.336	.000
	relatedness	.311	.181	.347	1.718	.095
	mode of entry	-.081	.179	-.092	-.455	.652

a. Predictors: (Constant), mode of entry, relatedness

b. Dependent Variable: social performance

Source: Field Data (2014)

The results in Table 4.29 indicate that DS (relatedness and mode) has a positive influence on social performance (R=0.306, R Square = 0.094, F= 1.652, p =0.208).The R^2 value of 0.094 indicates that approximately 9.4% of variation in social performance could be explained by variation in DS. The remaining 90.6% variations are explained by other strategies put in place to enhance social performance. Both relatedness (B =0.311, t=1.718, p = 0.095) and mode of entry (B = -0.081, t=-0.455, p =0 .652) were not statistically significant.

Table 4.30 shows regression results for the influence of DS on environmental performance perspective. Environmental performance was regressed on DS guided by the equation $Y= \beta_0+\beta_1 X$where X represented DS and Y denoted environmental performance.

Table 4.30: Diversification Strategy and Environmental Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.422[a]	.178	.126	.16658

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.192	2	.096	3.458	.044[a]
	Residual	.888	32	.028		
	Total	1.080	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.546	.098		5.549	.000
	relatedness	.416	.178	.449	2.332	.026
	mode of entry	-.049	.177	-.053	-.277	.784

a. Predictors: (Constant), mode of entry, relatedness

b. Dependent Variable: environmental performance

Source: Field Data (2014)

The results in Table 4.30 indicate that DS (relatedness and mode) has a positive influence on environmental performance (R=0.422, R^2= 0.178, F= 3.458, p =0.044).The R^2value of 0.178 indicates that approximately 18% of variation in environmental performance could be explained by variation in DS. The remaining 82% variations are explained by other strategies put in place to enhance environmental performance. Relatedness significantly influenced environmental performance (B = 0.416, t=2.332, p = 0.026) whereas mode of entry was not statistically significant (B = -0.049, t=-0.277, p =0 .784).

Table 4.31 shows regression results for the influence of diversification strategy on overall non-financial performance. Overall non-financial firm performance was regressed on diversification strategy guided by the equation $Y= \beta_0+\beta_1X$ where X represented diversification strategy and Y denoted overall non-financial firm performance.

Table 4.31: Diversification Strategy and Non-Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.509	.259	.237	.10291

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.122	1	.122	11.546	.002
	Residual	.350	33	.011		
	Total	.472	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.593	.057		10.357	.000
	Diversification strategy	.363	.107	.509	3.398	.002

Predictors: (Constant), diversification strategy

Dependent Variable: non-financial performance

Source: Field Data (2014)

The results presented in table 4.31 indicate that diversification strategy has a positive moderate influence on non-financial performance (R= 0.509, R Square = 0.259, F= 11.546, $p < 0.05$). The R squared (R^2) value of 0.259 indicate that approximately 26% of variation in non-financial performance could be explained by variation in diversification strategy. The remaining 74% variations are explained by other strategies not included in this study. The results also indicate that the model explaining the influence of diversification strategy on non-financial performance was statistically significant (B = 0.363, t= 3.398, p = 0.002).

The hypothesis was thus rejected and concluded that Diversification strategy has a significant influence on non-financial firm performance. The model can thus be explained using the equation:

Non-Financial Performance = 0.593+0.363DS

The equation implies that a unit change diversification strategy will result in 0.363 change in non- financial performance.

4.12.2 Diversification Strategy, TMTD and Organizational Performance

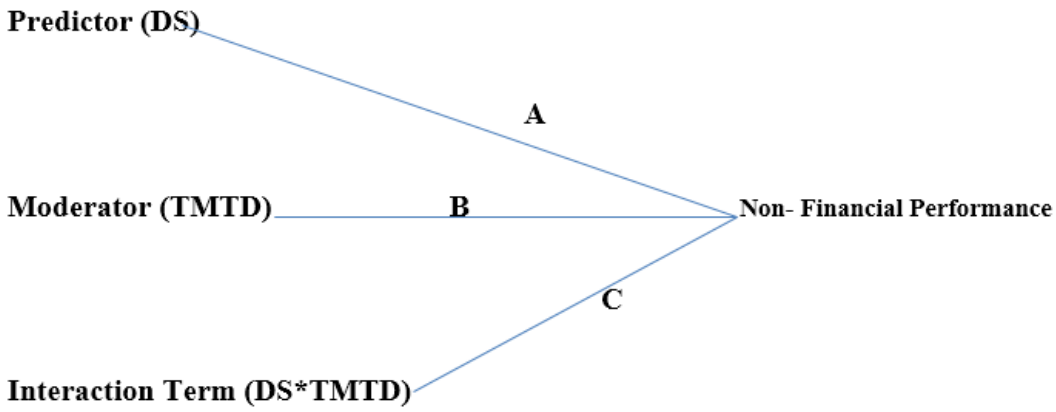
The second objective of this study was to establish the moderating influence of TMT diversity on the relationship between diversification strategy and organizational performance. The direct relationship between diversification strategy and non-financial performance had earlier been established in H_{01c} and it was statistically significant (B = 0.363, t= 3.398, p = 0.002). This is because moderation can only be performed on a significant relationship. Thus, only non-financial firm performance was used in testing the second objective hypothesis since financial performance was found to be statistically not significant in explaining diversification strategy in hypothesis H_{01a} and H_{01b} testing above. This was achieved by testing the following hypothesis;

H_{02}: Top Management Team diversity has no significant moderating effect on the relationship between Diversification strategy and organizational Performance.

TMT Diversity was calculated using the Blau's index that resulted in a composite index for TMT diversity. Blau's index was calculated for each TMT demographic aspect for each organization. The Blau's index is a quantitative measure that reflects how many different types there are in a dataset, and simultaneously takes into account how evenly

the basic entities (such as individuals) are distributed among those types. The value of a diversity index increases both when the number of types increases and when evenness increases. A composite index was determined. To test the hypothesis that TMT diversity has a significant effect on the relationship between diversification strategy and organizational performance, the Baron and Kenny (1986) model was used. Baron and Kenny (1986) posit that moderation can only be supported if path C (which is the interaction of paths A and B) is significant

Figure 4.1: Moderator Model



Source: Adapted from Baron and Kenny (1986) model

The Baron and Kenny (1986) model was conducted in three steps. In the first step, both the independent variable (DS) and the moderator (TMTD) were standardized and the product of the standardized values was computed to form the interaction term. In the second step, the dependent variable (non – financial performance) was regressed against DS and TMTD. The model as well as the predictors was expected to return a significant relationship in this step.

In the third step, the influence of the interaction term was tested while controlling for the two predictors. For moderation to be confirmed the change in R^2 was supposed to be significant. The influence of the interaction term was also supposed to be significant.

This hypothesis was guided by the equation $Y= \beta_0+\beta_1X_1 + \beta_2X_2+\beta_3(X_1*X_2) + \mathbf{e}$

Where Y denoted non-financial firm performance, X_1 represented diversification strategy

X_2 represented TMT Diversity and (X_1*X_2) represented the interaction term between diversification strategy and TMT diversity. The results are presented in Table 4.32.

Table 4.32: Diversification Strategy, TMTD and Non-Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.511[a]	.261	.215	.10436	.261	5.660	2	32	.008
2	.536[b]	.287	.218	.10417	.026	1.117	1	31	.299

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.123	2	.062	5.660	.008[a]
	Residual	.349	32	.011		
	Total	.472	34			
2	Regression	.135	3	.045	4.159	.014[b]
	Residual	.336	31	.011		
	Total	.472	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.568	.103		5.498	.000
	diversification strategy	.360	.109	.506	3.317	.002
	TMT diversity	.053	.176	.046	.303	.764
2	(Constant)	.464	.142		3.253	.003
	diversification strategy	.386	.111	.542	3.474	.002
	top management team diversity	.229	.242	.198	.946	.351
	interaction term (DS and TMT diversity)	.021	.020	.226	1.057	.299

a. Predictors: (Constant), top management team diversity, diversification strategy

b. Predictors: (Constant), top management team diversity, diversification strategy, interaction term (DS and TMT diversity)

c. Dependent Variable: non-financial performance

Source: Field Data (2014)

The results in Table 4.32 indicate a positive moderate relationship between diversification strategy, TMT diversity and non-financial performance (R = 0.511). The model can explain approximately 26% of variation in non-financial performance. The model is statistically significant (R^2= 0.261, F= 5.660, p=0.008). On the addition of the interaction term, the model can explain 28.7% of the variation and though the model was statistically significant (F= 4.159, p =0.014), the change in R^2 was not significant (R^2 change = 0.026, p=0.299).

The influence of diversification strategy on performance was significant (B = 0.386, t= 3.474, p = 0.002) but TMT diversity influence was not (B=0. 229, t= 0.946, p = 0.351). On addition of the interaction term, the influence of the interaction term while controlling for diversification strategy and TMT diversity was not statistically significant (B =0.021, t= 1.057, p = 0.299). The results thus provided insufficient evidence to support the hypothesis that TMTD significantly moderates the relationship between diversification strategy and non-financial performance. The hypothesis was thus not rejected hence concluded that TMT diversity has no significant moderating effect on the relationship between Diversification strategy and Firm Performance.

The equation depicting the model could thus be indicated as

Non- financial performance = 0.464+ 0.386DS+ 0.229 TMTD +0.021 (DS*TMTD)

Since the coefficients of TMTD and (DS*TMTD) were statistically not significant, the resultant equation is; Non- financial performance = 0.593+0.363 DS

Where DS = Diversification Strategy and TMTD = TMT Diversity

4.12.3 Diversification Strategy, Competitive Environment and Organizational Performance

The third objective of this study was to assess the moderating influence of competitive environment on the relationship between diversification strategy and performance. This was achieved by testing the following hypothesis;

H_{03}: Competitive environment has no significant moderating effect on the relationship between Diversification strategy and Organizational performance

To test the hypothesis that competitive environment has no significant effect on the relationship between diversification strategy and organizational performance, the Baron and Kenny (1986) model was conducted in three steps. In the first step, both the independent variable (DS) and the moderator (CE) were standardized and the product of the standardized values was computed to form the interaction term. In the second step, the dependent variable (non – financial performance) was regressed against DS and CE.

The model as well as the predictors was expected to return a significant relationship in this step. In the third step, the influence of the interaction term was tested while controlling for the two predictors. For moderation to be confirmed the change in R^2 was supposed to be significant. The influence of the interaction term was also supposed to be significant. This hypothesis was guided by the equation $Y= \beta_0+\beta_1X_1 + \beta_2X_2+\beta_3(X_1*X_2) + \mathbf{e}$ Where Y denoted non-financial firm performance, X_1 represented diversification strategy X_2 represented Competitive environment and $(X_1*X_{2)}$ represented the interaction term between DS and Competitive environment. The results are presented in Table 4.33.

Table 4.33: Diversification Strategy, Competitive Environment and Non-Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.510[a]	.260	.214	.10447	.260	5.616	2	32	.008
2	.510[b]	.260	.189	.10610	.001	.024	1	31	.879

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.123	2	.061	5.616	.008[a]
	Residual	.349	32	.011		
	Total	.472	34			
2	Regression	.123	3	.041	3.638	.023[b]
	Residual	.349	31	.011		
	Total	.472	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.578	.112		5.159	.000
	diversification strategy	.358	.113	.502	3.180	.003
	competitive environment	.031	.187	.026	.164	.871
2	(Constant)	.577	.114		5.072	.000
	diversification strategy	.358	.114	.503	3.133	.004
	competitive environment	.030	.190	.026	.159	.874
	interaction term (competitive environment)	.003	.016	.024	.153	.879

a. Predictors: (Constant), competitive environment, diversification strategy

b. Predictors: (Constant), competitive environment, diversification strategy, interaction term (competitive environment)

c. Dependent Variable: non-financial performance

Source: Field Data (2014)

The results in Table 4.33 indicate a positive moderate relationship between diversification strategy, competitive environment, and non-financial performance (R = .510). The model can explain approximately 26% of variation in non-financial performance. The model is statistically significant (R^2 = 0.260, F= 5.616, p =0.008). On the addition of the interaction term, there is no change in R^2 and though the model was statistically significant (F= 3.638, p =0.023), the change in R^2 was not significant (R^2 change = 0.001, p=0.879).

The influence of DS on performance was significant (B =0.358, t= 3.133, p =0.004) but competitive environment influence was not significant (B =.030, t= 0.159, p =0.874). On addition of the interaction term, the influence of the interaction term while controlling for DS and competitive environment was not significant (B =0.003, t= 0.153, p =0.879). The results thus provided insufficient evidence to support the hypothesis that competitive environment significantly moderate the relationship between diversification strategy and non-financial performance. Further, there is indication that competitive environment does not significantly contribute to influencing performance. The hypothesis was not rejected and hence concluded that competitive environment has no significant moderating effect on the relationship between Diversification strategy and Organizational performance.

The equation depicting the model could thus be indicated as

Non- financial performance = 0.577+ 0.358 DS+ .030 CE +.003 (DS*CE)

Since the coefficients of CE and (DS*CE) were statistically not significant, the resultant equation is; Non- financial performance = 0.593+0.363 DS

Where DS = Diversification Strategy and CE= Competitive Environment

4.12.4 Combined effect of TMTD and CE on the relationship between DS and Organizational Performance

The fourth objective of this study was to assess the combined moderating influence of TMT diversity and competitive environment on the relationship between diversification strategy and performance. This was achieved by testing the following hypothesis;

H_{04}: The joint moderating effect of TMT diversity and competitive environment on the relationship of diversification strategy and organizational performance is not significantly different from the independent effect of the individual moderating variables on this relationship.

To test the hypothesis that TMTD and CE combined has a significant effect on the relationship between diversification strategy and organizational performance, the Baron and Kenny (1986) model was conducted in three steps. In the first step, both the independent variable (DS) and the moderator (TMTD and CE combined) were standardized and the product of the standardized values was computed to form the interaction term. In the second step, the dependent variable (non – financial performance) was regressed against DS and TMTD and CE combined. The model as well as the predictors was expected to return a significant relationship in this step. In the third step, the influence of the interaction term was tested while controlling for the two predictors. For moderation to be confirmed the change in R^2 was supposed to be significant. The influence of the interaction term was also supposed to be significant.

This hypothesis was guided by the equation $Y= \beta_0+\beta_1X_1 + \beta_2X_2+\beta_3(X_1*X_2) + \mathbf{e}$

Where Y denoted non-financial firm performance, X_1 represented diversification strategy

X_2 represented TMT Diversity and Competitive environment combined and (X_1*X_2) represented the interaction term between DS and TMT Diversity and Competitive environment combined. The results are presented in Table 4.34.

