Effect Of Diversification on Organizational Performance of Selected Manufacturing Industries in South West Nigeria

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Abstract

*The need for the adoption of diversification strategy became germane because of challenges which impede organizational performance. This study thus examined the effect of diversification on organizational performance of selected manufacturing industries so in south west Nigeria. Some studies of strategic study have investigated on the effect of diversification on organizational performance in manufacturing industries in Nigeria but have come up with inconclusive findings which create a gap that this study wants to fill**.** The specific objectives of the study are to examine the effect of related diversification on organizational performance and investigate the effect of unrelated diversification on organizational performance in manufacturing industry. Ex-post facto research design was used for the study. The population consists of employees of 22 manufacturing industries listed in Nigerian Exchange Group between 2011-2020 dealing in Food and Beverages, Breweries, Health care/Pharmaceutical and Conglomerates. The sample size comprises eight manufacturing industries with 750 employee's selected using stratified sampling technique and selected according to 50% proportion of original sample size. Data were drawn from primary and secondary sources. Descriptive statistics was used to explain the respondent's characteristics and inferential statistics was used to analyze data collected. Findings revealed that related diversification have significant effect on organizational performance* $F\ (4, 745) = 11.988$, $p < 0.01$, $R = 0.651$, $R^2 = 0.424$, *and adjusted* $R^2 = 0.419$*). Unrelated diversification however have significant but negative effect on organizational performance* $F\ (4, 745) = 11.982$, $p < 0.05$, $R = -0.466$, $R^2 = 0.217$, *and adjusted* $R^2 = 0.208$*). The study concluded that related diversification increase organizational performance while unrelated diversification spread risks and impedes organizational performance. It was recommended that management of manufacturing industries should develop policies and adopt strategies that will improve organizational performance. Management of the organization should also be strategically sensitive to opportunities and competence that will promote organizational performance.*

Keywords: *Related diversification, unrelated diversification, organizational performance*

1. INTRODUCTION

Business environment is dynamic, innovative, competitive, and global in nature while performance of any business organization requires proactiveness because of the increasing demand by customers and investors for product varieties, market expansion, profitability and survival,. In view of these, many organizations have come up with different strategic options to expand market, increase market share, and improve performance. (Oladimeji & Udosen 2019, Njuguna, Kwasira & Orwai, 2018, Otulia, Mbeche, Wainaina &Njihia 2017, Ofoegbu & Akanbi, 2012, Ibojo, Olawepo & Akinruwa, 2013). Nigeria's business environment though dynamic and competitive is however faced with many challenges ranging from insecurity, high foreign exchange rate, intrusive government policies and economic down-turn which impede the performance of organizations. Though manufacturing industries in Nigeria have contributed to economic stability and growth by providing valuable services and products that directly impact on the society but their full potentials have not been explored. It is therefore not surprising that manufacturing industries choose to diversify to improve performance (Ogunro, 2014, Monday, Akinola, Ologbenla, and Aladeraji, 2015, Nwosu, Awurum, & Ifeanyi., 2015). Without an iota of doubt the performance of every firm can not be detached from sound strategies deployed which include diversification strategy.

Diversification is a growth strategy identified by Ansoff (1957) and it is a strategic option that has been the subject of numerous plans and initiatives of businesses, organizations and manufacturing industries. The economic situation in Nigeria has led many businesses and organizations to diversify for various reasons such as to foster efficiency, competitive advantages, create investment opportunities, increase internal and external growth and to achieve greater profitability, to help mitigate the risk of operating in only one industry, to bring together a variety of investments within a portfolio and create synergy in operations (Sahi & Juhari, 2019, Reza,Reza & Banafsheh 2015). Su & Tsang, (2015) describe related diversification as diversifying or developing new products in the same line of business with the old products into new markets jointly or individually within an industry. Related diversification occurs when a firm moves into a new industry that has important similarities with the firm's existing industry or industries. It refers to diversification into an industry or business that is related to the main business's core competency. Haim, (2015) opined that unrelated diversification occurs when there is no common thread of strategic fit or relationship between the new and old lines of business the new and old businesses are unrelated. Contu, (2020) defines performance as the degree to which the organization uses information, financial and human resources to position itself effectively in the business market. Given this premise it is important that the overall 'health' of the organization is evaluated against its achievement of goals and objectives. This study therefore examined the effect of Diversification on Organizational Performance of selected manufacturing industries in South West Nigeria.

Statement of the Problem

Manufacturing industries in Nigeria are faced serious challenges due to increasing demand by investors and customers for product variety and improved performance. This made industries to fashion out strategies to tackle declining business growth, enhance competitive advantage and improve performance.

Studies on diversification on organizational performance have showed inconsistent and

conflicting findings (Oyedijo, 2012, Ugwanyi & Ugwu, 2012, Oladimeji & Udosien, 2019) while very negligible numbers of scholars have carried out investigation on diversification in the four sub sectors of this study in manufacturing industries especially in South-West, Nigeria hence the gap that this study wants to fill.

