IMPACT OF DIVERSIFICATION STRATEGY ON PERFORMANCE OF MANUFACTURING COMPANIES

A CASE STUDY OF DANGOTE GROUP OF COMPANIES

BY

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DECLARATION

I IBRAHIM UMAR, hereby declare that this project has been written by me and that it is a record of my own work. Hence any mistake identified therein remains mine.

13/08/2014

IBRAHIM UMAR **Date**

BIB/34446/113/DF

APPROVAL

This is to certify that the project titled "Impact of Diversification Strategy in Manufacturing Companies: A Study of Dangote group of Companies", written by Ibrahim Umar, meets the regulation governing the Award of Bachelor of Science (B.Sc) Degree in International Business Administration, Faculty of Business Management and it is approved for its contribution to knowledge and literary presentation.

18/10/2014

Dr MUGUME TOM — **Date**

(Project supervisor)

DEDICATION

I dedicate this research report to my beloved family, brothers and sisters for their moral support, patience, prayers and encouragement.

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All praise be to Allah most beneficent most merciful who spear my life and grant me the strength and courage to complete this work.

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ABSTRACT

A number of wide raising factors account for the strategic appeal of corporate diversification. An organization may consider diversification because of market saturation, competitive pressures, product line obsolescent declining demand or fair of anti-trust action. Diversification has evolved as a resistible tool of increasing a firm's revenue and consequently profit. It involves expanding the scope of operations of a company into other product lines. This entails some restructuring of the product mix of the firm to accommodate the new thrust. The choices of diversification over other growth strategies such as marger, acquisition, consolidation, etc. is influence by a firm's desire not to only safeguard its corporate entity, but also by the conviction of its ability to adequately cope with the structural operational, Financial and marketing demands of the strategy. Compared to other growth strategies like consolidation, diversification exacts a less significant shift in major corporate activity. Its efficiency lies in the fact that it involves an extension of a firms already existing capacity, acquisition of necessary facilities for the purpose of meeting the peculiar specifications of the new product lines. It is therefore cost effective in relation to other expansion and growth methods. The study aimed at Assessing and Analyzing the impact of diversification strategy in manufacturing company. Dangote groups of companies has been selected, been one of the company that diversified into various sectors of the company. This will help and motivate the small medium enterprises to pursue the strategy for survival in business. The product work will also start with the general description of the study i.e. the main objectives of the research work as well as the hypothesis. Its limitations and scope of the study. The researcher will use both the primary and secondary data available for the work. The collection of the data will be through the use of questionnaires, historical account and interviews. Similarly, effort will be made to point out relevant works that are related to the study which were reviewed with much emphasis on the findings and recommendations of various author. Simple percent will be used for analysis of the finding.

CHAPTER ONE:
INTRODUCTION

1.0 BACKGROUND TO THE STUDY

Diversification is not a new strategy George A. Steiner pointed out that in the sixteenth (16th) century, the house of Fugger was in banking, textile, spaces, copper, silver and finance, all over the Europe. The East Indian Company in the eightieth century (18th c) was quite diversified. Peter Drucker (1981) argued that every business has to diversify because the 'right' product sooner or later becomes the 'wrong' product. Every product sooner or later becomes a 'company', every product ages and eventually becomes obsolete. No product can expect to be the 'right' product for more than thirty or forty years.

The terms diversification can really refer to a host of different types of strategies. Leontiades argued that diversification can refer to changing products, markets, or functions. It can be done internally or externally, horizontally or vertically and it can involve related or unrelated changes.

Zaharadden (2003) defines diversification strategy as a strategy which involves broadening or enlarging the product range by introducing new products or extending the range of the existing products. The strategy is aimed at achieving a greater market from greater ranges of products in order to maximize profits from the risk involved in operations. It translates the policy of not putting all our eggs in one basket, into action. Diversification is one of the four basic strategies proposed by Igor Ansoft (1965).

1.1 HISTORICAL BACKGROUP AND PERFORMANCE OF DANGOTE GROUP OF COMPANY

Dangote group is the largest industrial conglomerate in West Africa and one of the largest in Africa. The group started out as a trading and contract executing company known as Alco International in the late 1970s. During the 1980s and 1990s, the group ventured into the importation of sugar, flour, milk, fish, rice, vegetable oil, cement and iron rods. In order to improve service delivery, the group entered the haulage business. The surplus realized from these business units established Liberty Merchant Bank and financed substantial investment in International Trust Bank and two Textile Mills. Dangote Industries Limited was incorporated in order to leverage the Group's market leadership in trading commodities to enable the group to take the lead in manufacturing. The paradigm shift was focused on the following: sugar, refining, flour milling, pasta production, salt processing, bulk cement bagging, oil and gas, real estate, propylene bags, haulage, textiles, maritime operations.

The group is involved in the production and distribution of sugar, pasta, flour and salt. Dangote Sugar Refinery Plc was awarded the best African IPO for 2007 by Africa investor's index series in June, 2007. The company was assigned an "AA" by Augusto & Co, a leading research credit ratings and business information company. Dangote pasta pant has the capacity to produce 10 million cartons of 500 grams annually-the plant is undergoing expansions, which will more than double its production capacity. The group's flour mills have a combined production capacity of 1,400,000 tones per annum, and Dangote flour mills floated its shares through an IPO on the Nigerian Stock Exchange (NSE) in September, 2007. Dangote salt's plants have a production capacity of 600,000 metric tones per day and the company recently merged with the National Salt Company Nigeria (NASCON).