Table 4.34: Combined influence of TMT Diversity and Competitive Environment on the relationship between Diversification Strategy and Non-Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.511[a]	.262	.215	.10434	.262	5.667	2	32	.008
2	.520[b]	.270	.200	.10537	.009	.380	1	31	.542

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.123	2	.062	5.667	.008[a]
	Residual	.348	32	.011		
	Total	.472	34			
2	Regression	.128	3	.043	3.831	.019[b]
	Residual	.344	31	.011		
	Total	.472	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.554	.135		4.097	.000		
	diversification strategy	.355	.111	.498	3.187	.003	.947	1.056
	combined moderator	.078	.245	.050	.319	.752	.947	1.056
2	(Constant)	.525	.145		3.631	.001		
	diversification strategy	.362	.113	.508	3.203	.003	.936	1.068
	combined moderator	.120	.257	.077	.468	.643	.880	1.137
	interaction term (CE, TMTD)	.010	.016	.099	.616	.542	.904	1.106

a. Predictors: (Constant), combined moderator, diversification strategy

b. Predictors: (Constant), combined moderator, diversification strategy, interaction term (CE, TMTD)

c. Dependent Variable: non-financial performance

Source: Field Data (2014)

The results in Table 4.34 indicate a positive moderate relationship between diversification strategy, TMT diversity and competitive environment combined, and non-financial performance (R = 0.511). The model can explain approximately 26.2% of variation in non-financial performance. The model is statistically significant (R^2 = 0.262, F= 5.667, p =0.008). On the addition of the interaction term, the model can explain 27% of the variation and though the model was statistically significant (F= 3.831, p =0.019), the change in R^2 was not significant (R^2 change = 0.009, p=0.542).

The influence of diversification strategy on performance was significant (B =0.362, t= 3.203, p=0.003) but the combined influence of TMT diversity and competitive environment on the diversification and performance relationship was not significant (B =0.120, t=0.468, p =0.643). On addition of the interaction term, the influence of the interaction term while controlling for the variables in model 1 was not statistically significant (B =0.010, t= 0.616, p =0.542). The results in Table 4.32, Table 4.33 and Table 4.34 were compared in Table 4.35 to determine the difference in the individual and joint influence of the combined variables.

Table 4.35: Difference between individual variable moderation and combined variables moderation

Variables	**B**	t	sig	R^2	R^2 change
Diversification strategy	.360	3.317	.002	.261	.026
TMT Diversity	.053	.303	.764		
Diversification strategy	.386	3.474	.002	.287	
TMT Diversity	.229	.946	.351		
Interaction term (DS.TMTD)	.021	1.057	.299		
Diversification strategy	.358	3.180	.003	.260	.000
Competitive environment	.031	.164	.871		
Diversification strategy	.358	3.133	.004	.260	
Competitive environment	.030	.159	.874		
Interaction term (DS.CE)	.003	.153	.879		
Diversification strategy	.355	3.187	.003	.262	.008
Combined moderator(CE and TMTD)	.078	.319	.752		
Diversification strategy	.362	3.203	.003	.270	
Combined moderator(CE and TMTD)	.120	.468	.643		
Interaction term (DS. combined moderator)	.010	.616	.542		

Source: Field Data (2014)

The results in Table 4.35 show that the combined moderator returned an R^2 of 26.2% which was similar to the R^2 value for the individual moderators TMT Diversity (R^2=26.1%) and Competitive Environment (R^2=26.0%). The change in R^2 on addition of the interaction term was 0.008 for the combined influence. This was similar to the R^2 change in the case of TMT Diversity (R^2=0.026) and competitive environment (R^2=0.000). In all the three cases, the contribution of the two moderators and the interaction term were not statistically significant. The hypothesis was not rejected and hence concluded that the joint moderating effect of TMT diversity and competitive environment on the relationship of diversification strategy and firm performance is not significantly different from the independent effect of the individual moderating variables on this relationship.

The findings were indicative of the fact that the joint moderation of TMT diversity and competitive environment on the relationship between diversification strategy and performance was not significantly different from the independent effect of the individual moderating variables.

4.12.5 Joint effect of Diversification Strategy, TMT Diversity and Competitive Environment on organizational performance

The final objective of this study was to assess the joint effect of diversification strategy, TMT diversity and competitive environment on performance. This was achieved by testing the following hypothesis;

H_{05}: There is no significant joint effect of diversification strategy, TMT diversity and competitive environment on organizational performance.

Multiple regression was conducted to determine the joint influence of DS, TMTD and CE on organizational performance.

This hypothesis was guided by the equation $Y= \beta_0+\beta_1X_1 + \beta_2X_2+\beta_3X_3+ \mathbf{e}$

Where Y denoted non-financial firm performance, X_1 represented diversification strategy X_2 represented TMT Diversity, and, X_3 represented Competitive environment.

The results are presented in Table 4.36.

Table 4.36: Joint influence of Diversification Strategy, TMT Diversity, and Competitive Environment on Non-Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512[a]	.262	.190	.10600

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.123	3	.041	3.664	.023[a]
	Residual	.348	31	.011		
	Total	.472	34			

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.555	.138		4.027	.000		
diversification strategy	.356	.114	.500	3.116	.004	.925	1.081
competitive environment	.026	.191	.022	.135	.893	.920	1.087
top management team diversity	.051	.180	.044	.285	.778	.986	1.014

a. Predictors: (Constant), top management team diversity, diversification strategy, competitive environment

b. Dependent Variable: non-financial performance

Source: Field Data (2014)

The results in Table 4.36 show that there is a moderate positive influence of diversification strategy, TMT diversity and competitive environment on performance (R=0.512). The model is statistically significant (R^2=0.262, p=0.023) and explains 26.2% of variations in the non-financial performance. Diversification strategy was statistically significant (B = 0.356, t= 3.116, p = 0.004) whereas TMT diversity (B = 0.051, t= 0.285, p = 0.778) and competitive environment (B = 0.026, t= 0.135, p =0.893) were not statistically significant.

The equation depicting the model could thus be indicated as

Non- financial performance = 0 .555 + .356 Diversification Strategy

In this study, assessment of the overall robustness and significance of the regression models was done using the F-test and p-values. If the calculated p-value was less than 0.05, the test model was robust enough to predict the test results. On the other hand, if the calculated p-value was greater than 0.05, the model was not robust enough to predict the hypothesized relationships. As shown in Table 4.37, none of test models for financial performance was significant in analyzing the research hypotheses. The research objectives, hypotheses and hypotheses test results are summarized in Table 4.37

Table 4.37: Research Objectives, Hypotheses and Test Results

Research Objectives	Hypotheses	Research Findings	Hypotheses Test Results
Objective 1 To determine the influence of diversification strategy on performance of firms listed at the NSE	**Hypothesis H_{01a}:** Diversification strategy has no significant influence on financial Performance (Profit before Tax)	Results of this study indicate that DS explained 5.3% of the variance in PBT performance (R^2=0.053), and the relationship between DS and performance was not statistically significant (p=0.184).	**FAILED TO REJECT**
	Hypothesis H_{01b}: Diversification strategy has no significant influence on financial Performance (Earnings per Share)	Results of this study indicate that DS explained 4.2% of the variance in EPS performance (R^2=0.042), and the relationship between DS and performance was not statistically significant (p=0.240).	**FAILED TO REJECT**
	Hypothesis H_{01c}: Diversification strategy has no significant influence on non-financial firm performance	Results of this study indicate that DS explained 25.9% of the variance in non -financial performance (R^2=0.259), and the relationship between DS and performance was statistically significant (p=0.002).	**REJECTED**

Table 4.37: Research Objectives, Hypotheses and Test Results cont'd

Research Objectives	Hypotheses	Research Findings	Hypotheses Test Results
Objective 2 To establish the influence of Top Management Team Diversity on the relationship between diversification strategy and performance of firms listed at the NSE	**Hypothesis H_{02}:** Top Management Team diversity has no significant moderating effect on the relationship between Diversification strategy and Organizational performance	The R^2 changed by 2.6% upon the inclusion of the interaction term and the effect of the interaction term was not statistically significant ($p>0.05$), thus TMT diversity does not have a moderating effect on the relationship between DS and organizational performance.	**FAILED TO REJECT**
Objective 3 Assess the influence of Competitive environment on the relationship between diversification strategy and performance of firms listed at the NSE	**Hypothesis H_{03}**: Competitive Environment has no significant moderating effect on the relationship between Diversification strategy and Organizational performance	The R^2 did not change upon the inclusion of the interaction term and the effect of the interaction term was not statistically significant ($p>0.05$), thus CE does not have a moderating effect on the relationship between DS and organizational performance.	**FAILED TO REJECT**

Table 4.37: Research Objectives, Hypotheses and Test Results cont'd

Research Objectives	Hypotheses	Research Findings	Hypotheses Test Results
Objective 4 Determine the combined effect of TMT diversity and competitive environment on the relationship between diversification strategy and performance of firms listed at the NSE	**Hypothesis H_{04}:** The joint moderating effect of TMT diversity and competitive environment on the relationship of diversification strategy and firm performance is not significantly different from the independent effect of the individual moderating variables on this relationship.	The R^2changed by 0.9% upon the inclusion of the interaction term and the effect of the interaction term was not statistically significant ($p>0.05$), thus TMTD and CE combined do not have a moderating effect on the relationship between DS and organizational performance.	**FAILED TO REJECT**
Objective 5 Determine the joint influence of diversification strategy, TMT diversity, and, competitive environment on performance	**Hypothesis H_{05}:** There is no significant joint effect of diversification strategy, TMT diversity and competitive environment on organizational performance	Results of this study indicate that DS, TMTD and CE jointly explained 26.2% of the variance in organizational performance ($R^2=0.262$), and the effect was significant ($p<0.05$). DS was statistically significant whereas TMTD and CE were not statistically significant	**FAILED TO REJECT**

Source: Research Data (2014)

4.13 Discussion of Findings

This section presents the discussion of the findings of this study. The main objective of this study was to determine the influence of TMT diversity and competitive environment on the relationship between diversification strategy and performance of firms listed at the Nairobi Securities Exchange (NSE). The results of the study showed that diversification strategy has a significant influence on organizational performance whereas TMT diversity and competitive environment do not moderate the relationship between diversification strategy and organizational performance.

4.13.1 The Influence of Diversification Strategy on organizational Performance

The first objective of this study was to determine the influence of diversification strategy on performance of firms listed at the NSE. The influence of diversification strategy on financial performance (profit before tax and EPS) was not statistically significant. In relation to financial performance, the results of this study are consistent with previous empirical studies that have found that diversification strategy has no influence on financial performance. From previous studies, higher levels of diversification increases managerial, structural and organizational complexity, incurs greater coordination and integration costs, strains top management resources (Grant et al., 1988); limits organizational attention and inhibits firms' ability to respond to major external changes (Donaldson, 2000). Adamu et al. (2011) concluded that a high degree of diversification does not seem to improve firm performance in terms of profitability. The findings are also consistent with the agency view of diversification that argues that managers

implement diversification strategies to benefit themselves at the expense of their shareholders (Ataullah et al., 2014).

On the other hand, the influence of diversification strategy on non-financial performance was found to be statistically significant. Specifically, relatedness was found to influence all aspects (customer satisfaction, learning and growth, internal business processes, and environmental) of non- financial performance except social performance. From the findings, the mode of entry does not influence any aspect of firm performance. Therefore, it can be inferred that as the firms become more diversified, their performance improves too. The hypothesis that there is significant relationship between diversification Strategy and Firm performance was thus confirmed. These results provide a strong support for the argument that diversification strategy is among the strategies that plays a key role in determining organizational performance.

These results are consistent with existing literature that points out a positive relationship between diversification strategy and performance. Specifically, Rumelt (1974) concluded that firms pursuing related diversification strategies enjoy higher levels of performance than firms pursuing unrelated diversification strategies, and many subsequent studies have supported this finding. Lubatkin and Chatterjee (1994) observe that single-business firms do not have the opportunity to exploit between-unit synergies or the portfolio effects that are available only to moderately and highly diversified firms. That is, focused enterprises do not have multiple businesses, so they do not enjoy scope economies. Also, as Lubatkin and Chatterjee (1994) indicate, these firms bear greater risk since they have not diversified away that risk by combining less than perfectly correlated financial streams from multiple businesses.

According to Thompson et al, (2006), the highest levels of profitability were exhibited by firms that have a strategy of diversifying primarily into those areas that drew on some common core skill or resource. Related diversification allows the firm to reap the competitive advantage benefits of skills transfer, lower cost, common brand names and still spread the investors risk over a broad business base. On the other hand, Barney (2007) suggests that relatedness hypothesis loosely claims that multi-business firms holding portfolios of similar or related businesses might obtain efficiency advantages unavailable to non-diversified firms and firms with unrelated portfolios.

From the results, it can be concluded that the respondent firms are well diversified and the dominant diversification strategy adopted by firms listed at the NSE is related diversification through internal development. Related diversification exists when a firm owns a number of different business units, all of which are related in some way. Related diversifiers are involved with various businesses that can take advantage of a common pool of corporate resources (Nayyar, 1992). In regard to the mode of entry, the results indicate that to a large extent, the organizations have used existing capacity as opposed to acquisitions in entering the new businesses. These results are consistent with the literature review where many researchers (Lee and Lieberman, 2010; Thompson et al, 2006; Pitts 1977) have found out that diversifiers use internal development (use of internal existing capacity) to enter new related businesses.

Lee and Lieberman (2010) predicted that a firm is likely to use internal development to enter markets whose requirements lie close to the firm's existing set of resources and

capabilities, whereas the firm may turn to acquisitions to enter markets that are far from its current resource base. This is in line with Penrose (1959) who posited that diversification is an organization's response to excess resource capacity. Several studies have suggested a systematic relationship between the market that a firm chooses to enter and its resource profile specifically the physical, intangible and financial resources (Chatterjee and Wernerfelt, 1991). According to Pitts (1980), successful firms do not mix strategies and thus, multi business corporations can use two pure diversification strategies: internal diversification, relying on development of products or services, or external diversification, relying on the acquisition of other firms.

4.13.2 The Influence of TMT Diversity on the relationship between Diversification Strategy and organizational Performance

The second objective of this study was to determine whether TMT diversity moderates the relationship between diversification strategy and corporate performance. According to Baron and Kenny (1986), a moderator variable specifies when and under which conditions a predictor variable influences a dependent variable. A moderator variable may reduce or enhance the direction of the relationship between a predictor variable and a dependent variable, or it may even change the direction of the relationship between two variables from negative to positive or vice versa (Lindley and Walker, 1993).

The study revealed that TMT diversity does not moderate the relationship between diversification strategy and organizational performance. It is clear from the findings that the introduction of TMT diversity does not enhance the relationship between diversification strategy and organizational performance as reflected by changes in R^2.