Research Questions

The study examined the following research questions:

i. To what extent does related diversification affect organizational performance in the manufacturing industry?
ii. How does unrelated diversification affect organizational performance in the manufacturing industry

Objectives of the Study

The specific objectives of the study include to:

i. examine the effect of related diversification on organizational performance in the manufacturing industry;

ii. investigate the effect of unrelated diversification on organizational performance in the manufacturing industry;

Research Hypotheses

The following research hypotheses set in null form are tested in this study:

H_{01}: There is no significant effect of related diversification on organizational performance in the manufacturing industry.

H_{02}: There is no significant effect of unrelated diversification on organizational performance in the manufacturing industry.

Literature Review

Concept of Related and unrelated Diversification

Tanriverdri and Venkatraman, (2005) define related diversification as the entry of a firm into a new industry that has important similarities with the firm's existing industry or business lines. Chen and Shyu, (2011) sees related diversification as "a strategy which is associated with expanding business in a similar product or in the same product line". Scholes and Whittington, (2015) however define related diversification "as a strategy beyond current products and markets, yet inside the value system or industry in which the firm operates".

Grossman, (2011) define unrelated diversification as "the strategy where a business enters in a new market having no relation with the existing one". While Oyedijo, (2012) also sees unrelated diversification as "an organization's exhibition of willingness to diversify into any industry where it can realize consistently good financial gains." Castaner and Kavadis, (2013) in the same vain describe unrelated diversification as "a diversification strategy that extends the company's operation into a different business which has different input-output configuration or has limited common resources.

Concept of Organizational Performance

Olanipekun, Abiro, Akanni, Arulogun and Rabiu (2015) define organizational

performance as the analysis of an organization's performance against its objectives and goals. Ku, Mustapha and Goh (2010) however view organizational performance as "a formula for the assessment of the functioning of an organization under certain parameters such as productivity, employee morale and effectiveness". Gul, (2011) however states that organizational performance "is a measure of the extent to which the organization's goals and objectives have been achieved and such measure of achievement informs all the stakeholders of the extent to which they are succeeding in the business".

Forms of Diversification

There are different types of diversification that organizations adopt to enhance growth and development. Schommer, Richer, and Karna, 2019 identified four types of diversification they are horizontal diversification, concentric diversification, conglomerate diversification and vertical diversification.

Horizontal diversification is a type of diversification which organizations or firms adopt by introducing brand new products or services to their current services in order to expand market share either in the new market or the existing market. Concentric diversification is also a type of horizontal diversification which allows organizations to leverage on existing brand recognition, customer base and loyalty, resources and distribution channels with the aim of generating additional revenue from the existing customers and also attract new customers who may be interested in the old product as well as the new product. Conglomerate Diversification is also a type of horizontal diversification that introduces brand new products or services that are unrelated with no technological or commercial similarities with the business current product.

Vertical diversification is also a growth strategy which enables organizations to expand its product line through a forward or backward integration of products or services within its existing supply chain where it either takes over suppliers or customers or both.

Measures of Performance

Many studies have measured performance using different parameters. Anwar, Shah and Hasnu (2016) for instance opine that performance indicators include management quality, employee talent, returns on equity, long investment, sales growth, survival rate, total returns in years, customer referral rate, delivery time, employee turnover customer retention, quality of product, among others thus making performance measurement strategic. While Santos and Brito, (2012) opine that organizational performance can be measured using profitability, customer satisfaction, employee satisfaction, market value growth, environmental and social performance, quality, innovation and level of technology. Carton and Hofer, (2005) however identified two financial measures for organizations which are liquidity measure and leverage measure. He stressed further that other financial measure of performance include stock price which relate to effectiveness and profits, financial ratio, ROA,ROE, ROI etc which are emphasized within organization's annual report to shareholders.

Organizational performance in this study was measured using Growth of Sales, Employee's Job Satisfaction and Employee Productivity

Theoretical Framework

This study is anchored on two theories Resource- based view theory (RBV) and Modern portfolio theory (MPT). The Resource-Based view (RBV) theory was propounded by

Wernefelt (1984). The RBV establishes that competitive advantage no more lies in natural resources, technology or economies of scale, since these are easy to imitate but with the human resources of an organization. The resource-based view of the firm suggests that a firm's pool of human capital can be "leveraged" to provide a source of competitive advantage. This implies that all organizations have several untapped resources with the potential to make them more superior to others which enables them to increase performance. The basis of the resource- based view is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature. This implies that the essence of strategy should be defined by the firm's unique resources and capabilities.

The Modern Portfolio Theory (MPT) of Henry Markowitz's theory is a tool that informs investors about the projected risk and rewards of a certain investment. MPT is a tool that advises an investor on the predicted risk and rewards associated with a particular investment. It considers investor preferences as well as return, risk, and diversification impacts, all of which assist to reduce a portfolio's total risk. The Modern Portfolio Theory allows for the maximizing of returns while minimizing risk. The idea was developed to aid in the selection of the most efficient diversified portfolio by analyzing several alternative portfolios and reducing risk. It is a long-term investment strategy that focuses on market diversification, risk management, and asset allocation, with the notion that increased risk equals better returns.