Dangote has cement-bagging terminals in Apapa, Lagos, Dangote BAIL in Onne and Port Harcourt, which supply about 40% of Nigeria's cement.Dangote took over the management of the Benue Cement Company Plc (BCC) in January, 2004 and production started in 2005. The company had reversed its history of loss making and today, it produces about 400,000 tones per year. 8CC is one of the most sought-after stocks on the NSE. Dangote Group's Obajana Cement Plant in Kogi State is the largest cement plant in Africa. Lines 1 and 2 were commissioned in May 2007, and when completed lines 3 and 4 will increase the plant's capacity to 10 million tones. Dangote is also constructing cement plants at Ibese and Saganiu in Ogun State. The group has a cement-bagging terminal in Ghana and has newly acquired substantial shares of Onigholo cement, Benin Republic.

Dangote has a ginning and spinning mill in Kankara, Katsina State and Dangote Textile Mills in Kano. Dangote's other complementary investments include the polypropylene bag-making plants Agro Sacks and AD Star. The group's haulage business unit now has more than 1 '500 trucks to support the extensive distribution network of its products all across the country.

Through Dangote Equity Resources (DEER), the group has a 9% share of Block 1 in the Joint Development Zone (JDZ) of Nigeria Sao-Tome. Dangote also has 10% share of Block III in the

JDZ, as well as 6% share Block 315 in Nigeria. The feasibility study for the construction of a petroleum refinery in Lekki Freek Zones has been completed. Dangote Oil Refinery Company is set to complete its 300,000 bpd refinery within the next four years.

Alongside these, plants are at an advanced stage to get up a large Fertilizer plant that will produce both urea ad ammonia based fertilizer that will help to limit the quantity being imported into the country.

In 2006, the group through its subsidiary Kura Holdings acquired the newly re-engineered Oshogbo Steel Rolling Company (OSRC) for the production of flat sheets. In April 2006, the subsidiary Green view Development Nigeria Limited took over the management of Terminal E of Lagos Port Complex, Apapa under the Federal Government's Port Concessioning Scheme. In March 2007, Alheri Engineering Limited, a subsidiary of Dangote Group, was awarded a 3G license by the Nigerian Communication Commission (NCC).

Dangote Group is currently the largest industries conglomerate in West Africa and one of the largest in Africa. It generated revenue in excess of $1.255B in 2005. The group is one of the foremost diversified business conglomerates in Sub-Saharan Africa. With a hard-earned reputation for excellent business practices and product quality, it has about 11,000 people in its employment.

Customer Focused

The core business philosophy of the Dcrngote Group is to provide their customers with a high level of customer care and service. The GROUP is continually investing in qualified staff IT network that will ensure that these higher levels of services is carried through into a market place that is becoming more sophisticated. The Dangote Group has four regional offices located in strategic locations throughout Nigeria. Each of these offices has regional autonomy and responsibility for specific targets. By having these regional offices the Dangote Group ensures easy and frequent communication with all their customer which again allows for superior customer care. The group understands the inherent constraints of operating in a developing economy, and has structured their business around an extended value chain thereby ensuring the care and service that the Dangote Group has become known for. The group's primary activities are manufacturing, imports packing and nationwide distribution. In line with the Nigerian

Government's stated objective of driving economic growth, importation of raw material will gradually be replaced by the manufacturing or cultivating of these materials within Nigeria. Some of the Dangote products are also exported to other countries in West Africa such as Benin and Ghana. Although currently a small contributor to the overall business, exports are expected to show growth of between 15%-20% over the next 5 years.

Future

Though Dangote Equity Energy Resources (DEER), the group has a 9 percent share Block 1 in Joint Development Zone (JDZ) of %Nigeria Sao-Tome, alongside Chevron Texaco as operator with 51 percent and Exxon Mobil with 40 percent. Dangote also has 10 percent share of Block III in the JDZ, as well as 6 percent share of Block 315 in Nigeria, along Statoil and Petrobas. The feasibility study for the construction of a petroleum refinery in Lekki Free- Zone has been completed. Dangote oil and Refinery Company is set to complete its 300,000 bpd refinery within the next four years.

Recently, the Group acquired the Osogbo Steel Rolling Company (J3838 OSRC) for the production of flat sheets.

Dangote Group is fully involved in Corporate Social Responsibility (CSR) activities, thereby necessitating the setting up of Dangote Foundation which overseas Implementation of this objective.

The journey so far has been full of challenges. Nonetheless, with courage and determination Dangote Group is moving on and has resolved to press on to improve the quality of lives of Nigerians by providing their basic needs. The group's is committed to Complementing the governments' initiative to making the economy, private sector driven. Nigeria is a Land of abundant opportunities.

Any organization with Focus and strong-will, will find rewarding returns for its investment. Dangote Group is today a testimony of successful and rewarding private entrepreneurship.

1.2 STATEMENT OF THE PROBLEM

The economic recession had adverse effect on Nigerian industries since mid 1980s. This was as a result of many unfavorable economic policies embarked upon by the then, government such as; austerity measures, structural adjustment programmes (SAP) to mention just a few.

