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DIVERSIFICATION STRATEGY AND ORGANIZATIONAL PRODUCTIVITY OF MANUFACTURING COMPANIES IN SOUTH EAST, NIGERIA

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Abstract
This study explored diversification strategy and growth of manufacturing companies in south-East, Nigeria. The aim of the study was to examine the relationship between diversification strategy (Concentric and Horizontal) and organizational productivity of four listed manufacturing companies in South East, Nigeria. The study adopted descriptive survey design. The study population was 594, consisting of managers, supervisors and administrative staff of the four listed manufacturing firms in South-East, Nigeria. A sample size of two hundred and thirty-nine (239) managers, supervisors and administrative staff were drawn from the population using Taro Yamane while proportionate random sampling technique was used for selection of sample unit. Two hundred and fifteen (215) copies of questionnaire retrieved were completely filled and used for the study. The Spearman Rank Correlation (rho) was used to analyze the relationship between diversification strategy and organizational productivity while Theil-Sen Regression was used to test the hypotheses. The result of the analysis revealed that concentric and horizontal diversification had a significant positive relationship with the organizational productivity. The findings led to the conclusion that diversification is vital for improving the productivity of manufacturing firms in Nigeria's South-East. The study recommended, among others that manufacturing companies should diversify as to boost their streams of income while maximizing their capability, also horizontal diversification is recommended for its ability to avert decline in the product life cycle.

Key Words: *Concentric, Diversification, Horizontal, Manufacturing Company, Productivity.*

Introduction
Manufacturing industry plays catalytic role in a modern economy and has many dynamic benefits that are crucial for economic development and transformation (Opaluwa, Umeh & Ameh, 2010) in (Olowu, Ropheka & Iyakwari, 2023). It contributes to the Gross Domestic Product (GDP) of a country (Muhammad, 2019). It may be one of the highest employer of labour due to series of activities it engages upon. Behun, et al (2018) note that the Industry accounts for a major part of the European economy, generating 24% of GDP and employing up to 50 million people, representing one out of five jobs in the EU. The manufacturing industry forms the basis of many national economies, which is reflected in its high share of total output, employment and revenues, and in the creation of sustainable economic growth (Herman, 2015). However, this sector of the Nigeria

economy is facing great challenges from both internal and external business environments owning to the volatility of the environment it operates. For instance, the increasing demand for product variety, high cost of production, continuous substitution by consumers, incursion of new market entrants' especially foreign investors into the manufacturing industry also change in taste and preference, have called for the attention of firms and investors to come up with strategies on how best to achieve customer satisfaction through provision of product varieties (Haim, 2015; Hanafi, et al, 2018; Matar & Eneigan, 2018). Similarly, there is also an urgent need for growth that may be facilitated through increase in organizational productivity and full utilization of resources at the disposal of these firms. Baum, Schaffer and Stillman (2012) believe that companies today operate in an increasingly dynamic and challenging environment; organizations must be able to act quickly in response to opportunities and barriers. To cushion the effects of these challenges, manufacturing firms must strategize on how to succeed and grow their businesses. Moreover, Mayila, et al (2017) state that Companies must develop a highly detailed understanding of specific emerging markets, as well as the needs of their existing customers. They further suggest that manufacturing firms will also require agile approaches to the development of strategy—using scenario planning rather than point forecasts, they gave instance of firm making big bets on long-range opportunities, such as tapping new markets in developing economies or switching to new materials, but must do so in a strategized way as to minimize the inherent risk.