2.2 Empirical Review

Effect of Related Diversification on Organizational Performance

Oladimeji and Udosen, (2019) examined the effect of diversification strategy on organizational performance in the manufacturing sector. Using quasi- experimental with ex-post facto research design. Population consists of 31 organizations listed in Nigeria Stock Exchange (NSE) for a period of 20 years (1997-2017). While sample size comprised six organizations purposively selected. Secondary data was collected from financial reports, of the selected organizations. Diversification variables are related, unrelated and hybrid diversification while organizational performance is the dependent variable which is measured in terms of ROA, ROI and ROE, organization size, organizational value and growth and leverage and liquidity. Data collected was analyzed using E- view Version 9. Findings reveal that diversified organizations outperformed undiversified ones in terms of ROA at 26.8% and ROI. While related diversified organizations were positive in terms of ROA, unrelated and hybrid diversified organizations were positive in terms of ROE at 81.7% and 20.5% respectively. Findings confirm that diversification leads to growth and profitability at 20% and a strong capital structure to cover liabilities 20%.

Abdurahman and Simba, (2019) examined the effect of corporate diversification strategy on strategic performance of Hashi Energy Ltd using descriptive research design. Population consists of 98 senior employees while the sample size was 87. Data was collected using close- ended questionnaire. Descriptive statistics, factor analysis SPSS version 23 was used to analyze the data collected. Findings showed a significant positive

relationship between diversification strategies and organizational performance. Nwaksby and Ihediwa, (2018) however examined the effect of diversification on the financial performance of selected firms in Nigeria. The study used Ex-post facto research design and covered ten years' annual reports and accounts of these firms from 2007 -2017. Data collected for the study were analyzed using financial ratios, regression analysis using Statistical Package for Social Sciences (SPSS). Findings revealed that financial there was a relatively statistical significant correlation between financial performance and related diversification while business diversification is not statistically significant.

Effect of Unrelated Diversification on Organizational Performance

Ellouze and Mnasri, (2020) analyzed the effect of business group diversification on financial constraints and firm performance of Tunisian group affiliated firms. Data was collected from 67 hand data base of Tunisian non-financial firms affiliated with business groups between 1998-2016 and analyzed using Return on Assets (ROA) and the Tobin's Q ratios. Findings revealed that group diversification enhances affiliated firm's performance only if it exceeds a certain level. The results showed that there is a high level of business group diversification but is particularly beneficial for firms that suffer financial constrains.

Oyedijo, (2012) however examined the impact of product-market diversification strategy on corporate financial performance using a sample of 48 organizations of Nigerian companies in relationship to their specialization. Correlation and Multiple Regression was used for analysis. Findings revealed a positive correlation between financial performance and related diversification while unrelated had a negative but no significant impact on performance and growth. Singh, Gaur and Schmid, (2011) examine the relationship between corporate diversification and firm performance of 889 Indian firms. Findings revealed a significant negative relationship between degree of diversification and firm performance.

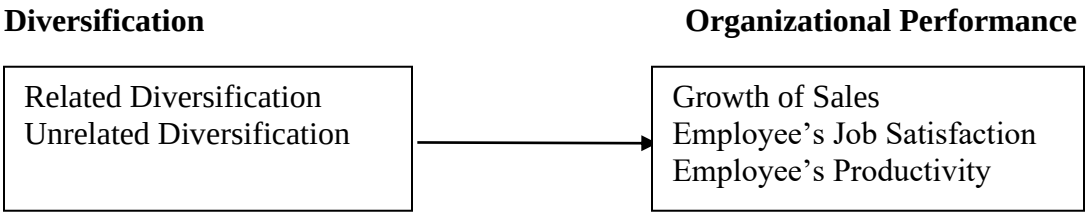
Oladele, (2012) however examined the effect of product diversification and performance of manufacturing industries Nigerian stock Exchange. Data collected and was analyzed using descriptive and inferential statistics. Findings revealed that there was an inverse relationship between diversification and performance due to shareholder influence. It was also found that undiversified companies out perform those highly diversified ones in terms of Return on Assets and Profit Margin. It was further found that there was an unfavorable link between diversification strategy and performance in manufacturing businesses listed on the Nigerian Stock Exchange.

Findings from various studies on diversification on organizational performance are found to be inconclusive (Oyedijo, 2012, Sulaiman et al., 2015, Oladimeji & Udosen, 2019, Suleiman & Gunu, 2020).

2.3 Conceptual Framework

The conceptual framework of Diversification on Organizational Performance is presented.