The policies had a significant reduction in capacity utilization due to the combine effect of lowering aggregate demand and the problems of suppliers to meet production requirement. Inflation has been high and interest rate on borrowed money has continued to increase. Similarly, production costs have consequently been escalating due to depreciation of the Naira. Profits margins have so, come under severe pressure. The Nigerian industries were faced with inadequate foreign exchange to import machines and other parts.

In a situation of risk among manufacturing industries, diversification could be an option for survival and growth as manufacturing industries would engage in various manufacturing activities which will enable them to spread risk and result in growth among manufacturing industries.

However, when a manufacturing company operates within one industry, it may expose the company to greater risks and unhealthy practices.

Therefore, the research problem is concerned with examining whether diversification strategy has impact on manufacturing company

1.3 OBJECTIVES OF THE STUDY

The main objective of this study is to examine the impact of diversification in manufacturing firms in Nigeria. Other objectives include:

1) To determine the profile of respondents interms of Age, gender, education levels and working experience.

2) To enlighten the business entrepreneurs about the usefulness associated with diversification strategy.

3) To establish whether the application of diversification as a strategy is worthwhile to the companies.

4) To establish the relationship between diversification and business performance.

1.4 SCOPE OF THE STUDY

1.4.1 GEOGRAPHICAL SCOPE

The study was conducted at Dangote group companies headquarters located at the city of Nigeria.

1.4.2 THEORETICAL SCOPE

The study was based on the contingency theory, which has its roots in the general systems (Boulding, 1956; Von Bertalanffy, 1951) and the behavioral theory of the firm (Cyert and March, 1963; March and Simon, 1958; Simon, 1957). This theory defends that the best strategy across situations does not exist. Performance levels result from the co-alignment among strategy and the firm's context (the internal and external forces of the firm) Each strategy may be, or not, the best depending on the nature of the contingent forces.

1.4.3 CONTENT SCOPE

The study focused on how diversification strategy with reference to the Nigerian manufacturing industry. It focused on the methods, kinds, objectives and impact of the strategy including possible solutions to its drawback.

1.4.4 TIME SCOPE

The study was carried out between March to July 2014 and considered the operations of Dongote group of companies of 2010 to 2014.

1.5 SIGNIFICANCE OF THE STUDY

The study findings will be used by future investors both local and international who hope to invest in Dangote company to come with enough information on how to improve business performance on diversification strategy.

The study findings will also help other players in the manufacturing industry to come up with informed decisions in terms of diversification strategy to improve efficiency and profitability among others.

The research findings and recommendations made could be of invaluable importance to authorities and participant in the manufacturing industry.

1.6 DEFINITION OF KEY TERMS

Diversification: Is a term that refers to the development of business organization beyond the present product and present market. It is a growth strategy in which new products are developed for new market. It could be a deliberate policy of some organization to develop and remain competitive. While some organization, it is the last resort available to them to reduce risk and survive.

Related Diversification: This is also called concentric diversification, is one where two or more products or business are related to one another by common manufacturing facilities, market, distribution channels or sales and advertising efforts.

Unrelated Diversification: Is one when a company moves or diversifies into product areas which are not related to the existing products, or diversify into the areas which are not related by means of common technology or market etc. but belong to different industry or market groups.

Forward Integrations: Is where the manufacture or main supplier try to reach customers through their own distribution network. Organization follows forward integration to take advantage of the closer contract with the customers and to ensure a control over retail price of their products.

Backward Integration: Is acquisition or establishment of facilities by a company to produce input on its own manufacturing process as against buying or procuring inputs from outside source.

Horizontal Integration: Is where one company acquires another that products the same or similar product for sales in the same geographical area.

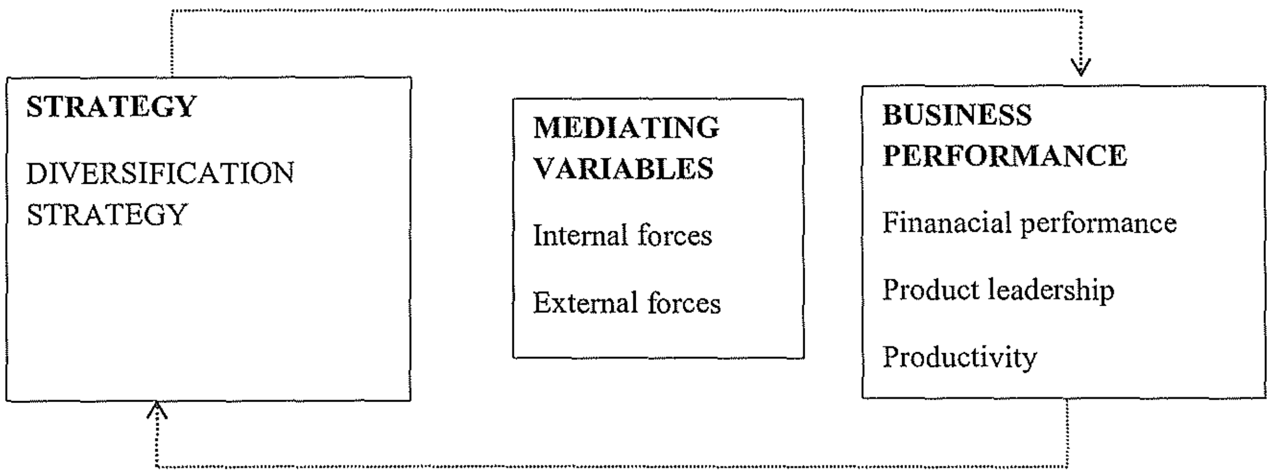
Vertical Integration: Merger, takeover, or establishing of a business activities with or by another so as to extend activities 'back' towards the supply of raw-materials, component, etc. and or forward to various stages in production to reach customers.