Diversification strategy has proved itself as a worthy tool that can be use to cushion the effects these challenges. Diversification is seen by scholars as most veritable tool for organizational productivity when it is critically planned and implemented (Mashiri & Sabele, 2014; Oladimeji & Udosen, 2019;). Diversification is a corporate growth strategy that involves entering into a new market or industry that existing business does not currently operate in or creating new products or services, which the business does not currently offer. Maragia & Kemboi (2021) opine that diversification is a corporate strategy which aims to expand or grow a firms' operation by adding markets, products, services, or stages of production to the existing business. Diversification brings about resources maximization (Penrose, 1957), which is important especially when the firm is facing stiff competition in the industry (Jepkorir & Kiiru, 2016). Concentric and horizontal are ways a manufacturing company can diversifies. A manufacturing firm is said to be involved in concentric diversification (Wheeller & Hunger, 2014) if it ventures into a related industry by focusing on the characteristics that have given the company its distinctive competence, the company uses these very strengths as its means of diversification. Here, the manufacturing firm may enter a new market with a new product that is technologically similar to her existing products and can be able to gain some advantages by leveraging on industry experience, technical know-how, and a times on manufacturing processes already in place. Wheeller & Hunger (2014) add that the point of commonality may be similar technology, customer usage, distribution channel, managerial skills or product similarity. Jibril & Yunusa (2018) observe that the essence of this effort is to achieve profitability through synergy gain, creating or acquiring companies that are in similar business of manufacturing, designing, marketing, distributing etc related to the product and service.

Horizontal diversification on the other hand, occurs when a firm is exploiting opportunities in its present products and the distribution channels by attaining or creating new products or services, which are different from her core business, but will still appeal to her current customers. This can go a long way in reducing the overhead cost while contributing to the bottom-line of the firm's objective. It is imperative that manufacturing firms minimize cost through harnessing of their resource as to maximize productivity for organizational growth in the face of turbulence business environment. Hence, this paper sought to investigate the relationship between diversification strategy (concentric and horizontal) and organizational productivity of listed manufacturing companies in south east, Nigeria.

Statement of the Problem

Changes in the business environment generally affect the long term viability and profitability of organizations and thus require timely and appropriate strategic responses in order for the firm to survive and prosper (Jepkorir & Kiiru, 2016). The manufacturing industry and indeed the general business environment may have undergone tremendous macro environmental changes. Ekugbe, (2021) asserts that negative growth rate of manufacturing companies in Nigeria might be their inability to maximize their resources leading to low productivity. He further warns that low productivity in manufacturing companies can metamorphose to organizational crises and need to diversify as to avert it.

Some empirical studies have been conducted on diversification strategy in the manufacturing sector such as (Jepkorir & Kiiru (2016), Keribo (2021), Oladimeji & Udosen, (2019), Marangu, Oyagi & Gongera (2014), Wegwu (2020), Maragia & Kemboi (2021). However, most of these studies conducted on diversification strategy relate the concept on performance in different geographical locations while empirical studies that investigated the concentric and horizontal diversification in relation with organizational productivity among listed manufacturing companies in South East, Nigeria are limited. This has created a gap in literature, which this study attempted to fill and contribute to the existing literature on the subject matter.

The broad objective of this study is to investigate the relationship between diversification strategy and productivity of listed manufacturing companies in South East, Nigeria. Specifically, the study intends to:

1. examine the extent to which concentric diversification relates with the productivity of listed manufacturing companies;
2. evaluate the extent to which horizontal diversification relates with the productivity of listed manufacturing companies.

The following research questions were posed to address the study objectives:

1. What is the extent to which concentric diversification relates with productivity of listed manufacturing companies?
2. To what extent does horizontal diversification links with productivity of listed manufacturing companies?

Given the above research questions, the following hypotheses were formulated:

H_{o1}: There is no significant relationship between Concentric diversification strategy and the productivity of listed manufacturing companies.

H_{o2}: Horizontal diversification has no significant linkage with productivity of listed manufacturing companies.

Literature Review

Conceptual Review

Diversification Strategy

Diversification strategy is one of the four main strategies for organizational growth as identified by Igor Ansoff in 1957, which enables companies to look at other market/s they could tap into, or new product/s they could launch to increase their reach and revenue.