Therefore, the hypothesis that TMT diversity has a significant effect on the relationship between diversification strategy and performance was not confirmed. These findings are consistent with previous findings that have found that TMT diversity does not influence firm performance. Mutuku et al. (2013) and Muchemi (2013) found that TMT diversity does not influence performance. Hambrick and Mason (1984) and Dess and Origer (1987) argued that diversity in TMT's backgrounds may be associated with less strategic consensus and subsequently poorer performance, due in part to decreased communication and increased conflict. Diverse TMTs bring different perspectives and views about the various organizational processes. The results indicated that functional track background was the most diverse aspect of the TMT, followed by age and number of years served in the organization respectively. Managers with differing histories of functional experiences are likely to differ in their attitudes, knowledge, and perspectives (Hambrick and Mason, 1984).

Differences among managers from different functions may be due in part to differences in their educations, but work experiences in functional areas are likely to further shape cognitive and attitudinal perspectives. These can affect how managers behave at all stages of the innovation process: a person's functional background should affect which problems he or she identifies as important, how these problems are formulated, types of solutions generated, evaluations of alternative solutions, and involvement during the implementation phase. In the planning and implementation of strategy, for example, there is likely to be some differences between the older and younger managers. Since young managers are likely to have received their education recently, their technical knowledge

is considered superior. Prior research has demonstrated that younger managers are associated with greater strategic change (Wiersema & Bantel, 1992).

Based on these findings, older executives may be less willing to adapt to new ideas or behaviors (Bantel & Jackson, 1989). In addition, older executives may be at a stage in their careers where financial security is important and risk-taking behaviors may be seen as a threat to that security (Wiersema & Bantel, 1992). Finally, older managers may have a greater stake in supporting the status quo, as it reflects the strategies they adopted over the years (Hambrick & Mason, 1984).These findings contradicts other studies that have found that TMT diversity has an influence on performance. Singh et al., (2010) found that the value of product and geographical diversification on performance is more when a firm has a TMT with more experience than when the TMT has less experience.

4.13.3 The Influence of Competitive Environment on the relationship between Diversification Strategy and organizational Performance

The third objective of this study was to determine whether competitive environment moderates the relationship between diversification strategy and corporate performance. It is clear from the findings that the introduction of competitive environment does not enhance the relationship between diversification strategy and organizational performance because there is no change in the coefficient of determination, R^2 after introduction of the interaction term. Thus, the hypothesis predicting that competitive environment has no significant effect on the relationship between diversification strategy and performance was not rejected.

These findings seem to contradict the findings of some researchers like the study by Prescott (1986) that revealed that the environment modified the strength of the relationship between strategy and performance. Prescott (1986) carried out a study to establish whether environments independently influence performance or they modify the strength or form of the relationship between strategy and performance. The results of the study by Prescott (1986) revealed that the environment modified the strength of the relationship between strategy and performance.

4.13.4 Combined Influence of TMT Diversity and Competitive Environment on the Relationship between Diversification Strategy and organizational Performance

The fourth objective of this study was to determine whether TMT diversity and competitive environment jointly moderates the relationship between diversification strategy and corporate performance. The study hypothesized that the joint effect of TMT diversity and competitive environment on the relationship of diversification strategy and firm performance is not significantly different from the independent effect of the individual moderating variables on this relationship.

As noted earlier, a moderator variable may reduce or enhance the direction of the relationship between a predictor variable and a dependent variable, or it may even change the direction of the relationship between two variables from negative to positive or vice versa (Lindley and Walker, 1993). Thus to confirm this hypothesis, the joint effect should be higher than when each moderating variable is individually considered. From the findings of the study, it is clear that the introduction of the joint moderating variables,

TMT diversity and competitive environment does not add any effect on the relationship between diversification strategy and organizational performance.

4.13.5 The Influence of Diversification Strategy, TMT Diversity and Competitive Environment on organizational Performance

The study hypothesized that diversification strategy, TMT diversity and competitive environment jointly influence firm performance. The study revealed that only diversification strategy influences organizational performance whereas, TMT diversity and competitive environment do not influence organizational performance. Therefore, the hypothesis that diversification strategy, TMT diversity and competitive environment has a significant influence on performance was not confirmed.

These findings are consistent with previous findings that have found that diversification strategy has an influence on firm performance. Corporate diversification has been touted as a solution for competitive advantage, growth, and the survival of firms (Kang, 2013). Lubatkin and Chatterjee (1994) observe that single-business firms do not have the opportunity to exploit between-unit synergies or the portfolio effects that are available only to moderately and highly diversified firms. That is, focused enterprises do not have multiple businesses, so they do not enjoy scope economies.

4.14 Chapter Summary

This chapter has discussed the results of various tests namely; normality tests, linearity tests, tests of multicollinearity and homoscedasticity. The response rate is discussed in this chapter. The profile of the organizations studied and that of respondents has been

presented. A presentation of descriptive statistical analyses as guided by the research's question, objectives and hypotheses is also presented in Chapter 4 and interpretations thereof provided. The results of the tests of hypotheses are presented in chapter four and in particular, results of regression analysis are presented for every hypothesis tested. For each of the five hypotheses, statistical modeling results were presented in both tabular and mathematical equation formats. The results for each hypothesis are also discussed in chapter four.

The next chapter presents a summary of the research findings and conclusion of the study. Implications of the study as seen in four perspectives of theory, practice, policy and methodology are discussed. Thereafter, the contribution of this research to the body of knowledge and limitations of the current study are presented. Finally, the chapter ends with a presentation of recommendations for further research.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study was an attempt to understand the effect of TMT diversity and competitive environment on the relationship between diversification strategy and organizational performance. This chapter presents a summary of the findings, conclusion, recommendations and policy implications, limitations of the study and suggestions for future research.

5.2 Summary

The general objective of this study was to determine the influence of TMT diversity and competitive environment on the relationship between diversification strategy and performance of firms listed at the Nairobi Securities Exchange (NSE). This objective gave rise to five specific objectives: (i) to determine the influence of diversification strategy on performance (ii) to establish the influence of TMT diversity on the relationship between DS and performance (iii) to assess the influence of competitive environment on the relationship between diversification strategy and performance (iv) to determine the combined effect of TMT diversity and competitive environment on the relationship between diversification strategy and performance (v) to determine the joint influence of diversification strategy, TMT diversity, and, competitive environment on corporate performance.

Firm performance was evaluated using both financial and non-financial indicators. The financial indicators that were used in the evaluation were profit before tax (PBT) and earnings per share (EPS). Non-financial performance indicators included; customer satisfaction, internal business processes, learning and growth, social and, environmental performance indicators. Non-financial performance indicators had various attributes that were aggregated and a composite score computed. A summary of findings is presented based on each objective and corresponding hypotheses.

The first objective of the study was to establish the influence of diversification strategy on organizational performance. We measured diversification strategy in terms of relatedness and mode of entry. Organizational performance was measured in regard to both financial and non-financial performance. The results evidenced a statistically significant influence of diversification strategy on firm performance in so far as non-financial performance was concerned.

The evidence however, did not show any statistical significance in the influence of diversification strategy on financial performance indicators i.e. profit before tax and earnings per share. Specifically, relatedness was found to influence all aspects (customer satisfaction, learning and growth, internal business processes, and environmental) of non-financial performance except social performance. From the findings, the mode of entry does not influence any aspect of firm performance.

The second objective sought to establish the influence of TMT diversity on the relationship between diversification strategy and performance. We measured TMT diversity in regard to seven demographic aspects: age, gender, educational background, functional background, tenure in the organization, tenure in current position and, the TMT size. The study revealed that TMT diversity did not moderate the relationship between diversification strategy and organizational performance. The results evidenced a positive and moderate relationship that was statistically not significant.

The third objective sought to establish the influence of competitive environment on the relationship between diversification strategy and performance. We measured competitive environment using the modified porter's five forces aspects namely: threat of new entrants, power of customers and suppliers, rivalry among players, substitutes and complement products and the role of government. The study revealed that competitive environment does not moderate the relationship between diversification strategy and organizational performance. The results evidenced a positive and moderate relationship that was statistically not significant.

Objective four sought to assess the combined influence of TMT diversity and competitive environment on the relationship between diversification strategy and performance. The study revealed that TMT diversity and competitive environment do not jointly moderate the relationship between diversification strategy and organizational performance. The results evidenced a positive and moderate relationship that was statistically not significant.

The last objective of the study was to establish the joint influence of diversification strategy, TMT diversity, and competitive environment on performance. The results showed that there existed a positive moderate influence of diversification strategy, TMT diversity, and competitive environment on performance. Only diversification strategy was statistically significant since TMT diversity and competitive environment returned results that were not statistically significant.

5.3 Conclusion

The main objective of the study was to determine the influence of TMT diversity and competitive environment on the relationship between diversification strategy and organizational performance of publicly quoted companies in Kenya. This was achieved by first assessing the extent to which diversification strategy influences organizational performance. Secondly, we tested the moderating influence of TMT diversity on the relationship between diversification strategy and organizational performance.

Thirdly, we tested the moderating influence of competitive environment on the relationship between diversification strategy and organizational performance. Fourthly, we tested the combined moderating effect of both TMT diversity and competitive environment on the relationship between diversification strategy and organizational performance. Lastly, we evaluated the joint effect of diversification strategy, TMT diversity and competitive environment on organizational performance.

Researchers and practitioners have concluded that the relationship between diversification and performance is complex and is affected by intervening and contingent variables such as related versus unrelated diversification, type of relatedness, the capability of top managers, industry structure, and the mode of diversification. This study introduced two moderating variables to the relationship between diversification strategy and organizational performance.

The study findings revealed that diversification strategy has an influence on organizational performance. Specifically, diversification relatedness had a statistically significant effect on performance whereas mode of entry into diversification did not have a statistically significant effect on performance. The study findings revealed that TMT diversity and competitive environment do have an influence on the relationship between diversification strategy and organizational performance though the results were not statistically significant.

The study also looked at the combined effect of TMT diversity and competitive environment on the relationship between DS and organizational performance. The results revealed that the combined variables do not moderate this relationship just like the individual variables. The study also examined the joint effect of DS, TMTD and CE on organizational performance. The results revealed statistically significant results for DS only whereas TMTD and CE gave statistically not significant results.

These results reaffirms what other scholars have said that despite the substantial number of empirical studies in both Finance and Strategic Management, research on the relationship between diversification and firm performance has not yet reached a definitive consensus on whether firms are better off remaining focused or diversifying in different businesses (Martin and Sayrak, 2003). The findings of this study imply that there could be other factors other than TMT diversity and competitive environment that affect the relationship between diversification and performance.

5.4 Implications of the Study

The current research examined the relationship between diversification strategy and organizational performance. The individual and combined moderating role of TMTD and competitive environment on the relationship between diversification strategy and organizational performance was also explored. From the results of the tests of hypotheses of the study and ensuing discussions, there are implications that have emerged.

5.4.1 Theoretical Implications

The results of this study contribute to the diversification strategy literature by providing empirical findings for companies listed at the NSE in Kenya, a context largely unexplored in literature. This study contributes to understanding the link between diversification strategy and firm performance. At the same time, the study confirms the findings of previous studies that have found a significant link between diversification strategy and firm performance. This study revealed that diversification strategy explains 26% of corporate non- financial performance and the results were statistically significant implying that DS is a critical component in determining organizational performance.

The findings contribute to the general body of knowledge as well as providing basis for further development of theory and research particularly in the area of diversification strategy choices by organizations. These results are consistent with existing literature that points out a positive relationship between diversification strategy and performance. Specifically, Rumelt (1974) concluded that firms pursuing related diversification strategies enjoy higher levels of performance than firms pursuing unrelated diversification strategies, and many subsequent studies have supported this finding.

The study reported that TMT diversity and competitive environment do not individually or jointly moderate the relationship between diversification strategy and organizational performance. These findings provide evidence that there could be other important factors that influence this relationship other than TMT diversity and competitive environment. Therefore, this study provides a basis for further research in exploring other possible contingent variables that influence this relationship other than TMT diversity and competitive environment.

Despite the substantial number of empirical studies in both finance and strategic management, research on the relationship between diversification and firm performance has not yet reached a definitive consensus on whether firms are better off remaining focused or diversifying in different businesses (Martin and Sayrak, 2003). This study has added value to the theory that firms are better off diversifying since diversification has an influence on performance.

Specifically, this study brought out the emphasis that in engaging in diversification, the strategy is important. The diversification Strategy of a firm is the choice that the firm makes in relation to which business to enter in terms of relatedness and how to enter. This study introduced the moderating roles of TMTD and CE and the results confirmed that both TMT diversity and competitive environment do not moderate the relationship either individually or jointly. This study has contributed to existing knowledge by empirically confirming that TMT diversity and competitive environment are not moderators of the relationship between diversification strategy and firm performance. Most of the previous related studies have been done in the developed countries, hence the findings of these studies may not be applicable to organizations in developing countries.

5.4.2 Implications on Policy

The study will also contribute to policy formulation and development in Kenya. The companies quoted at the NSE are listed in the key sectors identified to help spur economic growth and help achieve the country's Vision 2030. The research results showed that diversification strategy significantly influences firm performance considering the non-financial indicators. The implication of this study to the policy is that diversification is an effective strategy for improving firm performance. The results of this study can be used in policy development in the areas of business growth strategies and priority diversification areas for business firms. Organizations should strive at increasing their diversification because it can generate superior organizational outcomes as well as help in managing business risks.

Results from this study can be used to guide policy makers on how to choose a diversification strategy and the mode of entry into the market. As such the diversification strategy is a good tool that the organization can use to defend itself in the wake of increased competition in the Kenyan competition that has been accelerated by globalization and technology. The results of this study can also be a guide to human resource policy makers especially in the area of recruitment and talent management. The study by Marlin et al. (2004), found out that firms with different strategies do have different top management teams that appear to be matched with the task demands posed by a particular diversification strategy. The results of the study could have implications for a board of directors in their search for and selection of top-level corporate executives, for executive search firms, for executive mobility and for potential takeover targets.

5.4.3 Implications on Managerial Practice

This study also has implications on managerial practice as regards to the choice of diversification strategy. For management practice, this study will enhance the understanding and inform on how to improve business that can lead to superior performance. The results of the study show that diversification is one of the strategies that an organization can use to improve performance and manage risks. The choice as to enter related or unrelated business is a key one as each one has associated costs and benefits. The study has shown that to a large extent, the choice of diversification strategy largely depends on the resources stock of an organization. The managers of the organization will be required to prudently allocate resources to achieve the objectives of a given strategy.

This study has also shown that the organization should continuously analyze its competitive environment so as to strike a fit between the organization strategy and the competitive environment. As Porter (1980) puts it, whatever the collective strength of the competitive environment forces, the corporate strategist's goal is to find a position in the industry where his or her company can best defend itself against these forces or can influence them in its favor. The findings also revealed the TMT diversity and competitive environment do not statistically significantly moderate the relationship between diversification strategy and non-financial firm performance of companies listed at the NSE. The implication is that managers of these companies should continuously scan the external environment for information that will help them make timely decisions that will keep them ahead of competition and this will no doubt impact on their performance.