Strategy: Is a board based formula for how business is going to compete, what its goals should be and what policies will be needed to carry-out those goals. The essence of formulating competitive strategy is relating a company to its environment Porter (1980).

Manufacturing: The business or industry of producing goods in large quantitative in factories.

1.7 CONCEPTUAL FRAMEWORK

INDEPENDENT VARIABLE DEPENDANT VARIABLE



Source: Research, 2014

CHAPTER TWO
LITERATURE REVIEW

2.0. INTRODUCTION

For a research to be meaningful, it is important to review related literatures. This chapter provided a clear perception of how the topic under consideration was treated in the past and thus linking it with the present objectives of the research

2.1 REVIEW OF CONCEPTS AND DEFINITION

2.1.1 DEFINITION OF DIVERSIFICATION

Diversification is a policy or management philosophy of operating a company so that its business and profits come from a number of sources, usually from diverse products that differ in market or production characteristics. Bailey (1963).

Zaharaddeen (2002) defines diversification strategy "as a strategy which involves broadening or enhancing the product range by introducing new products or extending the range of the existing products". Diversification strategy is aimed at achieving a greater market from a greater range of products in order to maximize profits. From the risk involved in operations. It translates the policy of not putting all our eggs in one 'basket' in to non. Diversification is one of the four basic strategies proposed by Igor Ansoft (1963).

Hampson (1992) has defined diversification as a process of reducing risk of failure by operating in several markets and line of businesses rather that in a single market or one fine of business. Diversification allows the firm to protect itself against the collapse of sales in a single product. Firms seeking the facilities to enter new market or new line of business will consider proposals for the purchase of new machinery and facilities to handle the new products.

Knootz Cyril C Donnell and Heinz Weihrich (2001) in their book titled "Essentials of Management" defined diversification as an extension of the operation in to new and profitable markets".

2.1.2 TYPES OF DIVERSIFICATION

Diversification strategy has been divided in to two broad categories by Thompson and Strickland (1981) as concentric and conglomerate diversification thus:

1. Concentric diversification: is a related diversification. That is the organization lines of business although distinct; still possess some meaningful kinds of strategic fit. In concentric diversification; the related nature of the various lines of business can be keyed to common technology, customer, usage, distribution channels, methods of operation, managerial know how, or product. For example, a company that manufactures industrial adhesives might decide to diversify into adhesives to be sold via retards. The technology would be the same but the marketing effort would need to change. It also seems to increase its market share to launch a new product which helps the particular company to earn profit.

2. Conglomerate Diversification: is unrelated diversification, there is no common thread or element of true strategic fit among the organization's several lines of business.

In another related development, Duckers (1980) has divided diversification into two. Thus:

1. Concentric Diversification: which he argued that business diversification around a core of unity and especially around market unity, product and technology?

2. Conglomerate: This is an assembly under one management of a wide diversity of businesses without a common core of unity whether in the market or technology.

Similarly, Zaharaddeen (2003) classified diversification strategy into two broad classes, thus:

1. Related Diversification: is one when two or more products or businesses are related to each other by common manufacturing facilities, market, distribution channels or sale and advertising effort.

2. Unrelated diversification: is one when a company move or diversify into product areas which are not related to existing products, or diversify into areas which are not related by common technology, or markets etc. but belong to the different industry or market groups.

2.1.3 KINDS OF DIVERSIFICATION.

Ghandi (1993) explained that broadly, product diversification may assume three forms; namely:

1. Horizontal diversification: This may be described as introduction of new products which are akin to the industry's product-line, the new products so introduced may not contribute anything to the present product in any way but may cater to the mission which lie within

the realm of the industry of which the company is a member. In Nigeria for example: Dangote Group diversification into manufacturing of foods product of various kind is a typical example of horizontal diversification.

2. Vertical diversification: May be described as inclusion of new product such as components, parts and materials in the current product portfolio of the company. These new products perform distinct and different missions from that of the original products. The current product may serve as art input for new products, whereas, in the backward linkage, the new product may serve as an input for the current product(s). For example, Dangote Group acquisition of a Sugarcane Plantation in Numan, Adamawa State as well as a Fruit Plantation in Isobaoban in Akamkpa Local Government Area of Cross River State is a typical example of a vertical (backward) diversification of its product line.

3. Lateral Diversification: may be described as move to expand product line beyond the confines of the industry. It may include any kind of product which may possibly be manufactured. The management does not care to relate its new product with the old and is absolutely permissive in a sense. In Nigeria for example, the diversification of Dangote Group from food products to oil and Gas as well as Telecommunication.

Kotler (1993) explain three forms of diversification, thus;

1. Concentric Diversification: This means companies could seek new products that have technologically and/or market synergies, with existing product lines even-though the products may appeal to a new class of customers.