Concentric Diversification

Concentric diversification according to David (2011) can be seen as related diversification. This strategy postulates that a new related product is offered which is similar in terms of product nature, manufacturing process, consumption, pricing, distribution and promotion. Producing new products or services which are in line with existing products or services equally, appealing to new customers. Concentric diversification occurs when a company enters a new market with a new product that is technologically similar to their current products and therefore are able to gain some advantages by leveraging things like industry experience, technical know-how, and sometimes even manufacturing processes already in place. Concentric diversification can be beneficial if sales are declining for one product, as loss in revenue can be offset by a rise in sales from other products. Jibril & Yunusa (2018) opine that the essence of this effort is to achieve profitability through synergy gain, creating or acquiring companies that are in similar business of manufacturing, designing, marketing, distributing etc related to the product and service. Similarly, Okebaram, & Onuoha (2018) affirm that the goal of such diversification is to achieve strategic fit, which allows an organization to achieve synergy. Strategic fit expresses the degree to which an organization is matching its resources and capabilities with the opportunities in the external environment. At the other hand of synergy, this diversification strategy complements strength of a firm and might lead to growth.

A strategic manager can seek to diversify through concentric when he notices that manufacturing a new product which is related to existing one can bring synergic effect since he can leverage on the existing technology, customers, distribution channels and any other commonality that exist such that major expenditures are drastically reduced. In addition, strategic fit also examines the resource base of the organization and explores how they can be utilized to achieve maximum benefits thereby enhancing productivity.

Horizontal Diversification

If a company decides to add product/s or services that are unrelated to what it offers currently, but may meet some more needs of its existing customers, this is known as horizontal diversification. David (2011) asserts that horizontal diversification is such

type of diversification in which product is related in few aspects like target market, promotion and distribution but different in aspects of nature of product, manufacturing and pricing. Van de (2018) adds that horizontal diversification can be done to either broaden the offered product range to a firm's current customers or with the goal to attract a completely different group of customers. Accordingly Thompson, Strickland, Gamble & Jain (2010) argue that diversification is due if a firm expands into industries whose technologies and products compliments its present business. Attaining or creating new products or services, which are different from your core business, but will still appeal to your current customers. This strategy may entail new technology, skills and a revised marketing approach. For instance, Pepsi which produces soft drink as well as potato chips, so offering potato chips that is complementary to soft drink is an example of horizontal diversification. Also, makers of bigi products that diversify into soft drinks production alongside with the existing product (Bigi susage).

Economies of scope have been attributed as one of the benefits of horizontal diversification. Scope economies occur when the cost of producing a given quantity of two or more different products is lower when they are produced jointly rather than separately (Teece, 2015). A manufacturing firm that is horizontally diversifies leverage on existing established distribution channel, exploiting common use of a well known brand name also creating valuable resource strength and capabilities (Kannan & Saravanan, 2012).

Organizational Productivity

Productivity, according to Mathis and John (2003), is a measure of the quantity and quality of work completed while taking into account the cost of the resources used, the higher a company's productivity, the greater its competitive advantage. This is due to the efficiency with which the resources were employed (Nosike & Okerekeoti, 2022; Nwoye & Nwoye, 2021). Productivity is an overall measure of the ability of an organization to produce a good or service effectively and efficiently. More specifically, productivity is the measure of how specified resources are managed to accomplish timely objectives as stated in terms of quantity and quality. Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning, and focused effort. If the organization lacks productivity objectives, it may lose direction. If the business also underplays productivity measurements, it may also lose control.

Organizational productivity is capacity of a business to produce desired results with a minimum expenditure of resources (time, money, human resources), (Sheffield, 2022). A diversified company can operate optimally by effectively utilization of the firm's resources thereby improving on the firm's productivity (Okoye & Nwoye, 2021). This is obtainable through optimal utilization of human resources, capital, technology, expertise etc at the disposal of the firm.

Theoretical Review

Resource-Based View Theory

According to Rothaermel (2012) the resource based view theory emerged after the maximum utilization of the resources in the organization. In addition, on the assumptions which is strategic resources are heterogeneously experienced across organizations and differences are stable in the long run. Barney (2017) interrogated the relationship between enterprise resource capabilities and achieving productivity. It can be noted that the four indicators of enterprise resources to generate efficiency in productivity is by non-substitutability, rareness, value and inimitability. The theory draws on marketing's heterogeneous demand theory which indicates that when the firm employs the right diversification strategy it transforms from loss to making profit (Alderson, 2005). In addition, the theory contends that, there is intra-industry demand which is significantly heterogeneous thus various market segmentation are required hence the organization should be innovative with differentiated products thereby increasing the organization productivity.