5.4.4 Implications for Methodology

The results of this study have methodological implications since not all the hypotheses were confirmed. The way the main variables were defined had an effect in the final results. Diversification strategy was defined in terms of relatedness and mode of entry. Other studies have defined diversification in terms of products, geographical coverage and internationalization. The operationalization of competitive environment in terms of modified Porter's five forces has implications since the same variable could be defined in another way. Top management team diversity has been operationalized in terms of demographic variables and it would be worthwhile to use cognitive diversity. Since the same variables can be defined and operationalized differently, this can greatly impact on the results of the study.

The choice of regression and correlation analysis as statistical approaches had an impact on the statistical relationships reported in this study. Given that the focus of the study was predominantly testing the statistical significance of the independent variable on the dependent variable, the choice of statistical analysis has implications on the results. Therefore, statistically not significant results may turn out to be statistically significant if the variables are defined differently. This study was a cross sectional survey because data was collected across a large number of organizations at one point in time, this design had an impact on the results such that a longitudinal survey could present different results.

5.5 Recommendation

Following the findings of this study, a number of recommendations can be made. To start with, the study findings clearly show that diversification is good for organizations performance. Specifically, relatedness was found to influence all aspects of non- financial performance (customer satisfaction, learning and growth, internal business processes, and environmental) except social performance. Thus, it can be recommended that organizational leaders should consider the relatedness of the business before making a decision on entering new business. To make this decision, the leaders should consider their resources and risk appetite. This in essence means that if the right diversification strategy is adopted by the organization, then superior performance can be expected. In addition, the study revealed that TMT diversity and competitive environment have a positive moderate influence on the relationship between diversification strategy and organizational performance though not statistically significant.

Following these findings, this study recommends that the TMT skills and competences should be matched with the diversification strategy because the diversification strategy adopted results in coordination and interdependencies that must be managed well to make diversification worthy. Organizations should also analyze the competitive environment before entering new businesses. The organization strategists should consider the strength of each competitive force and whatever their collective strength, the corporate strategist's goal is to find a position in the industry where his or her company can best defend itself against these forces or can influence them in its favor (Porter, 2008).

5.6 Limitations of the Study

The study had some limitations. The study did not attain 100% response rate because some NSE listed companies considered information sought on some aspects of TMT diversity and competitive environment as highly confidential. Few organizations were willing to respond to some questions that were very critical in the study. Some respondents did not return the questionnaires despite the effort made to follow up.

Given that some targeted companies did not participate in this study, there is limitation to the extent to which these results could be generalized across all the companies listed at the NSE. The study did not get any response from companies listed in two sectors; telecommunication and real estate. Therefore, the findings and conclusion drawn here might not apply to all NSE listed companies as well as those in other categories that were not covered.

The study used a cross-sectional research design whereby the respondents were interviewed only once to assess their perspectives of the variables in this study. Although a cross-sectional data enable generalization of the findings while offering cost and control advantages, it prevented close investigation of several aspects of the relationships in this study. The shortcoming of cross-sectional research design is that it does not detect causal effects of variables. Cross sectional studies do not allow for causal effects on the observed relationships and therefore could not give actual relationships that exist between diversification strategy, TMT diversity, competitive environment, and performance of insurance companies listed at the Nairobi Securities Exchange. Measuring constructs that are dynamic in nature cannot be correctly assessed in a cross-sectional study.

The financial measures of firm performance that were used were Profit before tax (PBT) and Earnings per Share (EPS). These measures yielded statistically not significant results when they were regressed with the various study variables. The study therefore considered non-financial measures of firm performance only. Despite the above limitations, the quality of the study was not compromised. The study has made an immense contribution to the existing body of knowledge, especially in the area of diversification strategy which has not been fully exploited in the Kenyan context.

5.7 Suggestions for Future Research

This study considered only the companies listed at the NSE. Future researchers could consider carrying out a similar study in other contexts to assess any variation in responses. The study was only able to capture the response of one respondent per firm at

a given point in time. Future researchers should consider using multiple respondents to enhance the findings and address the common bias problem that occurs when one respondent is interviewed. Replicative studies will help the diversification research draw patterns showing effect of DS strategy on various organizational outcomes.

This study defined and operationalized diversification strategy in terms of relatedness and mode of entry. Future researchers can consider operationalizing diversification in other perspectives like geographical diversification and internationalization. The TMT diversity construct was operationalized in terms of demographic diversity only. Future researchers can consider cognitive diversity aspect of the top management team that looks at the beliefs and values of the top managers.

This study was cross sectional whereby the respondents were interviewed only once to assess their perspectives of the variables in this study. Cross sectional studies do not allow for causal effects on the observed relationships and therefore could not give actual relationships that exist between DS, TMTD, competitive environment, and performance of companies listed at the NSE. Future researchers could consider using other approaches like longitudinal studies that will give the change in performance of companies listed at the NSE over time. Future researchers could also introduce different variables other than TMT diversity and competitive environment on the relationship between diversification strategy and firm performance. Studies using other organizational characteristics as moderators can be carried out to gain further insights into the relationship between diversification strategy and firm performance.

5.8 Chapter Summary

The chapter has presented the summary of the findings of the study and these were discussed based on the objectives. Some of the findings supported previous results while others contrasted previous research findings. The chapter also presented theoretical, policy, practice, and methodological implications in the field of strategic management. A few recommendations were made out of the study findings.

Further, the study presented limitations of the study. It is however worthy noting that the limitations did not affect the validity of the findings in any way. Areas for further research have been suggested and the study's contributions to knowledge have also been enumerated.

REFERENCES

Adam, B. M., & Barry, N. (1996). Co-opetition: A revolution mindset that combines competition and cooperation: The game theory strategy that's changing the game of business. New York, NY: Doubleday Publication.

Adamu, N., Zubairu, K.I., Ibrahim, Y.M., & Ibrahim, M.A. (2011). Evaluating the impact of product diversification on financial performance of selected Nigerian construction firms. *Journal of Construction in Developing Countries*. 16(2), 91–114.

Adner, R., & Zemsky, P. (2006). A demand-based perspective on sustainable competitive advantage. *Strategic Management Journal*. 27(3), 215-239.

Adegelu, I.O. (2012). *The relationships between diversification strategies and financial performance and growth amongst established South African contracting firms*. (PhD thesis). University of the Witwatersrand, South Africa.

Agnihotri, A. (2014). The role of the upper echelon in the value chain management. *Competitiveness Review*, 24 (3), 240 – 255.

Alkhafaji, A. (2003). Strategic management: Formulation, implementation, and control in a dynamic environment. New York: The Haworth Press, Inc.

Amihud, Y., & Lev, B. (1981). Risk reduction as managerial motive for conglomerate mergers. *Bell Journal of Economics,* 12,605-617.

Amit, R., & Livnat, J. (1988). Diversification and the risk return trade off. *Academy of Management Journal*, 31, 154 – 166.

Andrews, K.R. (1971). The concept of corporate strategy. Homewood, IL: Irwin.

Ansoff, H. I. (1957). Strategies for diversification. *Harvard Business Review*, 35(2), 113–124.

Ansoff, H. I. (1965). Corporate strategy. New York: McGraw-Hill.

Aosa E. (1997). Contextual influence on strategic planning: Porter's industry analysis model in the Kenyan setting. *Moi University Business Journal*, 1(1), 3-5.

Arons, S.H., & Waalewijn, P. (1999). *A knowledge base representing porter's five forces model.* (PhD thesis). Erasmus University Rotterdam, Netherlands.

Arthur, A., & Thompson, J. (2004). Strategy: winning in the market place, core concepts, analytical tool and cases. New York: McGraw-Hill.

Ataullah, A., Davidson, I., Le, H. & Wood, G. (2014).Corporate diversification, information asymmetry and insider trading. *British Journal of Management*, 25, 228–251.

Bain, J.S. (1956). Barriers to new competition. Cambridge: Harvard University Press.

Bain, J. S. (1968). Industrial organization, (2nd Ed.). New York: Wiley.

Bain, J.S. (1972). Essays on price theory and industrial organization. Boston: Little Brown.

Bantel, K., & Jackson, S. (1989).Top Management and innovations in banking: Does the composition of the top team make a difference? *Strategic Management Journal*, 10, 107-124.

Barnes, E., & Hardie-Brown, G. (2006). The diversification puzzle: revisiting the value impact of diversification for UK firms. *Journal of Business Finance and Accounting*, 33, 1508–1535.

Barney, J. B. (1988). Returns to bidding firms in mergers and acquisitions: reconsidering the relatedness hypothesis. *Strategic Management Journal*, 9, 71-78.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.

Barney, J. B. (1997). Gaining and sustaining competitive advantages. Reading, MA: Addison-Wesley.

Barney, J.B. (2007). Gaining and sustaining competitive advantage, (2nd Ed.). New Delhi, Prentice Hall.

Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic and statistical considerations. *Journal of Personality and Social Psychology*, 51, 1173-1182.

Bausch, A., & Pils, F. (2009). Product diversification strategy and financial performance: meta-analytic evidence on causality and construct multidimensionality. *Review of Managerial Science*, 3(3), 157-190.

Baysinger, B., & Hoskisson, R. E. (1989). Diversification strategy and R&D intensity in multiproduct firms. *Academy of Management Journal*, 32, 310-332.

Bechtold, L. (1997). Chaos theory as a model for strategy development, *Empowerment in Organizations*, 5 (4), 193 – 201.

Beckman, C.M., & Burton, M.D. (2008). Founding the future: path dependence in the evolution of top management teams from founding to IPO. *Organization Science*, 19(1), 3–24.

Behn, R. (2003). Why measure performance? Different purposes require different measures. *Public Administration Review*, 63 (5), 586 – 604.

Bell, S. T., Villado, A. J., Lukasik, M. A., Belau, L., & Briggs, A. L. (2010). Getting specific about demographic diversity variable and team performance relationships: A meta-analysis. *Journal of Management*, 10, 1-35.

Berg, N. A. (1973). The corporate role in diversified companies. In business policy: Teaching and research. Eds. B. Taylor and K. MacMillan. New York, NY: Wiley.

Berry, C. H. (1975). Corporate growth and diversification. New Jersey, NJ: Princeton University Press.

Bettis, R. (1981). Performance differences in related and unrelated diversified firms. *Strategic Management Journal*, 2, 379–393.

Bhide, A. (1993). Reversing corporate diversification, in Donald H. Chew, Jr. (ed.), The new corporate finance: Where theory meets practice, New York, NY: McGraw-Hill.

Biggadike, R. (1979). The risky business of diversification. *Harvard Business Review*, 57(3), 103-111.

Blau, P.M. (1977). Inequality and heterogeneity. New York, NY: The Free Press.

Blum, T.C. (1984). Racial inequality and salience: An examination of Blau's theory of social structure. *Social Forces*, 62, 607–617.

Boeker, W., & Goodstein, J. (1991). Organizational performance and adaptation: Effects of environment and performance on changes in board composition. *Academy of Management Journal*, 34(4), 805-826.

Brown, J., & Fraser, M. (2006). Approaches and perspectives in social and environmental accounting: an overview of the conceptual landscape. *Business Strategy and the Environment*, 15,103–117.

Bryk, A. S., & Raudenbus, S. W. (1992). Hierarchical linear models: Applications and data analysis methods. Newbury Park: Sage.

Burillo, J., & Moreno, J. (2013). The role of the top management team in the choice of entry modes – theoretical perspective. *Entrepreneurial Business and Economics Review***,** 1(2), 51-58.

Burns, T., & Stalker, G. M. (1961). Management of Innovation. London: Tavistock.

Byrne, D. (1971). The attraction paradigm. New York: Academic Press.

Camelo, C., Fernández-Alles, M., Hernández, A.B. (2010), Strategic consensus, top management teams, and innovation performance. *International Journal of Manpower*, 31(6), 678 – 695.

Camuffo, A., Gerli, F., Borgo, S. and Somia`, T. (2009). The effects of management education on careers and compensation: A competency-based study of an Italian MBA programme. *Journal of Management Development*, 28(9), 839-858.

Cannella, A.A., Park, J. and Lee, H. (2008). Top management team functional background diversity and firm performance: examining the roles of team member co-location and environmental uncertainty. *Academy of Management Journal*, 51(4), 197–237.

Castanias, R. P., & Helfat, C. E. (2001). The managerial rents model: Theory and empirical analysis. *Journal of Management*, 27(6), 661–678.

Cannella, A.A., Park, J. and Lee, H. (2008). Top management team functional background diversity and firm performance: examining the roles of team member co-location and environmental uncertainty. *Academy of Management Journal*, 51(4), pp. 197–237

Catell, R. (1965). Factor analysis: An introduction to essentials: The purpose and underlying models. *Biometrics*, 21(1), 190-215.

Central Bank of Kenya (2011). *Bank Supervision Annual Report 2011*. Nairobi, Central Bank of Kenya.

Certo, S. T., Lester, R. H., Dalton, C. M., & Dalton, D. R. (2006). Top management teams, strategy and financial performance: A meta-analytic examination. *Journal of Management Studies, 43(4), 813-839.*

Chandler, A. D., Jr. (1962). Strategy and structure, Cambridge, MA: MIT Press.

Chatterjee, S., & Wernerfelt, B. (1991). The Link between resources and type of diversification: Theory and evidence. *Strategic Management Journal*, 12(1), 33–48.

Child, J. (1974). Managerial and organizational factors associated with company performance. *Journal of Management Studies*, 11, 13-27.

Choi, J., & Russell, J. (2004). Economic gains around mergers and acquisitions in the construction industry of the United States of America. *Canadian Journal of Civil Engineering*, 31 (3), 513- 525.

Christensen, H. J., & C. A. Montgomery (1981).Corporate economic performance: diversification strategy vs. market structure. *Strategic Management Journal*, 2(4), 327-343.

Christensen, L.B. (2001). Experimental methodology, (8th ed). Boston: Allyn & Bacon.

Cooper, D.R., & Schindler, P.S. (2006). Business research method. Boston: McGraw-Hill Irwin.

Cox, T., Jr. (2001). Creating the multicultural organization: A strategy for capturing the power of diversity. San Francisco: Jossey-Bass.

Coyne, K.P., & Sujit, B. (1996). Bringing discipline to strategy. *The McKinsey Quarterly*, No.4

Cyert, R., & March, J. (1963). A behavioral theory of the firm. New Jersey, NJ: Prentice-Hall.

Daft, R.L. (1983), Organization theory and design, the west series in management. West Pub. Co., cop, ISBN 9780314696458.

Daft, R. L., Sormunen, J., & Parks, D. (1988). Chief executive scanning, environmental characteristics, and company performance. *Strategic Management Journal*, 9, 123-139.

Das, R. (1981). Managing diversification. The general management perspective. New Delhi: Macmillan India.

Datta, D.K., Rajagopalan, N. & Rasheed, A.M.A. (1981). Diversification and performance: Critical review and future directions. *Journal of Management Studies*, 28(5), 529–558.

Denis, D. J, Denis, D. K., & Yost, K. (2002). Global diversification, industrial diversification, and firm value. *Journal of Finance*, 57(5), 1951–1979.