2. Horizontal Diversification: The company might search for new Products that could appeal to its current customers though technologically unrelated to its current product line.

3. Conglomerate Diversification: The company might seek new businesses that have no relationship to the company's current technology, products or market.

Zaharaddeen (2003) identified and explained three kinds of diversification strategy:

1. Forward Integration: Is where the manufacturer or main supplier tries to reach customers through their own distribution network. Organizations follow forward integration to take advantage of the closer contact with the customers and to ensure a control over retail price of their products.

2. Backward Integration: Is the acquisition or establishment of facilities by a company to produce inputs on its own manufacturing process as against buying or procuring input from outside sources. The objective is to minimize or eliminate uncertainly as to price, quality and availability of inputs, hence acquiring greater control over the resources.

3. Horizontal integration: Is where one company acquires another company that produces the same or similar products for sale in the same geographical area.

2.1.4 METHOD OF DIVERSIFICATION

Gandhi (1993) explained three possible ways of implementing the policy of product diversification. Namely:

(1.) Internal research and development operation may provide a company with new products which may be distinctive and hence potential for consumer need satisfaction.

(2.) Amalgamation and absorption: Are also employed by companies in India and other nations to carry out the policy of product diversification. In amalgamation, two or more companies merge and form a new company where as in absorption; one company acquires a going concern. In both the cases, the product range of the company expands when the companies being amalgamated or absorbed have different product-lines. This is a far quicker way of product diversification. It helps to reduce Product competition in the market. Also, there are more possibilities of supplementing technical and managerial skills of e companies being amalgamated and/or absorbed. However, histories of such merger are also replete with instances when organizational problems had bogged down product success.

(3.) Instead of developing products by itself, a company may opt to produce "patents and manufacturing license" of new products developed by others so as to diversify. A company with a sound resource base and marketing organization but reluctant to wait for internal research to throw new-products usually opt for such a methods. In Nigeria, a number of pharmaceutical companies have procured patents and licenses from abroad to manufacture new drugs. This method absolves a company from the resource consuming activity of internal research and development and provides opportunities of exploiting market for licensed products during their life cycle. However, the patentee has to be paid exorbitant fees arid royalties for granting license.

In actual practice, however, accompanies seldom resort to only one method. Usually, it is the combination of the above methods which is adopted by a company for diversification.

2.1.5 PLANNING DIVERSIFICATION PROGRAMME

Drucker (1980) explained that one of the critical strategic decisions is when to diversify and how. A determination to diversify too early when a single product or product, line is still the right product, could jeopardize one's leadership. But to wait too long would jeopardize one's survival.

Thompson and Strickland (1981) argued that for a conglomerate strategy to be truly successful a great deal, more strategic "fit" is needed than money alone.

Gandhi (1993) commented that the weakness and pitfalls, referred to above, warrant that, there should be careful planning before any programme of product diversification is launched. However, there is no best way of planning such a programme. In fact, there cannot be, because the environment in which business operate is always in a state of flux and differs from company to company. Nonetheless, some planning norms may certainly be suggested to ward off pitfalls thus:

(a.) Corporate appraisal: The first stage in any plan for product diversification should be self-appraisal. The process of self-appraisal involves two steps:

First, determination of corporate strength and weaknesses in terms of policies, organization, personnel, products, production, markets, cost and profits.

Second, it involves determination of the degree of company ability and interest in diversifying. These are often reflected in:

Unity of management support, financial resources, production facilities, marketing organization and experience, research.

Corporate appraisal provides a realistic picture of the corporate personality and helps in determining the ability of the company to diversify. An assessment of strengths helps in their fuller exploitation whereas that of weaknesses alerts management to build up adequate defenses against them.

(b) Objective formulation: After having had a corporate appraisal, the next logical stage in planning for diversification should be the formulation of diversification objectives. It requires an answer to the most questions what is expected of diversification? What problems must it solve? Some of the objectives may include the following:

• Exploitation of financial opportunities

• Combating seasonality or cyclical nature of sales.

• Acquiring the desired market share.

• Utilization of idle production capacity

• Reduction of dependence on some current product(s) etc.

(c.) opportunity measurement: after having formulated the objective, the next stage is to set up the requisite criteria. It involves developing methods for measuring opportunities against the stated objectives. For many aspects suitable, measurements exist in the form of regular reports, charts, financial statements or special analysis prepared from them. Others may be prepared from market statistics, production cost estimates and sales record. Those opportunities which cannot be measured, may be ranked by the use of rating scales, index number etc. For example, intangible similarities or differences in production, markets, products and organization.

(d.) Charting diversification moves: When opportunity indications in terms of sales, fund/cash flow, cost, receivables and other trends are available, it is time to chart out moves for diversification. These moves may relate to determining the kinds and methods of diversification. For example, in order to meet its long-range sales objectives, a company may chart out the following moves: as pointed out by: Ansoft (1963) in their book “A model for diversification”.

a. A vertical diversification move to concentrate on the. Technological progress of the present product line.

b. A horizontal move to improve the coverage of a specific market, say, exports market.

c. A horizontal move to increase the percentage of commercial sales in the overall sales programme.

d. A lateral move to stabilize sales against recession.

e. A lateral move to broaden the company's technological base.