Independent Variables **Dependent Variables**



Source: Author's Conceptual Framework (2023)

3. METHODOLOGY

Research Design

The study used ex- post facto research design with the study population of twenty- two (22) manufacturing industries listed in Nigeria Exchange Group (NGX Group) dealing with foods and beverages, breweries, health and pharmaceutical and conglomerates between years 2011-2020. Stratified random sampling technique was applied in the selection of eight (8) manufacturing industries based on their level of diversification whether related or unrelated. The sample size was chosen according to 50% proportion of the original population size of the eight manufacturing industries. The manufacturing industries are Flour Mills Nig Plc, Dangote Sugar Refinery Plc, International Breweries, Nigeria Breweries Plc, Fidson Health Care, May and Baker Plcs, Unilever Nig Plc and UAC of Nig Plc.

Data Collection Instrument

The data was collected from both primary and secondary sources from the manufacturing industries. Primary data were collected using structured Likert rating scale questionnaire on scale 7-1 on related diversification and unrelated diversification on organizational performance. While a structured Likert rating scale questionnaire on scale 6-1 was used to collect information on organizational performance. The instrument was validated and subjected to reliability test using Cronbach alpha which is a measure of internal consistency Diversification had .890, Related Diversification was .941 and Unrelated Diversification was .927 and organizational performance.

Secondary data was collected from annual reports and of the manufacturing industries on liquidity ratio, profitability ratio and turnover ratio.

Methods of Data Analysis

Demographic characteristics of the respondents were analyzed using descriptive statistics while the hypotheses were analyzed using inferential statistics. Secondary data was analyzed using Accounting Ratio.

4. RESULTS AND DISCUSSION

Table 1:Demographic Characteristics of Respondents

Table 1.1 Sex of Respondents

Sex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	331	44.1	44.1	44.1
	Male	419	55.9	55.9	100.0
	Total	750	100.0	100.0	

Source: Field Survey, 2023

The sex of the respondents according to the information on the table shows that 419(55.9%) were males while 331 (44.1%) respondents were females.

Table 1.2: Age of Respondents

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 – 25	115	15.3	15.3	15.3
	26 – 35	181	24.1	24.1	39.4
	36 – 45	247	33.0	32.9	72.4
	46 – 55	153	20.4	20.4	92.8
	56 and above	54	7.2	7.2	100.0
	Total	750	100.0	100.0	

Source: Field Survey, 2023

The age of the respondents shows that 115 (15.3%) respondents were between the ages of 18-25 years, 181 (24.1%) respondents were between the ages of 26-35years, 247 (33.0%) respondents were between the ages of 36-45 years, while 153 (20.4%) respondents were between the ages of 46-55 years. 54(7.2 %) were in the age range of 56 and above.

Table 1.3: Marital Status of Respondents

Marital Status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Divorced	5	.7	.7	.7
	Married	518	69.1	69.1	69.8
	Separated	31	4.1	4.1	73.9
	Single	196	26.1	26.1	100.0
	Total	750	100.0	100.0	

Source: Field Survey, 2023

With respect to the marital status of the respondents, 5(.7%) are divorced, 518(69.1%) are married, 31(4.1%) are separated while 196 (26.1%) are single.

Table 1.4: Educational Background of Respondents

Educational Background					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Secondary	126	16.8	16.8	16.8
	Tertiary	624	83.2	83.2	100.0
	Total	750	100.0	100.0	

Source: Field Survey, 2023

With respect to the educational background of the respondents, 126 representing 16.8% had secondary education while 624 representing 83.2% had university degrees. This shows that the respondents are knowledgeable about the importance of diversification on organizational performance.

Table 1.5: Management Level of Respondent

Cadre					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lower Management	508	67.7	67.7	67.7
	Middle Management	200	26.7	26.7	94.4
	Top Management	42	5.6	5.6	100.0
	Total	750	100.0	100.0	

Source: Field Survey, 2023

The cadre of the respondents according to the information on the table shows that 508 (67.7%) respondents belong to the lower management level, 200 (26.7%) of the respondents belong to the middle management level while 42 (5.6%) respondents belong to the top management level. It is interesting to find that many belonged to the lower management level in spite of the educational background of some of the respondents as shown in Table. It is possible that this occurred because of lack of employment in the country.

Table 1.6: Department of Respondents

Department					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accounting	115	15.3	15.3	15.3
	Marketing	114	15.2	15.2	30.5
	Personnel	94	12.5	12.5	43.0
	Production	125	16.7	16.7	59.7

	Resource Management	101	13.5	13.5	73.2
	Sales	201	26.8	26.8	100.0
	Total	750	100.0	100.0	

Source: Field Survey, 2023

The information on the table shows that 115 (15.3%) respondents belong to Accounting department, 114 (15.2%w) belong to Marketing department, 94 (12.5%) belong to Personnel department, 125 (16.7%), belong to Production department, 101 (13.5%) belong to Resource Management department and 201 (26.8%) belong to Sales department.

Table 1.7: Years of Experience of the Respondents

Years of Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-10	357	47.7	47.6	47.6
	11-20	296	39.5	39.5	87.1
	Above 20	97	12.9	12.9	100.0
	Total	750	100.0	100.0	

Source: Field Survey, 2023

This table shows that 357 (47.6%) of the respondents have spent between 0-10 years in their industries 296 (39.5%) respondents have spent between 11-20 years while 97 (12.9%) have spent above 20 years in their industries. This shows that the respondents are experienced.