Dess, G.G., & Origer, N.K. (1987). Environment, structure, and consensus in strategy formulation: A conceptual integration. *Academy of Management Review*, 12, 313-330.

Dess, G.G., & Priem, R.L. (1995). Consensus-performance research: Theoretical and empirical extensions. *Journal of Management Studies*, 32, 401-418.

Donaldson, L. (2000). Organizational portfolio theory: performance driven organization change. *Contemporary Economic Policy*, 18, 386-396.

Drucker, P. (1974). Management: Tasks, responsibilities, practices. New York, NY: Harper and Row.

Dundas, K. N. M., & Richardson, P. R. (1982). Implementing the unrelated product strategy. *Strategic Management Journal*, 3, 287-301.

Dutton, J., & Duncan, R. (1987). The Influence of Strategic Planning on Strategic Change. *Strategic Management Journal*, 8, 2, 103-116.

Elder G.H., Jr. (1975). Age differentiation and the life course. *Annual Review of Sociology*, 1,165–190.

Elkington J. (1997). Cannibals with forks: the triple bottom line of 21st century business. Capstone: Oxford.

Emery, F.E., & Trist, E. (1965). The causal texture of organizational environments. *Human Relations*, 18, 21-31.

Fellows, R., & Liu, A. (2008). Research methods for construction, (3rd Ed.). Blackwell Publishing.

Filley, A. C., House, R. J., & Kerr, S. (1976). Managerial process and organizational behavior, (2nd Ed.). Glenview, IL: Scott, Foresman.

Finkelstein, S., & Hambrick, D.C. (1996). Strategic leadership: top executives and their effects on organizations. New York, NY: West Publishing Company.

Foss, N. (1998). The resource-based perspective: An assessment and diagnosis of problems. *Scandinavian Journal of Management*, 14(3), 133-149.

Gary, M.S. (2005). Implementation strategy and performance: Outcomes in related diversification. *Strategic Management Journal*, 26, 643–664.

Ghasemi, A., & Zahediasl, S. (2012). Normality tests for statistical analysis: a guide for non-statisticians. *International Journal of Endocrinology and Metabolism*, 10(2), 486-489.

Gort, M. (1962). Diversification and integration in American industry. New Jersey, NJ: Princeton University Press.

Grant, R. M., Jammine, A. P., & Thomas, H. (1988). Diversity, diversification, and profitability among British manufacturing companies. *Academy of Management Journal*, 31,771–801.

Grant, R.M. (2002). Contemporary strategy analysis. Oxford: Blackwell Business.

Gribbin, J.D. (1976). The conglomerate merger. *Applied Economics*, 8, 19-35.

Guthrie, J. P., & Datta, D. K. (1998). Corporate strategy, executive selection, and firm performance. *Human Resource Management*, 37, 101-115.

Gutierrez, B.P., & Rodriguez, R.A. (2013). Diversification Strategies of Large Business Groups in the Philippines. *Philippine Management Review*, 20, 65-82.

Hair, J.F., Anderson, R.E., Tatham, R.L., & Black, W.C. (1998) Multivariate data analysis with readings, (5th Ed.) Englewood Cliffs, NJ: Prentice Hall.

Haleblian, J., & Finkelstein, S. (1993). Top management team size, CEO dominance, and firm performance: the moderating roles of environmental turbulence and discretion. *Academy of Management Journal*, 36, 844–863.

Hamann, P. M., Schiemann, F., Bellora, L., & Guenther, T. W. (2013). Exploring the dimensions of organizational performance: A construct validity study. *Organizational Research Methods*, 16, 67–87.

Hambrick, D.C. (2007). Upper echelon theory: revisited. *Academy of Management Review*, 32(2), 334-343.

Hambrick, D. C., & Finkelstein, S. (1987). Managerial discretion: A bridge between polar views of organizational outcomes. *Research in Organizational Behavior*, 9: 369–406.

Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9, 195-206.

Hambrick, D., & Snow, C.C. (1977). A contextual model of strategic decision making in organizations. *Acad. Management Proceedings*, 37, 109-112.

Hannan, M. T., & Freeman, J. (1988). Density dependence in the growth of organizational populations. In G. R. Carroll (Ed.), Ecological models of organizations: 7-31. Cambridge, MA: Ballinger.

Hansen, E. B. (2013). Econometrics available at: http:// www.ssc.wisc.edu/bhansen

Hao, S., Dong, W. and Zhongfeng, S. (2011). Diversification and firm Survival in China. *African Journal of Business Management*, 5(27), 10999-11004.

Harris, M., Kriebel, C. H., & Raviv, A. (1982). Asymmetric information, incentives and intra firm resource allocation. *Management Science*, 28(6), 604–620.

Harrison, D. A., & Klein, K. J. (2007). What's the difference? Diversity constructs as separation, variety, or disparity in organizations. *Academy of Management Review*, 32, 1199-1228.

Hatten, K. J., Schendel, D. E., & Cooper, A. C. (1978). A strategic model of the U.S. brewing industry: 1925–1971. *Academy of Management Journal*, 21, 592–619.

Henderson, A.D., Miller, D., & Hambrick, D. C. (2006). How quickly do CEOs become obsolete? Industry dynamism, CEO tenure, and company performance. *Strategic Management Journal*, 27, 447-460.

Hiebl, R.W.M. (2014). Upper echelons theory in management accounting and control research. *Journal of Management Control*, 24(3), 223-240.

Hill, C. W. L. (1985). Diversified growth and competition: The experience of twelve large UK firms. *Applied Economics*, 17, 827-847.

Hill, C. W. L., & Hoskisson, R. E. (1987). Strategy and structure in the multiproduct firm. *Academy of Management Review*, 12, 331-341.

Hockerts, K. (1999). Sustainability radar. *Greener Management International*, 25, 29–49.

Hofer, C. W. (1983). ROVA: A new measure for assessing organizational performance. In R. Lamb (Ed.), *Advances in Strategic Management*, 2, 43-55. New York: JAI Press.

Homberg, F., & Bui, T.M.H. (2013). Top Management Team Diversity: A Systematic Review. *Group & Organization Management*, 38(4) 455–479.

Hoskisson, R. E., & Hitt, A. M. (1990). Antecedents and performance outcomes of diversification: A review and critique of theoretical perspectives. *Journal of Management*, 16, (2), 461-509.

Hubbard, G. (2009). Measuring organizational performance: Beyond the triple bottom line. *Business Strategy and Environment*, 19,177-191.

Huo, B., Zhao, X. & Zhou, H. (2014). Competitive environment and information sharing production and operations management. *Production and Operations Management Society*, 23(4), 552–569.

Irungu, S. M. (2007). *The effects of top management teams on the performance of publicly quoted companies in Kenya*. (PhD thesis), University of Nairobi.

Isoe, H. O., Letting, N., Gachunga H., & Katula, B. (2013). Influence of organizational structure on diversification strategy and performance of an organization: Critical literature review. *Prime Journal of Business and Management,* 3(5), 979-985.

Jackson, S.E., Brett, J.F., Sessa, V.I., Cooper, D.M., Julin, J.A., & Peyronnin, K. (1991). Some differences make a difference: Individual dissimilarity and group heterogeneity as correlates of recruitment, promotions, and turnover. *Journal of Applied Psychology*, 76,675–689.

Janis, I. (1982). Groupthink: Psychological studies of policy decisions and fiascoes, (2nd Ed.). Boston: Houghton Mifflin.

Jensen, M. (1986). Agency costs of free cash flow, corporate finance and takeovers. *American Economic Review,* 76, 323–329.

Johnson, G., & Scholes, K. (1999). Exploring corporate strategy, (6th Ed.). New Delhi: Prentice –Hall.

Jones G.R., & Hill, C.W.L. (1988). Transaction cost analysis of strategy-structure choice. *Strategic Management Journal*, 9(2), 159–172.

Kamien, M. I., & Schwartz, N. L. (1982). Market structure and innovation. Cambridge: Cambridge University Press.

Kang, J. (2013). The relationship between corporate diversification and corporate social performance. *Strategic Management Journal*, 34, 94-109.

Kanter, R. M. (1977). Men and women of the corporation. New York, NY: Basic Books.

Kaplan, R. S., & Norton, D.P. (1992). The balanced scorecard: measures that drive performance. *Harvard Business Review*, (Jan-Feb), 71-79.

Kaplan, S., & Henderson, R. (2005). Inertia and incentives: Bridging organizational economics and organizational theory. *Organization Science*, 16(5), 509–521.

Kariuki, S.N. (2013). *The effects of diversification on growth of companies listed in the Nairobi Securities Exchange.* (Unpublished MBA project), University of Nairobi.

Kim, D. & Kogut, B. (1996). Technological platforms and diversification. *Organization Science*, 7(3), 283-301.

Kisaka, S.E, Mbithi, A.J. & Kitur, H. (2015). Determining the optimal portfolio size on the Nairobi Securities Exchange. Research Journal of Finance and Accounting, 6(6), 212-228.

Konrad, A.M., Winter, S., & Gutek, B.A. (1992). Diversity in work group sex composition: Implications for majority and minority members. *Research in the Sociology of Organizations*, 10, 115–140.

Kor, Y. Y. (2003). Experience-based top management competence and sustained growth. *Organization Science*, 14(6), 707–719.

Kraaijenbrink, J., Spender, J. C., & Groen, A. J. (2010). The resource-based view: A review and assessment of its critiques. *Journal of Management*, 36, 349-372.

Krishnan, H. A., Miller, A., and Judge, W. Q. (1997). Diversification and top management team complementarity: Is performance improved by merging similar or dissimilar teams? *Strategic Management Journal*, 18, 361-375.

Kotler, P. and Keller, K. (2006). Marketing Management, (12th Ed.). New Jersey, NJ: Prentice Hall.

Lamont, B.T., & Anderson, C. A. (1985). Mode of corporate diversification and economic performance. *Academy of Management Journal*, 28, 926-934

Lawrence, B.S. (1997). The black box or organizational demography. *Organization Science*, 8(1), 1-22.

Lawrence, P., & Lorsch, J. (1967). Organization and environment. Boston: Division of Research, Harvard Business School.

Lee, G.K., & Lieberman, M.B. (2010). Acquisition vs. internal development as modes of market entry. *Strategic Management Journal*, 31, 140-158.

Leedy, P.D., & Ormrod J.E. (2005). Practical research: planning and design, (8th Ed.) Upper Saddle River, NJ: Prentice Hall.

Lenz, R. T., & Engledow, J. L. (1986). Environmental analysis: The applicability of current theory. *Strategic Management Journal*, 7(1), 45-69.

Levy, D. (1994). Chaos theory and strategy: theory, application, and managerial implications. *Strategic Management Journal*, 15, 167-178.

Lichtenhaler, E. (2005).Corporate diversification: identifying new businesses systematically in the diversified firm. *Technovation*, 25, 697-709.

Lindley, P., & Walker, S. N. (1993). Theoretical and methodological differentiation of moderation and mediation. *Nursing Research*, 42, 276–279.

Lorsch, J.W.; & Allen, S. (1973). Managing diversity and independence. Boston: Harvard Business School.

Lewellen, W. (1971). A pure financial rationale for the conglomerate merger. *Journal of Finance*, 26, 521-545.

Lewin, A. Y., & Minton, J. W. (1986). Determining organizational effectiveness: Another look, and an agenda for research. *Management Science*, 32(5), 514–538.

Lubatkin, M., & Chatterjee, S. (1991). Strategy-shareholder value relationship: testing temporal stability across market cycles. *Strategic Management Journal*, 12, 251-270.

MacCurtain, S., Flood, C.P., Ramamoorthy, N., West, M.A. and Dawson, J.F. (2010). The top management team, reflectivity, knowledge sharing and new product performance: a study of the Irish software industry. *Creativity and Innovation Management*, 19(3), 219-32.

Machuki, V.N., & Aosa, E. (2011). The influence of external environment on the performance of publicly quoted companies in Kenya. *Business Administration and Management Journal*, 1(7), 205-218.

Machuki, V.N., & K'Obonyo, P.O. (2011). Organizational strategic behavior and performance of publicly quoted companies in Kenya. Business Administration and Management Journal. 1(7), 219-232.

Mangione, T.W. (1995). Mail surveys: Improving the quality. California, Sage: Thousand Oaks.

Mangram, E.M. (2013). A simplified perspective of the Markowitz portfolio theory. *Global Journal of Business Research*, 7(1), 59-70.

Marangu, W.N., Matoke, J., Yegon, R., Egessa, R. (2014). Moderating effect of organizational factors on the relationship between diversification strategies and competitiveness: case of sugar firms in Kenya. *European Journal of Business and Management*, 6(8): 95-103.

Marimuthu, M., & Kolandaisamy, I. (2009). Can demographic diversity in top management team contribute for greater financial performance? An empirical discussion. *The Journal of International Social Research*, (2) 274-286.

Markides, C. C., & Williamson, P. J. (1994). Related diversification, core competencies and corporate performance. *Strategic Management Journal*, 15, 149-165.

Markowitz, H.M. (1952). Portfolio selection. *The Journal of Finance*, 7 (1), 77–91

Marlin, D., Lamont, B.T., & Geiger, S.W. (2004). Diversification strategy and top management team fit. *Journal of Managerial Issues*, 361-381.

Martin, J.D., & Sayrak, A. (2003). Corporate diversification and shareholder value: A survey of recent literature. *Journal of Finance*, 9, 37–57.

Marshall, J.S. (2013). Evaluating the Strategic and Leadership Challenges of MOOCs. *Journal of Online Learning and Teaching*, 9(2), 216-227.

Mason, E. S. (1939). Price and production policies of large scale enterprises. *American Economic Review*, 29, 61–74.

McCann, P. (2004). The changing definition of organizational effectiveness. *Human Resource Planning*, 27 (1), 7-30.

McGahan, A. M., & Porter, M. E. (1996). How much does industry matter, really? *Strategic Management Journal*, 18, 15–30.

McKelvey, B. (1982). Organizational systematics. Berkeley, CA: University of California Press.

Michel, J. G., & Hambrick, D. C. (1992). Diversification posture and top management team characteristics. *Academy of Management Journal*, 35, 9-37.

Miller, C. C. (1990). *Cognitive diversity within management teams: Implications for strategic decision processes and organizational performance*. (Unpublished doctoral dissertation). Graduate School of Business, University of Texas.

Miller, C.C., Linda M. B., & William H.G. (1998). Cognitive diversity among upper-echelon executives: implications for strategic decision processes. *Academy of Management Journal*, 19, 39-58.

Mintzberg, H. (1979). The structuring of organizations. Englewood Cliffs, NJ: Prentice Hall.

Montgomery, C. A., & Wernerfelt, B. (1988), Diversification, Ricardian rents and Tobin's Q. *Rand Journal of Economics*, 19(4), 623-632.

Montgomery, C. A. (1994) Corporate diversification. *Journal of Economic Perspectives* 8(3), 163–178.