2.1.6 REASONS FOR DIVERSIFICATION.

Ansoft (1963) identified a number of wide ranging factors that account for the strategic appeal of corporate diversification.

1. An organization may consider diversification because of market saturation. Competitive pressure, product line obsolescence, declining demand, or fear of anti-trust action, no longer allow profit objectives to be met solely through an expansion of its current products- market activities.

2. Even if appealing expansion opportunities still exist in its rent business, an organization may diversify because its free flow exceeds the cash needs of expansion.

3. Organization's diversification opportunities may have a greater expected profitability than that of expanding its present to business.

4. An organization may consider diversification because of a desire spread risk and increase the stability and security of its operations. This desire may stem from uneasiness about "over specialization" of a company in a particular product or technologies, the threat of new technologies or vulnerability to swings in the economy.

5. A firm may diversify because of a perceived financial serendipity associated with certain kinds of acquisition. This search for; financial related advantage is said to account for:

(a) Attempt by firms with depressed earnings to diversify into areas of higher average earnings performance -level.

(b) The pursuit of "instantaneous profit" whereby an acquiring firms buys out firm having lower per-merger price and earnings ratio is an effort to immediately realize a higher stock price and earnings per share and

(c) The attempt to increase one's access to capital by acquiring enterprises with large cash flows and/or low debt to equity ratios.

An organization may pursue diversification because owners/managers enjoy the challenges of something new and something different.

Drucker (1980) provides as good a list as any for why firms might pursue diversification strategy. He listed the internal and external factors as follows:

1.) Internal Pressures:

a. Psychologically, people get tired of doing the same thing over and over again; they also believe that diversification will help them avoid the danger of over specialization? b.Diversification is seen as a way to balance the vulnerability due to one's wrong size.

c. Diversification is seen as a way to convert present internal cost centres into revenue producers.

(2.) External Pressure: (more important than internal pressure)

a. The economy (or market) the firm is operating in appears too small and confined to allow growth.

b. The firm's technology and research lead to the development of products which appear to have promise.

c. Tax legislation encourages re-investment in research and development instead of the payment of dividends, and this leads to new products which are often a base for diversification.

Conclusively, Drucker believed that firms diversify because they feel it is easier than trying to increase primary demand or market share.

Certo& Peter (1991) pointed out why firms go for diversification:

(1) Organizations in slow-growth industries may purchase firms in faster growing industries to increase their overall growth rate.

(2.) Organizations with excess cash often find investment in another industry (particularly a fast growing one) a profitable strategy.

(3.) Organization may diversify in order to spread their risk across several industries.

(4.) The acquiring organization may have management talent, financial resources, or marketing skills that is highly profitable.

Garba (2002) believed that firms diversify traditionally so as to have control over the supply of raw materials and/or components or to have control over distribution and sales of their goods. While in modern context, however, organizations diversify to expand their interest in society with the sole purpose of perpetuating themselves. Technological development that leads to convergence of industries will appear to be the main engine for diversification. However, technological development also increases economic activities justi1ring further diversification.

McCarthy, Minichiello and Curran (2002) in their book explained that: diversification is usually pursued in the quest for growth, often as a means of moving out of traditional activities that are dealing and/or becoming less profitable. The company may hope to raise profit margins or even at lesser margins of profit but still increase total profit. And at times, risk reduction spurs diversification.

2.1.7 IMPACT OF DIVERSIFICATION STRATEGY

Gandhi (1993) commented that diversification strategy brings in its wake some distinct advantages: on account of increase in number or products. It reduces the area of fringe market and the zone of indifference in the total market of a company and match large number of consumers self-images.

Moreover, the product market integration brings in its wake higher profits, thereby compensating for the declining profits of the old products.

Furthermore, by exploiting new markets, it ensures the future growth of the company.

However, among the major weaknesses of the product diversification strategy include: consideration investment, long- pay back periods, enormous risks, uneconomic production and the trap of full line competition and inter- production competition.

Harvey (1982) believed that conglomerate diversification offers rapid growth, broader stability, and greater profit potentials. On the other hand, there are higher risk and potentially greater losses. A successful diversification requires management depth to develop a strategy for managing complex, unrelated business.

However, studies have shown that effectiveness of concentric (internal) diversification by entry into a diversified line on a large scale is related to eventual success and growth.

"The avenue to growth which presents the most strategic choice is diversification" (Onu 1997). It involves minor additions to a company's main production line, acquisition of completely unrelated business, geographical integration, greater risk ventures, learning about different markets and developing different products, considerable strain on a company's cash flow, and movement to where, the company has gone before. It is also seen as a venture into related market, related technologies and products. Therefore, diversification strategy in one indispensable plan that open the doors of new market opportunities.

Thompson & Strickland (1981) commented that conglomerate diversification strategy can lead to improved sales, profit and growth when an organization diversifies into industries where the economic potential is stronger than its existing business. Berry (2000) found that the 500 largest firms in the United States of America (USA) in the 1960 diversified or most single-product-line firms who did not survive. This are the firms which Levitt (1997) called: Dinosaurs

Drucker (1980) commented that the wealth of organization experiences with diversification strategies clearly demonstrates that there is "right" diversification and "wrong" diversification. Thus, businesses diversified around cores of 'unity' and especially around market unity are as profitable and successful as single- product businesses in the right products. Typical in Nigeria is Dangote Groups, a company that is widely diversified with business ranging from products, oil and gas, telecommunication etc. But all are consumer health-care products that go to the same market and through the same distribution channel as the drug store.