Table 1.8: Diversification Type of the Respondents

Diversification Type					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Related	523	69.7	69.7	69.7
	Unrelated	227	30.3	30.3	100.0
	Total	750	100.0	100.0	

Source: Field Survey, 2023

This table shows that 523 (69.7%) respondents that worked in manufacturing industries engaged in related diversification while 227(30.3%) who worked in industries are involved in unrelated diversification in their industries.

Tables 1.9: Diversification Level of the Respondents

Diversification Level					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High	294	39.2	39.2	39.2
	Low	63	8.4	8.4	47.6
	Medium	393	52.4	52.4	100.0
	Total	750	100.0	100.0	

Source: Field Survey (2023)

This table indicates that 294 (39.2%) of the respondents work in the manufacturing industries involved in high diversification, 63 (8.4%) worked in industries involved in low diversification while 393 (52.4%) worked in the industries are involved in medium diversification.

Table 2: Distribution of Responses according to Related Diversification (RD) Survey Items on Organizational Performance in the Manufacturing Industries.

Items	SA (7) N(%)	A (6) N(%)	SWA (5) N(%)	N (4) N(%)	SWD (3) N(%)	D (2) N (%)	SD(1) N (%)	Mean	SD
RD is used to expand operation into similar product	370(49.3)	263(35.1)	30(4.0)	24(3.2)	5(0.7)	58(7.7)	-	6.06	1.399
RD allows for resources and capabilities to be shared.	350(46.6)	292(38.9)	27(3.7)	23(3.1)	7(0.9)	51(6.8)	-	6.07	1.34
RD enhances increase in sales and performance	367(48.9)	290(38.7)	22(2.9)	22(2.9)	11(1.5)	38(5.1)	-	6.15	1.248
RD enhances transfer of skills and capabilities from one business to the other.	304(40.5)	348(46.4)	23(3.1)	20(2.7)	9(1.2)	46(6.1)	-	6.04	1.278
Strategic synergy in RD enhances organizational performance.	318(42.4)	331(44.1)	31(4.2)	20(2.7)	4(0.5)	46(6.1)	-	6.07	1.264

Competitive advantage increases profitability in RD.	309(41.2)	346(46.1)	26(3.4)	14(1.9)	11(1.5)	44(5.9)	-	6.06	1.261
RD increases market share and shareholders value.	304(40.5)	340(45.3)	18(2.4)	32(4.3)	4(0.5)	52(7)	-	6.00	1.327
Policies developed for growth and risk reduction through RD.	332(44.2)	311(41.4)	20(2.7)	23(3.1)	5(0.7)	59(7.9)	-	5.99	1.373
Size, value and growth rate is increased through RD.	318(42.4)	308 (41.1)	40(5.3)	17(2.3)	8(1.1)	59(7.9)	-	5.97	1.383
RD is capital intensive so it is not adopted.	193(25.7)	277(37)	34(4.5)	46(6.1)	22(2.9)	167(22.3)	11(1.5)	5.04	1.954
Grand Mean and SD						**5.94**	**1.13**	**5.94**	**1.13**

Source: Field Survey (2023)

Findings on each of the 10 items questionnaire on related diversification on organizational performance in the manufacturing industries using scale 7-1 is presented in Table 2. The mean and standard deviation of each item is presented while the Grand mean and standard deviation were also presented. Decision Rule: strongly disagree = < 2.00; disagree = 2.00 – 2.49; somewhat disagree = 2.50 – 3.49; neutral = 3.50 – 4.49; Somewhat Agree= 4.50 – 5.49; agree = 5.50 – 6.49; strongly agree = > 6.50. Overall, the grand mean score for all Related Diversification items was 5.94 with a standard deviation of 1.13. According to the provided decision rule, scores above 4.50 indicate agreement. Based on this rule, the findings suggest that respondents have a generally positive perception of Related Diversification with regards to sharing resources and capabilities from one business to the other, increase sales and performance, transfer skills and increase profitability among others.

Table 3: Distribution of Responses according to Unrelated (UD) Survey Items on Organizational Performance in the Manufacturing Industries.

Items	SA (7) N(%)	A (6) N(%)	SWA (5) N(%)	N (4) N(%)	SWD (3) N(%)	D (2) N(%)	SD (1) N(%)	Mean	SD
UD does not expand market scope and resourcefulness to increase profitability.	289(38.5)	205(27.3)	32(4.2)	44(6.0)	17(2.3)	147(19.6)	16(2.1)	5.27	2.002