Muchemi, A. W. (2013). *Top management team diversity and performance of commercial banks in Kenya*. (PhD thesis). University of Nairobi, Kenya.

Mugenda, O. M., & Mugenda A. G. (2003). Research methods: Qualitative and quantitative approaches. Nairobi: African Centre for Technology Studies.

Mutuku, C. (2012). *Factors influencing relationship between top management team diversity and performance of commercial banks in Kenya.* (Unpublished doctoral dissertation), University of Nairobi.

Mutuku, C., K'Obonyo, P., Awino, Z.B., & Musyoka, M. (2013).Top management team diversity, involvement culture and performance of commercial banks in Kenya. *DBA Africa Management Review*, 3(2), 70-80.

Mwindi, P.K. (2003). *An analysis of the application of unrelated diversification strategy by the major oil companies in Kenya.* (Unpublished MBA project), University of Nairobi.

Naisbitt, J. (1982). Megatrends. New York, NY: Warner Books.

Nayyar, P. (1992). On the measurement of corporate diversification strategy: Evidence from large U.S. service firms. *Strategic Management Journal,* 13(2), 219-236.

Neffke, F., & Henning, M. (2013). Skill relatedness and firm diversification. *Strategic Management Journal*, 34, 297-316.

Newman, B., Ucbasaran, D., Zhu, F., & Hirst, G. (2014). Psychological capital: A review and synthesis. *Journal of Organizational Behaviour*, 35, 120-138.

Nickels, M. M. (2002). Understanding business, (6th Ed.). McGraw Hill Irwin U.S.A.

Nielsen, B.B., & Nielsen, S. (2013). Top management team nationality diversity and firm performance performance: A multilevel study. *Strategic Management Journal,* (34), 373-382.

Ogollah K., Awino Z. B., & Muchemi A. W. (2011). Determinants of strategic forces that shape competition in handicraft industry in Kenya. *Prime Journal of Business Administration and Management*, 1 (12), 58-67.

Ogutu, M., & Samuel, C.M. (2012). Strategies adopted by multinational corporations to cope with competition in Kenya. *DBA Africa Management Review*, 2(3), 69-82.

Oluoch, J.A. (2003). *A survey of the perceived attractiveness in the freight forwarding industy: an application of Porter's modified framework.* (Unpublished MBA project), University of Nairobi.

Oster, S. M. (1999). Modern competitive analysis. New York, NY: Oxford University Press.

Owen, D. (2006). Emerging issues in sustainability reporting. *Business Strategy and the Environment*, 15, 217–218.

Palepu, K. (1985). Diversification, profit performance, and the entropy measure. *Strategic Management Journal*, 6, 239-255.

Palich, L.E., Cardinal, L.B., & Miller, C.C. (2000). Curvilinearity in the diversification performance linkage: An examination over three decades of research. *Strategic Management Journal*, 21 (2), 155–174.

Palvia, P., Palvia, S., & Zigli, M., (1990). Models and requirements for using strategic information systems in developing countries. *International Journal of Information Management*, 10(2), 117-126.

Pandya, A.M., & Rao, N.V. (1998). Diversification and firm performance: An empirical evaluation. *Journal of Financial and Strategic Decisions*, 11(2), 67–81.

Patel, V. L., Kaufman, D. R., & Magder, S. A. (1996). The acquisition of medical expertise in complex dynamic environments. In K. A. Ericsson (Ed.), The road to excellence. Hillsdale, NJ: Erlbaum.

Pearce, J., & Robinson, R. (2010). Strategic management; formulation implementation and control. McGraw-Hill Irwin: U.S.A.

Penrose, E. (1959). The theory of the growth of the firm. New York, NY: Wiley.

Peters, T.J., & Waterman, R.H. (1982). In search of excellence: Lessons from America's best-run companies. New York, NY: Harper and Row.

Peterson, S. J., & Zhang, Z. (2011). Examining the relationship between top management team psychological characteristics, transformational leadership, and business unit performance. *The Handbook of Research on Top Management Team:* Edward Elgar Publishing.

Pfeffer, J., & Salancik, G. R. (1978). The external control of organizations. New York: Harper & Row Publishers.

Pitts, R. A. (1976). Diversification strategies and organizational policies of large diversified firms. *Journal of Economics and Business*, 28, 181-188.

Pitts, R. A. (1977). Strategies and structures for diversification. *Academy of Management Journal,* 20,197-208.

Pitts, R. A. (1980). Toward a contingency theory of multi business organization design. *Academy of Management Journal,* 5,203-210.

Porter, M.E. (1980). Competitive strategy: Techniques for analyzing industries and competitors. New York, NY: Free Press.

Porter, M. E. (1981). The contribution of industrial organization to strategic management, *Academy of Management Review*, (6), 609-620.

Porter, M. E. (1985). Competitive advantage. New York, NY: Free Press.

Porter, M. E. (1987). From competitive advantage to corporate strategy, *Harvard Business Review,* 65(3), 43-59.

Porter, M.E. (1990). The competitive advantage of nations. London: MacMillan Press.

Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard Business Review*, January Issue, 78-93.

Prahalad, C. K., & Bettis, R. A. (1986). The dominant logic: A new linkage between diversity and performance. *Strategic Management Journal*, 7, 485-501.

Prescott, J. E. (1986). Environments as moderators of the relationship between strategy and performance. Academy of Management Journal, 29 (2), 329-346.

Purkayastha, S. (2013). Diversification strategy and firm performance: Evidence from Indian manufacturing firms. *Global Business Review*, 14, 1-23.

Raible, M. (2013). *Industrial organization theory and its contribution to decision-making in purchasing.* (Unpublished doctoral dissertation), University of Twente, Netherlands.

Ramanujam, V., & Varadarajan, P. (1989). Research on corporate diversification: A synthesis. *Strategic Management Journal,* 10, 523–551.

Rawley, E. (2010). Diversification, coordination costs and organizational rigidity: Evidence from Microdata. *Strategic Management Journal,* 31, 873-891.

Razali, M.N., & Wah, B. Y. (2011). Power comparisons of Shapiro – Wilk, Kolmogorov – Smirnov, Lilliefors and Anderson – Darling tests, *Journal of statistical modeling and Analytics*, 2(1), 21-33.

Richard, P. J., Devinney, T. M., Yip, G.S., & Johnson, G. (2009). Measuring organizational performance: Towards methodological best practice. *Journal of Management,* 35(3), 718-804.

Riley, J. (2012). Porter's Five Forces Model: analyzing industry structure. Retrieved June 14 2013 from http://www.tutor2u.net/business/strategy/porter_five_forces.htm.

Robson, C. (2002). Real world research, (2nd Ed). Oxford: Blackwell.

Rogers, E.M., & Shoemaker, F.F. (1971).Communication of Innovations: A cross cultural approach. New York, NY: The Free Press.

Rumelt, R.P. (1974). Strategy, structure and economic performance. Division of Research, Harvard Business School, Boston, MA.

Rumelt, R.P. (1982). Diversification strategy and profitability. *Strategic Management Journal*, 3,359–369.

Rumelt, R. P. (1991). How much does industry matter? *Strategic Management Journal*, 12(3), 167–185.

Salter, M. S., & Weinhold, W. A. (1979). Diversification through acquisition: Strategies for creating economic value. New York, NY: Free Press.

Saunders, M. et al. (2007). Research methods for business students, (4th Ed.). London: Financial Times Prentice Hall.

Saunders, M., Lewis, P., & Thornhill, A. (2009). Research methods for business students. (5th Ed.) Harlow: Financial Times Prentice Hall.

Schendel, D., & Hatten, K. J. (1972). Business policy or strategic management: A broader view for an emerging discipline. *Academy of Management Proceedings*, 99–102.

Scherer, F. M. (1980). Industrial market structure and economic performance. Chicago: Rand McNally.

Schmalensee, R. (1985). Do markets differ much? *American Economic Review*, 75, 341-351.

Scott, I.K. (2014). Applying stakeholder theory to utility regulation. *Ecology law currents*, 42(2), 1-12.

Sekaran, U. (2003). Research methods for business: A skill building approach. New York, NY: Wiley.

Simmonds, P. G. (1990). The combined diversification breadth and mode dimensions and the performance of large diversified firms. *Strategic Management Journal*, 11, 399-410.

Simons, T., & Peterson, R. (2000). Task conflict and relationship conflict in top management teams: the pivotal role of intragroup trust. *Journal of Applied Psychology* 85, 102–111.

Singh, D.A., Gaur, A. S., & Schmid, F. P. (2010). Corporate diversification, TMT experience and performance. *Management International Review*, 50(1), 35–56.

Singh, M., Mathur, I., & Gleason, K.C. (2004). Governance and performance implications of diversification strategies: evidence from large U.S. firms. *Finance Review*, 39,489–526.

Song, J. H. (1982). Diversification strategies and the experience of top executives of large firms. *Strategic Management Journal*, 3, 377-380.

Steers, R.M. (1977). Antecedents and outcomes of organizational commitment. *Administrative Science Quarterly*, 22, 46-56.

Stimpert, J.L., & Duhaime, I.M. (1997). Seeing the big picture: The influence of industry, diversification, and business strategy on performance. *Academy of Management Journal*, 40, 560-583.

Teece, D.J. (1980). Economies of scope and the scope of the enterprise. *Journal of Economic Behavior and Organization,* 1(3), 223–247.

Teece, D.J. (1982). Towards an economic theory of the multiproduct firm. *Journal of Economic Behavior and Organization,* 3(1), 39–63.

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

Teece, D.J. (2003). Expert talent and the design of (professional services) enterprises. *Industrial and Corporate Change* 12(4), 895–916.

Thompson, J. D. (1967). Organizations in action. New York: McGraw-Hill.

Thompson, A.A., Stickland, A. J., Gamble, J.E., & Jain, A.K. (2006). Crafting and executing strategies: The quest for competitive advantage, (12th Ed). New Delhi: McGraw-Hill publishing Co. Ltd.

Tushman, M., & Romanelli, E. (1985). Organizational evolution: A Metamorphosis model of convergence and reorientation. In L. L. Cummings and Barry M. Staw (eds.), Research in organizational behavior, 7, 171- 222. Greenwich, CT: JA Press.

Van den Steen, E. (2010). Culture clash: the costs and benefits of homogeneity. *Management Science*, 56(10), 1718-1738.

Van der Heijden, K. (1996), Scenarios: the art of strategic conversation. Chichester: Wiley.

Verona, G. (1999). A resource-based view of product development. *Academy of Management Review*, 24, 132 – 142.

Villalonga, B. (2004). Diversification discount or premium? New evidence from the business information tracking series. *Journal of Finance*, 59(2), 479–506.

Wakwoma, W. (2007). *A Survey of the product diversification strategies adopted by firms in the banking industry in Kenya.* (Unpublished MBA project), University of Nairobi.

Wall, V., & Nolan, L. (1986). Perceptions of inequity, satisfaction, and conflict in task-oriented groups. *Human Relations*, 39, 1033-1052.

Wan. W.P., Hoskisson, R.E., Short, J.C., & Yiu, D.W. (2011). Resource-based theory and corporate diversification: accomplishments and opportunities. *Journal of Management*, 37, 1335–1368.

Wei, L., & Wu, and L. (2013).What a diverse top management team means: testing an integrated model. *Journal of Management Studies*, (50)3, 389–412.

Weick, K. (1979). The social psychology of organizing (2nd Ed.). Reading, Mass.: Addison-Wesley.

Wiersema, M. F., & Bantel, K. A. (1992). Top management team demography and corporate strategic change. *Academy of Management Journal*, 35, 91-121.

Williamson, O.E. (1975). Markets and hierarchies: Analysis and antitrust implications. New York: Free Press.

Williams, K.Y., & O'Reilly, C.A. III (1998). Demography and diversity in organizations: A review of 40 years of research. In B.M. Staw & L.L. Cummings (Eds.), *Research in organizational behavior*, 20 (77–140). Greenwich, CT: JAI Press.

Wrigley, L. (1970). *Divisional Autonomy and Diversification*. (Unpublished doctoral dissertation), Harvard University.

Yamoah, E.E., & Kanyandekwe, S. (2014). Competitive advantage of an unrelated diversified company. *International Business and Management*, 8(1), 90-92.

Yip, G.S. (1982). Diversification entry: Internal development vs. acquisition. *Strategic Management Journal*, 3(4), 331–345.

Yu, J.C., & Chen, C. (2012). Managerial ownership, diversification, and firm performance: Evidence from an emerging market. *International Business Review*, 21, 518–534.

Zhou, Y.M. (2011). Synergy, coordination costs and diversification choices. *Strategic Management Journal*, 32,624-63.

Zikmund, W.G. (2003). Business research methods, (7th Ed). New York: Thomson Publisher.

APPENDICES

Appendix 1: Questionnaire

This questionnaire is aimed at collecting information on the Diversification Strategy, Top Management Team Diversity, Competitive Environment and Performance of listed companies in Kenya. The data shall be used for academic purposes only and will be treated with strict confidence. Your participation in the study is highly appreciated.

SECTION ONE: ORGANIZATIONAL BACKGROUND

1. Name of your Organization (**Rubber Stamp**) _____
2. For how long have you worked in this organization?

   Less than 1 year [ ] 1-5 Years [ ]

   6-10 Years [ ] Over 10 Years [ ]
3. What position do you hold in the organization? _____
4. Which sector does your organization operate in?

   1) Energy & Petroleum[ ]7) Investment[ ]
   2) Commercial & Services [ ] 8) Insurance [ ]
   3) Manufacturing & Allied [ ] 9) Banking [ ]
   4) Automobiles And Accessories [ ] 10) Agricultural [ ]
   5) Telecommunication & Technology [ ] 11) Construction & Allied [ ]
   6) Growth Enterprise Market Segment[ ]

5. Does your organization produce goods or offer services in **OTHER** sector(s) / industries?

   Yes [ ] No [ ]
6. If your answer in **5**above is YES, Name the **other sector(s)** that your organisation operates in

   a) _____ d) _____

   b) _____ e) _____

   c) _____ f) _____
7. How many product lines does your company have?

   1 - 2 products/services [ ] 3 - 4 products/services [ ]

   5 - 6 products/services [ ] 7 - 8 products/services [ ]

   More than 9 products/services [ ]

SECTION TWO: DIVERSIFICATION STRATEGY

8. Listed below are statements regarding Diversification Strategy. **Please indicate the extent to which each apply to your organization.** Use the scale shown and tick (√) as appropriate.