Similarly, Drucker (1980) explained that conglomerates being an assembly, under one management of a wide diversity of businesses without a common-core of unity cannot expect superior results and performance in the long-run and especially not in turbulent times.

Montgomery, Singh, Bettis and Hall (1990) argued that; diversification does not reduce systematic risk.

Chandler and Deans (1963) argued that diversified firms are often concentrated in rapid growth industries with high increase in labor productivity arid high ratio of technical employees to all employees.

Furthermore, it has been identified that organizations are assured of constant operations. Employees are identified as some who could have been redundant are posted to new areas where they could be useful; hence increased productivity as well as job security is assured. Risk I s reduced, cash flow prediction is possible and cost reduction is achieved.

2.2 MANAGING THE DIVERSIFIED CORPORATION

Portfolio planning is probably the best known and most {widely applied technique of strategic analysis ever to be developed.

The basic is to represent the business of the diversified company with a simple graphic framework that can assist in four areas of strategy formulation:

i. Allocating resources

ii. Formulating business unit strategy

iii. Getting performance targets

iv. Analyzing portfolio balance

Allocating resources Portfolio analysis examines the position of a business unit in relation to the two primary sources of profitability and industry attractiveness to be compared with that of other business units.

BCG's Growth share matrix (1993) provides tool for identifying strategic direction for firms using the model a firm can identify its product/market position and chose a strategy that is consistent with its position and hence more likely to help the organization to win In the market place i.e. such a strategy is more likely to be able to solve the competitive problems associated with such product/market position.

Market growth	**High**	**Star**	**?**
	Low	**Cow**	**Dog**
		High	**Low**
		Market Share	

Figure 1.1 The Boston Consulting Group (BCG) Model

The Star: this product/market situation is the most advantageous, but also the most difficult to manage i.e.it is the most competitive situation that can be faced by any organization. Here a firm competes in a high growth market, where at the same time it has a high market share. The competitive problem here is therefore, how to keep pace with market changes while at the same time maintain the high market share. The strategy that best suits this position is therefore product development.

The question mark: this is the product/market with low market share. The best and most likely strategy to succeed under this circumstance is market development through more effective product differentiation and market segmentation. Product repositioning will also have an impact here. A small company like W.J. Bush cannot v/n market share through head-on collision with giants like PZ or even Nasco. It ordinary begins to attack from unprotected segments gradually working it up expanding its interest into other segments, aligning its product with rapid changes in customer's taste that is influenced by difficult economic situation.

The cash cow: this product/market position shows that a product enjoys high market share in what is clearly a matured-market-a market with low growth rate. The competitive problem is therefore to protect market share. Market penetration strategy is likely going to be the most effective in increasing market share. The company encourages existing users to consume more of the product.

The dog: a very unfavorable situation, a low market share combined with low growth rate. The product here is said to be in a declining stage because the market for it, no longer exist iii reliable cost-effective form. The market might have simply been wiped off by economic changes. Two options are available to management either to divest or develop. A careful analysis of the factor responsible and influencing this position is necessary before a decision is made. Timing is also very important.

Application: The product portfolio is used to forecast the market position of the product/services now and in the nearest future. It shows that the surplus cash generated by cash flow product can be used to invest in other star products. Managers are able to forecast the level of each products/services and take appropriate effective actions. Products/services must be constantly reviewed, developed and/or eliminated to ensure favorable cash flow.

For proper analysis of diversification strategy; Ansoft (1963), present one of his many mechanisms for analyzing diversification decisions.

This matrix can be used to plan the kinds of diversification the firm should pursue in so far as non-financial aspects are concerned. But note that diversification is not a strategy. It is a number of kinds of strategies

ANSOFT'S DIVERSIFICATION MATRIX

		New product	
New functions	Related technology		Unrelated technology
Firms is its own customer	_	Vertical integration	
Same types of product	_	Horizontal diversification	
Similar types of product	Market and tech-related concentric diversification		Marketing related concentric diversification
New types of products	Technology related concentric diversification	_	Conglomerate diversification

Source: HI. Ansoft, Corporate strategy (NewYork: McGraw-Hill 1963p.132)

2.3 A PERSPECTIVE VIEW ON CORPORATE DIVERSIFICATION STRATEGIES

Diversifications whether concentrate or conglomerate- can be neither recommended nor condemned per se. Many organizations are actively pursuing diversification strategies of some sort, and doing so far what they view as good and sufficient business reasons. It plainly makes sense for a firm to consider diversification when its existing business has been expanded to its practical limits and or when it is severely threatened by outside forces: it may or may not make sense to diversify before this occurs.

In addition, the pros and cons of what kind and how much diversification and organization need to get the best performance and result. Weight differently from case to case, A logical place for an organization management to begin its evaluation of diversification alternatives is with a consideration of "what is the least diversification we need to attain our objectives and remain a healthy reliable entity, capable of competing successfully?"