UD spread risks across different businesses to improve performance	223(29.7)	282(37.6)	34(4.5)	58(7.7)	18(2.4)	114(15.2)	22(2.9)	5.28	1.866
UD does not enhance sales, brand strength, product variety and product newness.	221(29.5)	253(33.7)	67(8.9)	51(6.8)	20(2.7)	119(15.9)	19(2.5)	5.23	1.865
Lack of synergy between the new and old products affect organizational performance	216(28.8)	322(42.9)	51(6.8)	48(6.4)	15(2.0)	86(11.5)	12(1.6)	5.49	1.665
UD does not employ effective utilization of technological resources for performance	227(30.3)	241(32.1)	70(9.3)	59(7.9)	24(3.2)	109(14.5)	20(2.7)	5.24	1.849
Risk is not managed across different business through UD.	177(23.6)	291(38.8)	40(5.4)	75(10.0)	24(3.2)	118(15.7)	25(3.3)	5.09	1.872
More varieties and brand image does not enhance through UD.	226(30.1)	268(35.7)	51(6.8)	71(10.5)	23(3.1)	89(11.9)	14(1.9)	5.36	1.741
Services and products that are not similar and are unrelated are used.	191(25.5)	312(42.8)	50(6.7)	64(8.5)	28(3.7)	82(10.9)	14(1.9)	5.37	1.681
UD is capital intensive and unprofitable	194(25.9)	320(42.6)	32(4.3)	55(7.3)	35(4.7)	96(12.8)	18(2.4)	5.3	1.781

Low market sales and productivity is experienced because of unrelated products	169(22.5)	325(43.3)	44(5.9)	66(8.8)	15(2.0)	111(14.8)	20(2.7)	5.2	1.796
Grand Mean and SD						**5.23**	**1.41**	**5.28**	**1.41**

Source: Field Survey (2023)

Findings on each of the 10 items questionnaire on unrelated diversification on organizational performance in the manufacturing industries using scale 7-1 are presented in Table 3. The mean and standard deviation of each item is presented as well while the Grand Mean and Standard Deviation were also presented. Decision Rule: strongly disagree = < 2.00; disagree = 2.00 – 2.49; somewhat disagree 2.50 – 3.49; neutral = 3.50 – 4.49; Somewhat Agree= 4.50 – 5.49; agree = 5.50 – 6.49; strongly agree = > 6.50. Overall, the grand mean score for all unrelated diversification items was 5.23 with a standard deviation of 1.41. According to the provided decision rule, scores above 4.50 indicate agreement. Based on this rule, the findings suggest that respondents have perception about unrelated diversification with regards to organizational performance in spreading risks, having low market sales and productivity, expanding market scope, utilizing resources, enhancing brand strength but it is capital expensive and unprofitable. This may account for the negative relationship it has with organizational performance.

Table 4: Distribution of Responses according to Organizational Performance Survey Items in the manufacturing industries.

Items	VL (1) N(%)	SWL (2) N(%)	L (3) N(%)	H (4) N(%)	SWH (5) N(%)	VH (6) N(%)	Mean	SD
What is the growth rate of your sales or revenue in your industry?	10(1.3)	12(1.6)	11(1.5)	370(49.3)	118(15.7)	229(30.6)	5.67	.877
How will you describe growth of sales on the financial strength of your industry?	2(0.3)	20(2.6)	18(2.4)	369(49.2)	154(20.8)	185(24.7)	5.60	.871

What will you say is the degree of Marketing activities employed in your industry to promote growth of sales?	5(0.7)	15(2.0)	30(4.0)	355(47.3)	145(19.3)	200(26.7)	5.57	.927
How will you rate provision of training opportunities and career growth for job satisfaction in your industries?	4(0.5)	25(3.3)	70(9.3)	330(44.0)	136(18.2)	185(24.7)	5.38	1.142
How will you rate provision of networking opportunities for job employee's satisfaction in your industry?	5(0.7)	23(3.1)	66(8.8)	343(45.7)	120(16.0)	193(25.7)	5.42	1.129
What would you say is the degree of motivation and benefit plans provided for employee's job satisfaction in your industry?	16(2.1)	22(2.9)	65(8.7)	329(43.9)	148(19.7)	170(22.7)	5.32	1.232
What would you say is the degree of productivity of employees in your industry?	9(1.2)	13(1.7)	19(2.6)	361(48.1)	150(20.0)	198(26.4)	5.59	.918
How will you rate provision of training and resources provided for employee's productivity in your industry?	6(0.8)	21(2.8)	71(9.5)	309(41.2)	140(18.6)	203(27.1)	5.38	1.140

What is the degree of provision of capital, plant did equipment for productivity in your industry?	4(0.5)	11(1.5)	36(4.8)	344(49.5)	111(14.8)	244(32.5)	5.62	.899
Grand Mean and SD							**5.51**	**.768**

Source: Field Survey (2023)

Findings on each of the 9 items questionnaire on Organizational Performance in the manufacturing industries using 6-1 are presented in Table 4. The mean and standard deviation of each item is presented as well while the Grand Mean and Standard Deviation.
Decision Rule: Very low = < 2.00; somewhat low = 2.00 – 2.49; Low = 2.50 – 3.49; High = 3.50 – 4.49; somewhat high = > 4.50; Very high > 5.50. Overall, the grand mean score for all Organizational Performance items was 5.51 with a standard deviation of .768. According to the provided decision rule, scores above 3.50 indicate high performance. Based on this rule, the findings suggest that respondents have a generally positive perception of high level of organizational performance.