Moreover, the theory contends that the use of human capital skills and knowledge is to ascertain efficient organization productivity (Eisenhardt & Martin, 2020). Thus, the human capital is important because they directly determine the enterprise productivity. Eisenhardt and Martin (2020), further noted that, organization capabilities involve the firm's production processes through which resources are well distributed in order to foster maximum production capacities that will meet the market demand. This theory is relevant for the study because in the implementation of diversification strategies the firm requires commitment of the organization resource so as to achieve organization objectives. Diversification strategy is no longer being viewed as strategy to increase efficiency, growth, cost cutting measures and much more. It is being appreciated that the unique resources within the organization could be the answer to the many questions on how to go about sustainability.

Materials and Methods

This study employed survey research design whose main aim is to gather detailed and factual information that describes an existing phenomenon. A survey is a series of self-report measures administered either through an interview or a structured questionnaire. The justification for the adoption of survey is that it hinges on description of a phenomenon and involves questioning individuals on topics and the describing their responses (Jackson, 2011). It involves gathering of opinions and information from respondents which addresses the research objectives and research questions. Also, the study sourced its data through primary and secondary sources. The target population of the study comprises managers, supervisors and administrative staff of the four (4) listed manufacturing firms in south-east states of Nigeria with the total number of 594 employees.

The sample size was statistically sampled from the population size of 594 from senior cadre of the selected listed manufacturing companies using Taro Yamane's formula as cited in Anyanwu (2016), since the population is known. A sample size of 239 made up of managers, supervisors and administrative staff was used for the study. The

manufacturing companies include Cutix Plc, Guinness Nigeria Plc, Nigeria Breweries and PZ Cussons Plc. Hence, out of 239 questionnaire distributed 227 were returned out of which 215 were useable. Data collected was analyzed using Spearman rank correlation (rho) and Theil-Sen facilitated by SPSS application version 23.0. The analysis was done at 5% level of significance.

Results and Discussion

Findings under this section were based on the means and standard deviation for the data that was collected through the likert scale, measuring the level of agreement of the respondents with respect to the given aspects of diversification. The results were as presented in Tables.

Table 1: Concentric Diversification (CD)

Statement	VHE	HE	LE	VLE	N	Mean	SD
Concentric Diversification creates room for product varieties to meet our customers' needs.	189	18	8	0	215	3.84	0.50
It serves as defensive mechanism against fierce competition in the industry.	163	44	7	1	215	3.12	0.81
It helps my firm to remain focused in their core competencies.	168	35	8	2	215	3.7	0.57
My firm explores opportunities within the industry leveraging on the expertise and technology.	148	42	16	9	215	3.53	0.60
My firm enjoys operation synergies arising from similar production processes.	138	49	19	9	215	3.4	0.82

Source: Field Survey (2023)

From table 1, the respondents agreed (mean = 3.84; Std dev = 0.50) on the statement, indicating that concentric diversification to a very high extent creates room for product varieties as to meet the needs of their customers. The respondents to a high extent agreed (mean = 3.12 Std dev = 0.81) on the statement that concentric diversification serves as a defensive mechanism against fierce competition in the industry. The respondents agreed of a very high extent that concentric diversification helps their firms to remain focused in their core competencies as shown by a mean of 3.70 with a standard deviation of 0.57. Findings also show that the respondents agreed of high extent (mean = 3.53 Std dev = 0.60) that with concentric diversification their firms explore opportunities within the industry leveraging on their expertise and technology. The respondents finally agreed with the statement that their firms enjoy operation synergies due to similar production processes with a mean of 3.47 and standard deviation of 0.82.