Diversification Strategy	Not at all	Small extent	Moderate extent	Large extent	A very large extent
	1	2	3	4	5
The Company has **added new** products or services to the current business					
The Company has added new products / services that are related to the current business.(**same industry)**					
The Company has added new products / services that are **NOT** related to the current business (**other industries)**					
The Company has added new products or services that are **BOTH** related and Unrelated to the current business					
Our Company has used existing capacity from within to carry out the additional business					
Our Company has acquired new firms to carry out the additional business					
The output of the acquired firm(s) is key input of production for our company					
Our company relies on the acquired firms for the sale and distribution of our products					
Our company is offering ***current*** products in ***new*** markets					

SECTION THREE: TOP MANAGEMENT TEAM CHARACTERISTICS

This section seeks information about the Top Management Team of your organization. Top Management employees include the ***CEO and all those managers that report directly to the CEO.***

9. How many employees are in the Top Management Team of your organization (**those who report directly to the CEO including the CEO) _____**

10. How many of your top managers are (**those who report directly to the CEO including the CEO)**
    (i) Male……(Number)
    (ii) Female……(Number)

Kindly provide information in regard to the top managers that you have indicated in question 9 above for questions 11-16

11. Kindly Indicate how many top managers in your company are within the age bracket indicated below

Age Bracket	Number of Managers
30-35	
36-40	
41-45	
46-50	
Over 50	

12. Please Indicate how many top managers in your company have the following qualifications as **their highest** academic qualification

Highest Academic Qualification	Number of Managers
PhD	
Masters	
Degree	
Diploma	
High School	

13. Please Indicate how many top managers in your company have the following functional background as their experience

Functional Background	Number of Managers
Finance	
Marketing & Sales	
Engineering & IT	
HR	
Legal	
Others(specify)	
Others(specify)	

14. Please Indicate how many of the top managers have worked in the **organization** for the following years

No of years served in the company	Number of Managers
1-5	
6-10	
11-15	
16-20	
Over 20 years	

15. Please Indicate how many of the top managers have served in their **Current Positions** for the following years

No of years served in Current Position	Number of Managers
1-5	
6-10	
11-15	
16-20	
Over 20 years	

16. How many top managers in your company have professional qualifications (like CPA,CPS,FRM,CISA,CFA,CIMA,ACCA, others) _____

SECTION FOUR: COMPETITIVE ENVIRONMENT

17. Listed below are statements regarding competitive environment. **Please indicate the extent to which each apply to your organization.** Use the scale shown and tick (√) as appropriate.

Competitive Environment	**Not at all**	**Small extent**	**Moderate extent**	**Large extent**	**A very large extent**
	1	**2**	**3**	**4**	**5**
Our products have substitutes (goods sold by other firms that can be used as **alternatives** to our goods)					
Our customers are loyal to our brand					
High investment and capital is required to enter business in the industry we are operating					
Access to **key** raw materials/inputs in the industry we operate in is controlled by existing key players					
There are **many firms of the same size** in the industry we operate in					
There are a **few large** suppliers for our **key** raw materials/inputs					
There are substitutes for the **key** raw materials/inputs for our products/services					
Our suppliers for **key** inputs/raw materials have the capacity to produce the goods or services we offer to our customers					
There are a few large customers for our goods/services					
Our customers will incur costs if they switch to use substitutes					
Our customers have the capacity to produce the products/services we offer to them					
Our products have complements (goods sold by other firms that drive the demand for our goods)					
The government controls the business in our industry					
Government policies affect our business					

SECTION FIVE: FIRM PERFORMANCE

18. Listed below are statements regarding Performance. Please indicate the extent to which each applies to your organization. Kindly tick (√) as appropriate.

Performance	Not at all	Small Extent	Moderate Extent	Large Extent	A very large Extent
	1	2	3	4	5
Our market share has been improving over the years					
Our organisation responds to customer concerns on a timely basis					
Our product/service quality has improved for the last 5 years					
There are good structures to support customer relationship management.					
Our business processes are automated					
There are high performance work systems in my organisation					
Our internal business processes are documented in manuals					
Employees are trained on a regular basis to improve their skills and competences					
There are mentors and tutors within the organisation in different fields of specialisation					
Our organization has a budget for research and development					
We have introduced new products in the last three years					
Our organization has been engaged in corporate social responsibility over the years					
Corporate social participation and performance has improved					
We engage in environmentally sound and sustainable practices					
The firm's budgetary allocation on environmental management and conservation has increased					
The firm has adopted Green Technology for cleaner environment.					

19. Please make any other comment regarding any of the items included in this questionnaire

_____

Appendix II: NSE Listing as at 31st December 2013

AGRICULTURAL

1 Eaagads Ltd
2 Kapchorua Tea Co. Ltd
3 Kakuzi Ltd
4 Limuru Tea Co. Ltd
5 Rea Vipingo Plantations Ltd
6 Sasini Ltd Ord
7 Williamson Tea Kenya Ltd
8 Kenya Orchards Ltd

COMMERCIAL AND SERVICES

9 Express Ltd
10 Kenya Airways Ltd
11 Nation Media Group
12 Standard Group Ltd
13 TPS Eastern Africa (Serena) Ltd
14 Scangroup Ltd
15 Uchumi Supermarket Ltd
16 Longhorn Kenya Ltd

TELECOMMUNICATION & TECHNOLOGY

17 Safaricom Ltd

AUTOMOBILES AND ACCESSORIES

18 Car and General (K) Ltd
19 CMC Holdings Ltd
20 Sameer Africa Ltd
21 Marshalls (E.A.) Ltd

BANKING

22 Barclays Bank Ltd
23 I & M
24 CFC Stanbic Holdings Ltd
25 Diamond Trust Bank Kenya
26 Housing Finance Co Ltd
27 Kenya Commercial Bank Ltd
28 National Bank of Kenya Ltd
29 NIC Bank Ltd
30 Standard Chartered Bank Ltd
31 Equity Bank Ltd

32 The Co-operative Bank of Kenya Ltd

INSURANCE

33 Jubilee Holdings Ltd
34 Pan Africa Insurance Holdings Ltd
35 Kenya Re-Insurance Corporation Ltd
36 CFC Insurance Holdings
37 British-American Investments Company
38 CIC Insurance Group Ltd

INVESTMENT

39 Olympia Capital Holdings ltd
40 Centum Investment Co Ltd
41 Trans-Century Ltd

MANUFACTURING AND ALLIED

42 B.O.C Kenya Ltd
43 British American Tobacco Kenya Ltd
44 Carbacid Investments Ltd
45 East African Breweries Ltd
46 Mumias Sugar Co. Ltd
47 Unga Group Ltd
48 Eveready East Africa Ltd

CONSTRUCTION AND ALLIED

49 Athi River Mining
50 Bamburi Cement Ltd
51 Crown Berger Ltd
52 E.A.Cables Ltd
53 E.A.Portland Cement Ltd

ENERGY AND PETROLEUM

54 KenolKobil Ltd
55 Total Kenya Ltd
56 KenGen Ltd Ord.
57 Kenya Power and Lighting Co Ltd
58 Umeme Limited

GROWTH ENTERPRISE MARKET SEGMENT

59 Home Afrika Ltd

Source: www.nse.co.ke, December, 31, 2013.

Appendix III: Tests of Linearity

a) Diversification Strategy and Non- financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.509	.259	.237	.10291	.259	11.546	1	33	.002
2	.511	.261	.215	.10436	.002	.093	1	32	.763

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.122	1	.122	11.546	.002
	Residual	.350	33	.011		
	Total	.472	34			
2	Regression	.123	2	.062	5.660	.008
	Residual	.349	32	.011		
	Total	.472	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.593	.057		10.357	.000
	diversification strategy	.363	.107	.509	3.398	.002
2	(Constant)	.544	.172		3.162	.003
	diversification strategy	.571	.693	.801	.824	.416
	square of diversification strategy	-.199	.654	-.296	-.304	**.763**

Predictors: (Constant), diversification strategy

Predictors: (Constant), diversification strategy, square of diversification strategy

Dependent Variable: non-financial performance

Tests of Linearity

b) TMT Diversity and Non- financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.085	.007	-.023	.11913	.007	.243	1	33	.626
2	.150	.023	-.039	.12005	.015	.500	1	32	.485

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.003	1	.003	.243	.626
	Residual	.468	33	.014		
	Total	.472	34			
2	Regression	.011	2	.005	.369	.694
	Residual	.461	32	.014		
	Total	.472	34			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.729	.104		7.007	.000
	top management team diversity	.099	.200	.085	.493	.626
2	(Constant)	.616	.190		3.242	.003
	top management team diversity	.683	.851	.592	.803	.428
	square of top management team diversity	-.689	.974	-.521	-.707	**.485**

Predictors: (Constant), top management team diversity

Predictors: (Constant), top management team diversity, square of top management team diversity

Dependent Variable: non-financial performance

Tests of Linearity

c) Competitive Environment and Non- financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.161	.026	-.004	.11802	.026	.875	1	33	.356
2	.178	.032	-.029	.11949	.006	.188	1	32	.667

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.012	1	.012	.875	.356
	Residual	.460	33	.014		
	Total	.472	34			
2	Regression	.015	2	.007	.521	.599
	Residual	.457	32	.014		
	Total	.472	34			

Coefficients

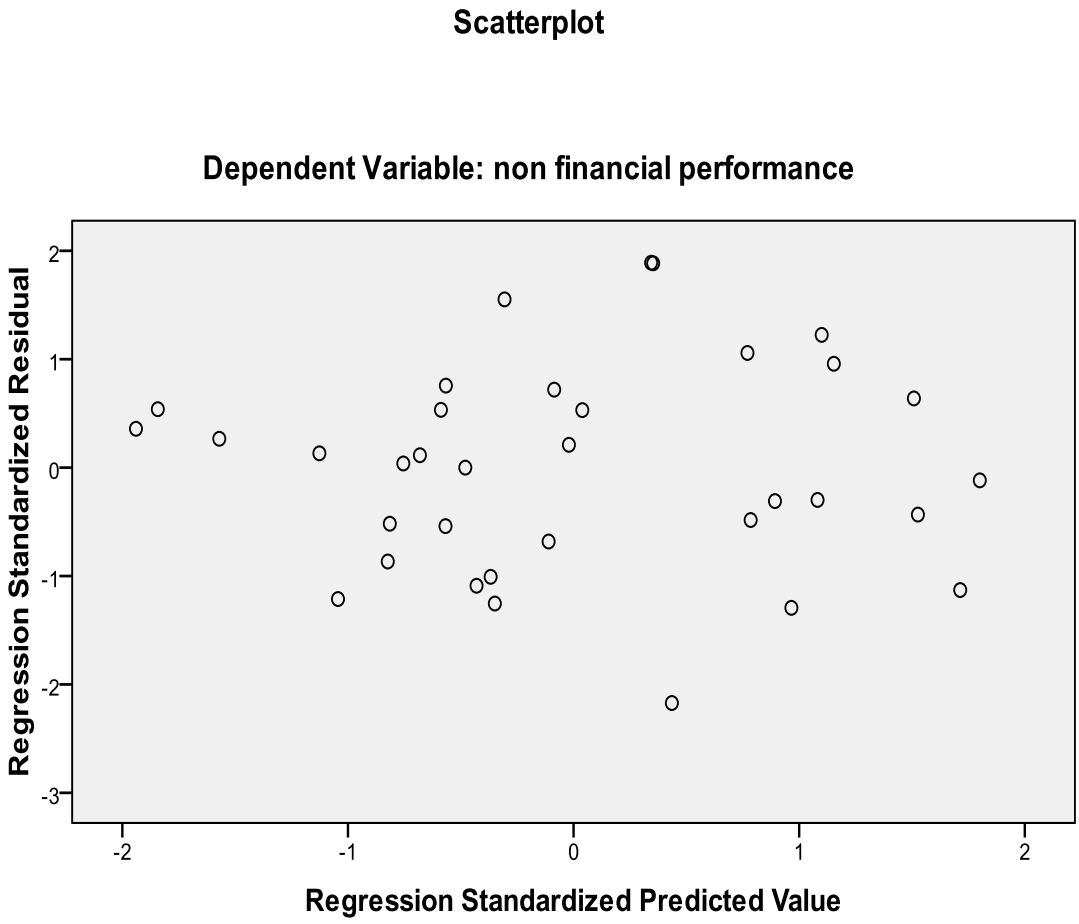
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.666	.123		5.430	.000
	competitive environment	.191	.204	.161	.936	.356
2	(Constant)	.898	.549		1.635	.112
	competitive environment	-.635	1.912	-.535	-.332	.742
	square of competitive environment	.712	1.640	.700	.434	**.667**

Predictors: (Constant), competitive environment

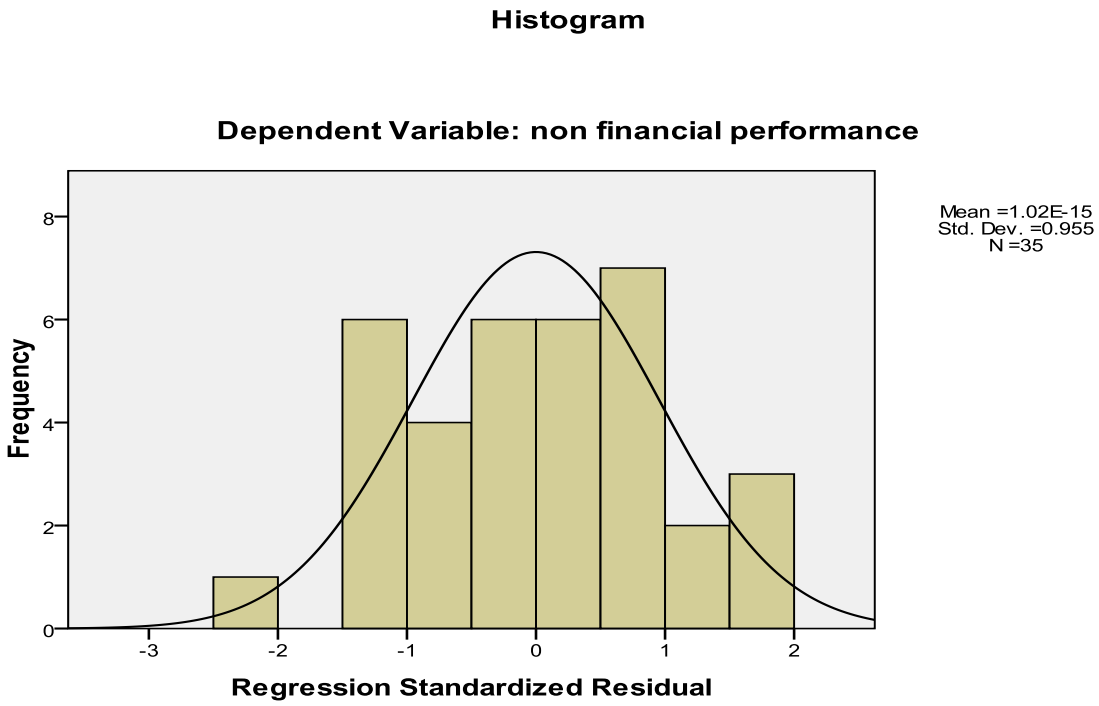
Predictors: (Constant), competitive environment, square of competitive environment