Test of Research Hypotheses

Hypothesis One

There is no significant effect of related diversification on organizational performance in the manufacturing industry.

Table 5: Analysis of the Effect of Related Diversification on Organizational Performance

Variables	**F- Ratio**	**Sig of P**	**R**	**R^2**	**Adj R^2**	**B**	**t**	**P**	**Remark**
Related diversification	11.988	.000	.651	.424	.419	.651	2.410	.000	Significant

Source: Field Survey (2023)

Table 5 presents the results of effect of related diversification on organizational performance in the manufacturing industry. The findings revealed that related diversification have a significant effect on organizational performance F (4, 745) = 11.988, $p < 0.01$, R = 0.651, R^2 = 0.424, and adjusted R^2 = 0.419). The significant F-statistics value indicates that the overall model is statistically significant. Consequently, the null hypothesis stating that there is no significant effect of related diversification on organizational performance in the manufacturing industry is rejected.

Hypothesis Two

There is no significant effect of unrelated diversification on organizational performance in the manufacturing industry.

Table 6: Analysis of the Effect of Unrelated Diversification on Organizational Performance

Variables	F- Ratio	Sig of P	R	R^2	Adj R^2	B	t	P	Remark
Unrelated diversification	11.982	.022	.466	.217	.208	-.466	-1.991	.022	Significant

Source: Field Survey (2023)

Table 6 presents the results of effect of unrelated diversification on organizational performance in the manufacturing industry. The findings revealed that unrelated diversification have a significant but negative effect on organizational performance F (4, 745) = 11.982, $p < 0.05$, R = -0.466, $R^2 = 0.217$, and adjusted $R^2 = 0.208$). The coefficient of determination (R^2) indicates that approximately 42% of the variation in organizational performance can be explained by unrelated diversification. This suggests that unrelated diversification ($\beta = -0.466$, $p < 0.05$) have a significant negative effect on organizational performance in the studied industry. The significant F-statistics value indicates that the overall model is statistically significant. Consequently, the null hypothesis stating that there is no significant effect of unrelated diversification on organizational performance in the manufacturing industry is rejected.

Analysis of Secondary Data

The findings of the analysis of the secondary data as they relate to the financial analysis of the eight manufacturing industries complement and corroborate the opinions sampled from the analyses of the primary data. Results of the accounting ratios of the 8 firms studied indicated impressive historical performance and financial condition in terms of liquidity ratio, profitability ratio and turnover over the ten year period (2011-2020) covered in the study is presented in Table 7.

YEAR	FLOUR MILLS NIG PLC'S			YEAR	DANGOTE SUGAR REFINARIES PLC'S		
	Liquidity	Profitability	Turnover		**Liquidity**	**Profitability**	**Turnover**
2011	3.43	0.198	399,003,636	2011	3.00	0.176	90, 110,547
2012	3.31	0.177	293,693, 932	2012	3.21	0.165	92,122,651
2013	2.90	0.179	398,576,979	2013	3.15	0.188	99,404,185

2014	4.54	0.188	393,090,490	2014	3.37	0.194	99, 595,571
2015	3.10	0.196	383,054,515	2015	2.23	0.156	99,973,910
2016	3.90	0.188	373,090,048	2016	2.83	0.179	105,545,511
2017	4.04	0.189	387,277,582	2017	2.92	0.198	145, 215,152
2018	3.93	0.185	354,781,677	2018	2.47	0.181	139,170,534
2019	3.77	0.155	447,007,160	2019	2.69	0.168	144, 576,107
2020	393	0.184	354,224,949	2020	2.77	0.189	132, 573, 009

Source: Researcher's Compilation (Annual Report and Accounting 2011-2020)

YEAR	FIDSON HEALTH CARE			YEAR	MAY & BAKER			YEAR	INTERNATIONAL BREWERIES PLC'S		
	Liquidity	**Profitability**	**Turnover**		**Liquidity**	**Profitability**	**Turnover**		***Liquidity***	***Profitability***	***Turnover***
2011	3.98	0.102	137,553,234	2011	2.45	0.67	29,988,980	2011	4.003	0.171	116,014,719
2012	3.71	0.106	145,404,514	2012	2.462	0.67	34,343,909	2012	4.013	0.166	120,576,127
2013	3.96	0.104	149,174,516	2013	2.487	0.83	36,041,043	2013	4.106	0.155	122,112,661
2014	3.45	0.101	158,509,128	2014	2.623	0.71	30,345,048	2014	4.001	0.178	129,454,185
2015	3.75	0.107	167,609,237	2015	2.519	0.74	32,942,712	2015	4.051	0.144	130,215,552
2016	3.77	0.105	167,618,438	2016	2.403	0.34	34,147,025	2016	4.678	0.156	139,973,900
2017	3.83	0.107	168,099,354	2017	2.583	0.65	31,742,902	2017	4.087	0.190	134,581,071
2018	3.45	0.108	169,008,980	2018	2.941	0.45	38,347,103	2018	4.901	0.152	145,558,571
2019	1.231	0.252	152,627,000	2019	2.801	0.57	32,846,900	2019	4.107	0.141	149,120,534
2020	2.532	0.255	137,221,404	2020	2.711	0.89	37,992,442	2020	4.019	0.208	154,190,547