Table 2: Horizontal Diversification (HD)

Statement	VHE	HE	LE	VLE	N	Mean	SD
My firm leverages on established distribution channels in the delivery of supplementary products.	152	53	7	3	215	3.79	0.63
My firm exploits new opportunities in existing market.	161	48	6	0	215	3.72	0.51
My firm leverages on their reputation and brand to present new products.	139	62	1	13	215	3.52	0.75
My firm adopts HD so as to manage product life cycle to avoid decline.	150	34	19	12	215	3.50	0.87
HD increases the streams of income for the firm.	204	11	0	0	215	3.95	0.53

Source: Field Survey (2023)

As shown in Table 2, the respondents agreed (mean = 3.79 Std dev= 0.63) that their firms leverage on established distribution channels in the delivery of supplementary products. The respondents also agreed to a very high extent that their firms exploit new opportunities in existing market; this was according to the mean obtained of 3.72 with a standard deviation of 0.51. The respondents also agreed that horizontal diversification facilitates their firms leveraging on their reputation and brand to present a new product. Firms adopt HD so as to manage their product life cycle as to avoid decline was agreed by the respondents as indicated by a mean of 3.5 and standard deviation of 0.87. The respondents also agreed that HD increases the streams of income for their firms as indicated with a mean of 3.95 and standard deviation of 0.53.

Table 3: Organizational Productivity

Statement	VHE	HE	LE	VLE	n	Mean	SD
Well-coordinated efforts and resources in the organization have created superior value for our customers.	192	5	17	1	215	3.8	0.60
Availability of varieties of products in my firm have increased our customers' base.	173	18	21	3	215	3.68	0.71
Regular supply of my firm's products enhances accessibility of our products.	198	3	3	11	215	3.8	0.70
A standardized distribution chain has reduced the chances of faking of our products.	175	19	17	4	215	3.7	0.70

The prices of my firm's products are relatively low to compare to other substitutes thereby enhances our productivity.	190	8	11	6	215	3.78	0.67

Source: Field Survey, (2023).

According to the findings on table 3, that well-coordinated efforts and resources in the organization have created superior value for our customer was held by the respondents to have of a very high extent effect on the productivity with a mean of 3.80 and standard deviation of 0.60. Also on the statement, availability of varieties of products in my firm have increased our customers' base was accepted on a high extent by the respondents with a mean of 3.68 and standard deviation of 0.71. Furthermore, the statement that regular supply of my firm's products enhances accessibility of our products was accepted at a very high extent by the respondents with a mean of 3.80 and standard deviation of 0.70. Further findings show that a standardized distribution channel has reduced the chances of faking of their products was accepted at very high extent by the respondents with a mean of 3.70 and standard deviation of 0.70. The respondents also accepted the statement, the prices of my firm's products are relatively low to compare to other substitutes thereby enhances our productivity with mean of 3.78 and standard deviation of 0.67.

Test of Research Questions and Hypotheses

To answer the research questions on the extent of the relationship between the variables and test the hypotheses formulated, the work adopted Spearman Rank Correlations & R Studio Output for Theil-Sen Regression.

Research Question One

What is the extent to which concentric diversification relates with productivity of listed manufacturing companies?

Table 4: Spearman's Rank Correlation on Concentric Diversification and Productivity

Variables	**n**	$\sum$	$\overline{X}$	**SD**	**R**
Concentric Diversification	215	3163	14.712	2.997	0.627
Productivity	215	2546	11.842	3.056	
High Relationship					

Source: Extracted from SPSS Output

Table 4 shows the result obtained in respect of research question one. The result reveals that the Spearman rank correlation coefficient is 0.627, which is high. This implies that concentric diversification positively relates with the productivity of listed manufacturing companies to a high extent. Invariably it postulates that 67.7% change in the listed manufacturing firms' productivity can be explained by concentric diversification.

Hypothesis One

Ho_1: There is no significant relationship between concentric diversification strategy and the productivity of listed manufacturing companies.

Table 5: Theil-Sen Regression of Concentric Diversification and Productivity

Response: Productivity	**Df**	**Sum of Squares**	**Mean Squares**	**F-value**	**p-value**
Concentric Diversification	1	1922.1	1922.1	237.34	0.000
Residuals	213	1725.0	8.1		

Source: Extracted from R-Studio Output

The result in Table 5 shows the mean squares of 1922.1 for concentric diversification and 8.1 for residuals, F-calculation value of 237.34 and a p-value of 0.000 which is less than 0.05. This indicates statistically significant result, hence the null hypothesis which stated that there is no significant relationship between concentric diversification strategy and the productivity of listed manufacturing companies is rejected. Therefore, the study concludes that there is significant relationship between concentric diversification strategy and the productivity of listed manufacturing companies.