Dependent Variable: non-financial performance

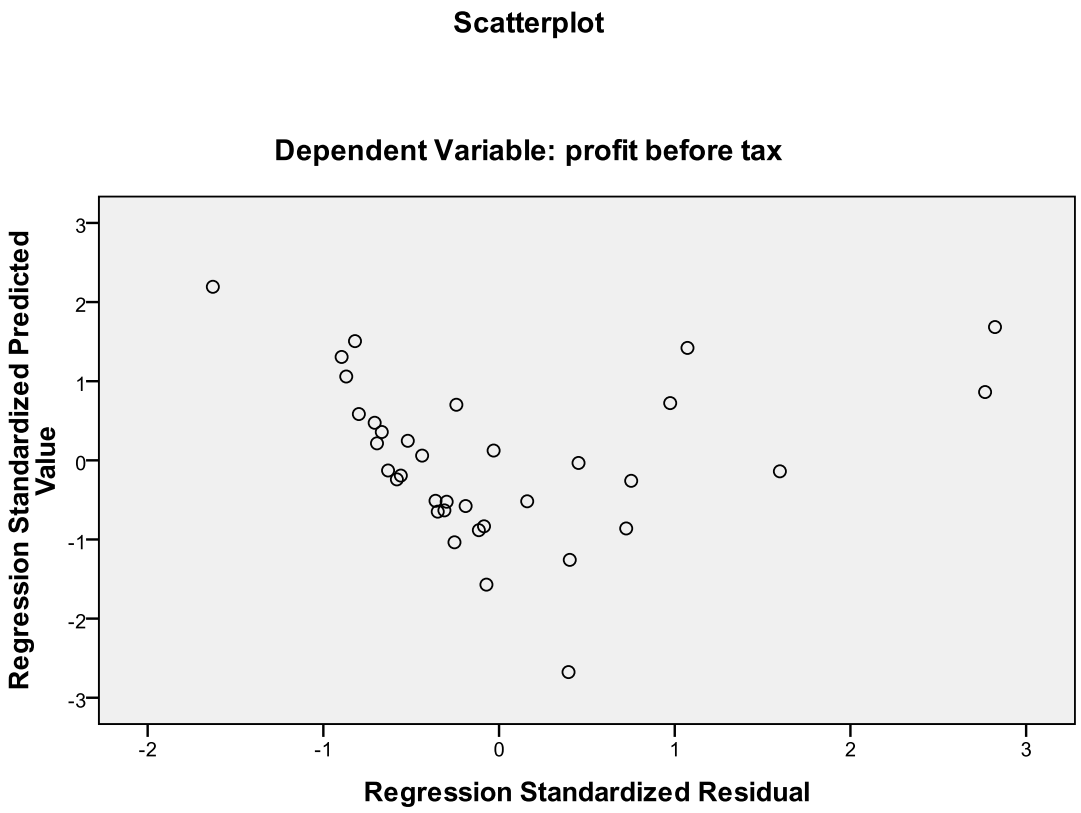
Appendix IV (a): Scatter Plot for Non- Financial Performance



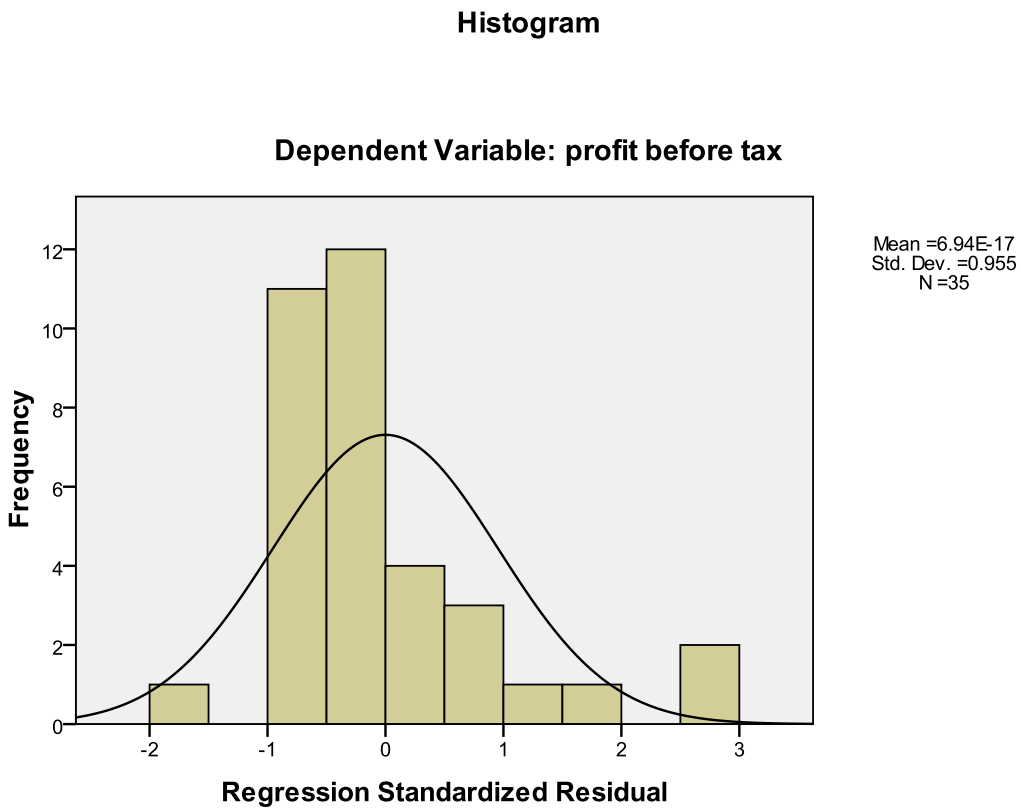
Appendix IV (b): Histogram Plot for Non- Financial Performance



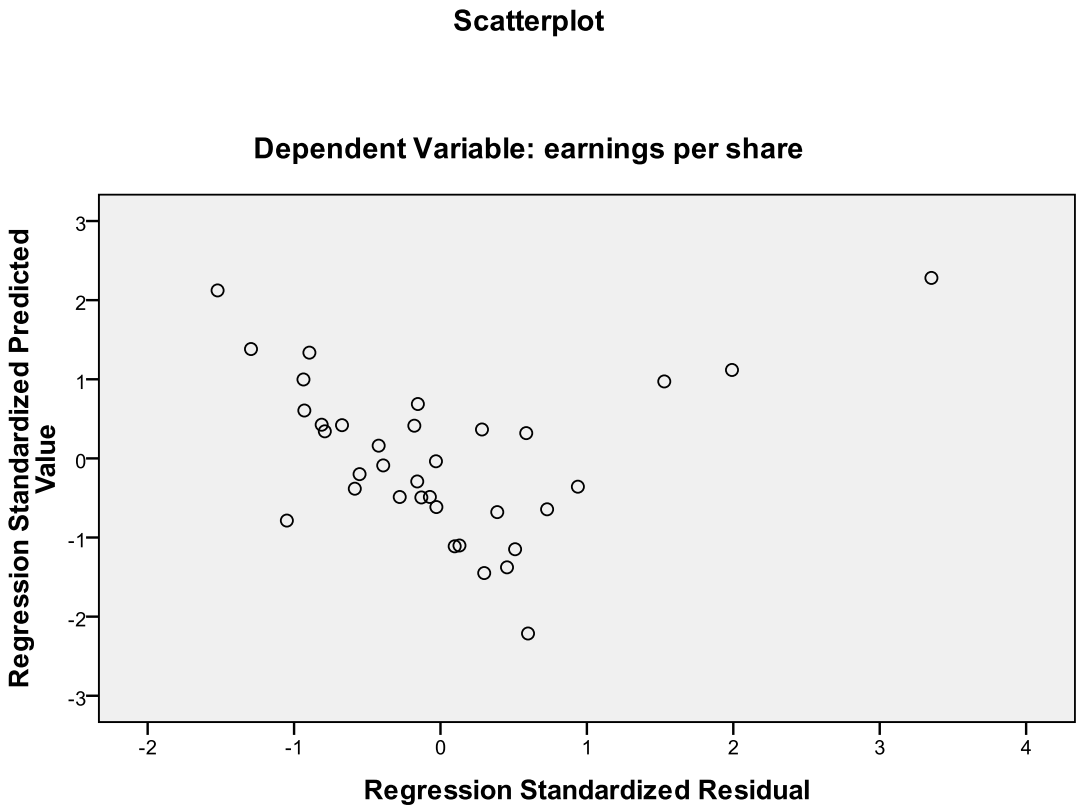
Appendix IV (c): Scatter Plot for Profit before Tax



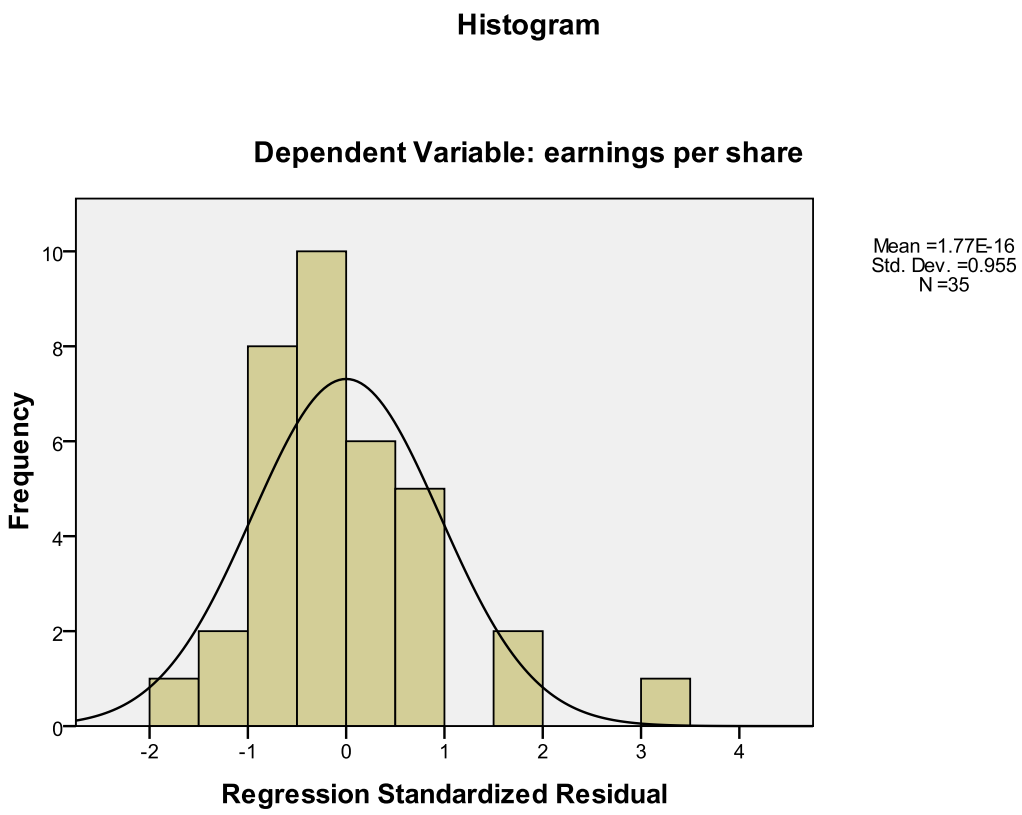
Appendix IV (d): Histogram for Profit before Tax



Appendix IV (e): Scatter Plot for Earnings per share



Appendix IV (f): Histogram for Earnings per share



Appendix IV (g): Test Results for Heteroscadasticity

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.246[a]	.061	-.030	1.30184

a. Predictors: (Constant), top management team diversity, diversification strategy, competitive environment

b. Dependent Variable: g

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.396	3	1.132	.668	.578[a]
	Residual	52.538	31	1.695		
	Total	55.934	34			

a. Predictors: (Constant), top management team diversity, diversification strategy, competitive environment

b. Dependent Variable: g

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-.2270	1.3627	1.0000	.31604	35
Residual	-1.24279	4.48591	.00000	1.24308	35
Std. Predicted Value	-3.883	1.148	.000	1.000	35
Std. Residual	-.955	3.446	.000	.955	35

a. Dependent Variable: g

Regression SS= 3.3959 Residual SS = 52.538 Total SS = 55.9344

R-squared = .0607 Sample size (N) = 35 Number of predictors (P) = 3

Breusch-Pagan test for Heteroscedasticity (CHI-SQUARE df=P) = 1.698

Significance level of Chi-square df=P (H0: homoscedasticity) = .6374

Koenker test for Heteroscedasticity (CHI-SQUARE df=P) = 2.125

Significance level of Chi-square df=P (H0: homoscedasticity) = .5469

Appendix V: University Letter of Introduction

UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES AND SOCIAL SCIENCES
SCHOOL OF BUSINESS
DOCTORAL STUDIES PROGRAMME
Telephone: 4184160/1-5 Ext. 225
Email: dsp@uonbi.ac.ke
P.O. Box 30197
Nairobi, Kenya

18th August, 2014

TO WHOM IT MAY CONCERN

RE: EMILY NYASUGUTA ONDARI: D80/73187/2012

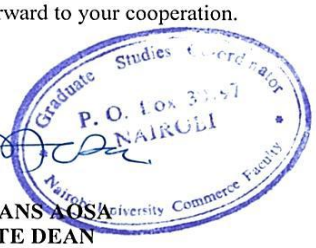
This is to certify that, **EMILY NYASUGUTA ONDARI: D80/73187/2012** is a Ph.D student in the School of Business, University of Nairobi. The title of her study is: **"Diversification Strategy, TMT Diversity, Competitive Environment and Performance of Companies Listed at Nairobi Securities Exchange''**

The purpose of this letter therefore, is to kindly request you to assist and facilitate in carrying out the research/study in your organization. A questionnaire is herewith attached for your kind consideration and necessary action.

Data and information obtained through this exercise will be used for academic purposes only. Hence, the respondents are requested not to indicate their names anywhere on the questionnaire.

We look forward to your cooperation.

Thank you.



PROF. EVANS AOSA
ASSOCIATE DEAN
GRADUATE BUSINESS STUDIES
SCHOOL OF BUSINESS

MO/nwk

Appendix VI: Researcher's Letter of Introduction

Emily Ondari,
P.O. Box 1481 - 00100,
Nairobi,
Tel: 0722-310301
18th September, 2014

The Human Resources Department,
XXX Ltd,
P.O Box 34537-00100,
Nairobi

Dear Sir,

RE: QUESTIONNAIRE

I am writing this letter to seek assistance from your organization.

I am a student pursuing a PhD at the University of Nairobi. Currently, I am collecting data from companies listed at the NSE. I would like to submit my questionnaire for a respondent from your good organization.

I have attached the questionnaire for your consideration.

The target respondent should be in **Top Management Team preferably with background in Business/ Strategic Management/HR**

The questionnaire should be ***filled and a stamp appended***.

The response can be submitted by

1. Scanned copy reply **OR**
2. Let me know how to pick it from the respondent

Anticipating for your response

Kind regards