Source: Researcher's Compilation (Annual Report and Accounting 2011-2020)

YEAR	NIGERIA BREWERIES PLC'S			YEAR	UAC NIG PLC'S			YEAR	UNILEVER NIG PLC'S		
	Liquidity	***Profitability***	***Turnover***		***Liquidity***	***Profitability***	***Turnover***		***Liquidity***	***Profitability***	***Turnover***
2011	4.023	0.181	156,014,719	2011	3.37	0.521	55,000,331	2011	4.662	0.179	60,614,761
2012	4.023	0.186	150,576,127	2012	3.15	0.879	70,613,721	2012	4.034	0.171	65,887,984
2013	4.126	0.185	152,112,661	2013	3.05	0.456	73,546,097	2013	4.355	0.188	67,995,035
2014	4.021	0.188	159,454,185	2014	4.43	0.888	80,330,040	2014	4.648	0.195	64,134,609
2015	4.061	0.184	160,215,552	2015	3.03	0.729	85,514,451	2015	4.211	0.197	67,919,310
2016	4.698	0.186	169,973,900	2016	3.05	0.622	82,920,808	2016	5.931	0.198	65,494,687
2017	4.087	0.180	164,581,071	2017	5.42	0.429	88,347,421	2017	5.081	0.198	65,239,297
2018	4.991	0.182	175,558,571	2018	3.36	0.482	90,834,781	2018	5.203	0.196	73,800,733
2019	4.007	0.151	159,120,534	2019	3.75	0.369	95,687,821	2019	5.798	0.195	72,667,910
2020	5.019	0.178	194,190,547	2020	4.33	0.390	98,970,490	2020	4.117	0.179	75,887,984

Source: Researcher's Compilation (Annual Report and Accounting 2011-2020)

Discussion of Findings

Related Diversification and Organizational Performance

First hypothesis was tested to achieve objective one and answer research question one which was set to examine the effect of related diversification on organizational performance in the manufacturing industry. The findings revealed that related diversification have a significant effect on organizational performance $F(4, 745) = 11.988$, $p < 0.01$, $R = 0.651$, $R^2 = 0.424$, and adjusted $R^2 = 0.419$). The coefficient of determination (R^2) indicates that approximately 42% of the variation in organizational performance can be explained by related diversification. The implication of the positive significant effect of related diversification on organizational performance is that leveraging on core competences, capabilities, resources, competitive advantage, leads to increase size, value and growth rate, sales, expand market share and shareholders value which increase profitability and increase performance. The result is consistent with previous studies of Nwaksby & Ihediwa, (2018), Abdurahman & Simba (2019), Udosien & Oladimeji (2019).

Unrelated Diversification on Organizational Performance

Second hypothesis was tested to achieve objective two and answer research question two which was set to investigate the effect of unrelated diversification on organizational performance in the manufacturing industry. Findings revealed that unrelated diversification have a significant but negative effect on organizational performance. $F(4, 745) = 11.982$, $p < 0.05$, $R = -0.466$, $R^2 = 0.217$, and adjusted $R^2 = 0.208$). The implication of the negative effect of unrelated diversification on organizational performance shows that it spread risks across different businesses, is capital intensive, lacks synergy between old and new products among others leading to low market sales which impedes performance. It is therefore a strategy that should be carefully looked into before adoption and implementation. This study support Oladele (2012), Oyedijo, (2012), Ellouze & Mnasri (2020) that found significant negative relationship between diversification and firm's performance. The finding of this study is in line with past studies.

5. Conclusions

Stemming from the findings it was concluded that related diversification affect organizational performance positively in manufacturing industry as it leads to the expansion of its operation into similar products, allows for sharing of resources and capabilities, transfer of skills from one business to the other, encourages competitive advantage leading to profitability, increase market share holder values, size value and growth which impact on organizational performance.

Unrelated diversification on the other hand affect organizational performance negatively because it does not expand market scope and productivity, does not increase profitability, does not enhance sales, brand, strength, does not employ effective utilization of resources. Also it does not employ technological resources, and does not spread risk across different business. Likewise it is capital intensive and unprofitable which affect

organizational performance.

Recommendations

i. Management of manufacturing industries should adopt related diversification that focuses on company's core competences, capabilities, transfer of skills and resources, profitability and competitive advantage to improve its organizational performance.

ii. Manufacturing industries that seek to adopt unrelated diversification should ensure synergy between the new and old products share resources and skills to positively enhance organizational performance. This is because unrelated diversification is capital intensive and unprofitable and if not properly managed and implemented may affect organizational performance.

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