Research Question Two

What is the extent to which horizontal diversification links with the productivity of listed manufacturing companies?

Table 6: Spearman's Rank Correlation on Horizontal Diversification and Productivity

Variables	**n**	$\sum$	$\overline{X}$	**SD**	**R**
Horizontal Diversification	215	3133	14.572	3.951	**0.724**
Productivity	215	2546	11.842	3.056	
High Relationship					

Source: Extracted from SPSS Output

Table 6 shows the result obtained in respect of research question two. The result reveals that the Spearman rank correlation coefficient is 0.724, which is high. This implies that horizontal diversification has a positive relationship with the productivity of listed manufacturing companies to a high extent. That horizontal diversification can predict 72.4% variations in productivity of listed manufacturing firms.

Hypothesis Two

Ho_2: Horizontal diversification has no significant relationship with productivity of listed manufacturing companies.

Table 7: Theil-Sen Regression of Horizontal Diversification and Productivity

Response: Productivity	**Df**	**Sum of Squares**	**Mean Squares**	**F-value**	**p-value**
Horizontal Diversification	1	1879.1	1879.1	279.66	0.000
Residuals	213	1431.2	6.72		

Source: Extracted from R-Studio Output

The result in Table 7 shows the regression sum of squares of 1879.1 for horizontal diversification which is greater than 1431.2 for residual, this indicates that more of the variation in the dependent variable is explained by the model. F-calculation value of 279.66 and a p-value of 0.000 which is less than 0.05 also indicates statistically significant result. Therefore, the null hypothesis which stated that horizontal diversification has no significant relationship with productivity of listed manufacturing companies is rejected. Hence, the study concludes that horizontal diversification has a significant relationship with productivity of listed manufacturing companies.

Discussion of Findings

The study found out that concentric diversification had a positive influence on the productivity of the studied listed manufacturing firms in south east, Nigeria with r = 0.627 that is to say that 62.7% variation in productivity of the listed manufacturing firm can be explained by concentric diversification strategy. This result concurs with findings of Oladimeji & Udosen (2019) that related diversified organizations have a positive relationship in terms of ROA which is an indicator of productivity. Concentric diversification provides varieties of products that boost productivity due to economies of scale when leveraging on expertise and technology, this assertion is in line with the findings of Njuguna & Kwasira (2018) and Wegwu (2020) that the highly skilled human resources were successfully used to exploit diversification which serves an engine for productivity and growth.

The second hypothesis of the study reveals that horizontal diversification had a significant positive effect on productivity. This is in tandem with the findings of Kerubo (2021) and Kaiser & Obermier (2020) that horizontal diversification impacted positively on the performance of an organization. Furthermore, the study reveals that the firms leverage on their channel of distribution, outstanding brand offered by horizontal diversification to maximize productivity. This finding synchronizes with the study by Mashiri and Sebele (2014) who established that through horizontal diversification, organizations created value and justified their existence as they were able to build and leverage their unique resources. The study also found out that listed manufacturing firms adopted HD to manage their product life cycle to avoid decline, this finding is in line with the findings of Maragia & Kemobi (2021) that horizontal diversification can be used to manage product life cycle and equally can be used to boost profitability (Clinton & Salami, 2021).

Conclusion and Recommendations

Diversification involves developing new products for new markets or for existing market. Diversification makes sense when good opportunities can be found in present strategic business area. A good opportunity is one in which the industry is highly attractive and the firm has the mix of business strengths to exploit it. Therefore, the study concludes that concentric and horizontal diversification strategies have a positive strong relationship with productivity of the manufacturing firms.

The study suggests the following recommendations:

1. manufacturing companies that wish to achieve economies of scale should adopt concentric diversification for enhanced productivity.

2. horizontal diversification should be employed to avoid decline in the product life cycle which can affect productivity.
3. manufacturing organizations should identify their rare and inimitable capabilities for exploitation as to gain economies of scale.
4. firms should boost their streams of income while maximizing their capacity through diversification.

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