At the other extreme, though, management is equally obliged to examine the question of what is the most diversification we can manage, given the complexity it adds." In all likelihood, the optimal answer lies in-between. And after deciding what to include and what to exclude the next step is to make the diversification strategy enough to define the role of each line of business within the total organization. The reserve approach of letting corporate strategy is merely an aggregation of each line of business strategy risky. It can be quickly deteriorate into marching in too many directions at once.

The investor disfavor which conglomerate have acquired the poor performance of several prominent conglomerates and the serious issues of how to manage adverse number of business effectively have caused many highly diversified firms to avoid or discard the conglomerate label by developing "corporate unity themes" multi- product firms have come up with broad labels like leisure times high technology, consumer products, materials processing communication systems, and total service to mask the variety of distinct business they operate. The idea seems to be to convey the image of being diversified around a concept (a conceptually oriented conglomerate) rather than projecting the image of a 'pure' or free-from conglomerate.

CHAPTER THREE
RESEARCH METHODOLOGY

3.0 INTRODUCTION

A good knowledge of research methodology is important for virtually every field of science, business, economics and politics etc. it is essential as it shows the procedures that have been followed to obtain research findings. Thus, this chapter was concerned with the presentation of various procedures which were being followed to obtain research findings. Thus, this chapter was concerned with the presentation of various procedures which were been followed for the objectives of the research work to be achieved.

3.1 RESEARCH DESIGN

Owing to the nature of this research work and to ensure that the information obtained is relevant to the research problem using an objective and economical procedure. The historical and descriptive research was basically adopted, among other discussed above.

On the part of historical research, the presentation of the various activities carried out on the Dangote Group of Companies. While on the part of descriptive research, current data/information were collected and analyzed to suite longitudinal and sample survey research method. The essence of this is to bring out a clearer and more concise understanding of the work.

3.2 POPULATION OF THE STUDY

The population of the study is defined here as the total of possible observation or the total of firms operating in Dangote Group Companies in Nigeria available for the study. The company has a total population of 11,000 people. That is Dangote flour mills, Dangote sugar refinery Plc, Dangote salt, Dangote transport, Dangote cement, Dangote pasta plant, Dangote ginning and spinning mills, Dangote fertilizer plant, Dangote textile mills and Dansa Juice fruit.

3.3 SAMPLE SIZE AND SAMPLING TECHNIQUES

The sample size is a subset of the total population of study. A study of this kind requires adequate sample size that is representative of the diverse nature of the population. Apart of the criterion of adequate representative there is also need to avoid taking a large sample size of that which repetition of respondents has been guided against.

Therefore, the sample selection was rather random to minimize bias and avoid responses from particular unit of the population.

In this research, the sample size is restricted to one manufacturing firm out of the total manufacturing companies. The case study is Dangote Group of company. The company was chosen based on it track record of achievement and the roles it has played in adopting the diversification strategy.

Samples of 100 employees from Dangote Group was selected from 450 .The minimum sample size was computed using the Sloven's formula cited in Amin (2005). Table 1 shows the details of respondents of the study.

$$n = \frac{N}{1+N\,(\alpha 2)}$$

Where; n=the required sample size; study. N=the population size; and a =the level of significance, which was fixed to be =0.05.

3.4 DATA COLLECTION INSTRUMENT

For a research to be complete data collection is of immense importance.

In this research, an attempt was made to collect data using questionnaire. The questionnaire was designed to collect information which ultimately portrays the relative effect or impact — of diversification strategy in manufacturing companies.

To enhance response, the questions were made short, simple and straight to the point. Interviews were held with a number of managers in the various units of the organization. Review of business dailies, periodicals and the use of internet to identify current issues and data relating to the subject matter were utilized

Finally, the researcher utilized other relevant research done by other researchers/authors on the topic, in order to have a clear sense of direction.

3.5 ADMINISTRATION OF DATA COLLECTION INSTRUMENT

Since the respondents include managers in manufacturing, commercial and service industry, this indicates that the population is large. As such members of staff in the lower cadre of management and clerical staff were also interviewed.

However, one hundred (100) copies of questionnaires were distributed, fifty (50) went to manufacturing sector because of their large size and the remaining fifty (50) were shared between — the commercial and service industry of the group.

3.6 METHOD/TOOLS OF DATA ANALYSIS

Data analysis is a major step in any research work. It is the process of handling mass data and summarizing it to an interpretable value. The findings or responses for this research were tabulated and a simple percentage were used to analyze the data obtained.

In other words, it refers to strategies or procedures for summarizing and exploring relationship among the variable on which data is being collected.

For the purpose of this research work, the responses from questionnaire administered would constitute the data to be organized and analyzed in the study. These data analyzed were used to test the hypothesis, provide answers and interprets results.

Tables and simple percentage method were used to present, analyze and interpret data. This is justifiable as it is suitable and easy for presenting, analyzing and interpreting data.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANAYSIS OF FINDINGS

4.0 INTRODUCTION

These chapters analyzed and interpreted the data collected. The researcher obtained sound views from the respondents, been interviewed verbally, and or by questionnaires. A review of related literature was done. Hundred copies of questionnaires were distributed to the middle and strategic officers (management) of Dangote group of companies. This comprises both the service, commercial, finance and manufacturing departments.

4.1 DATA PRESENTATION INTERPRETATION AND ANALYSIS OF FINDINGS

This section was primarily concerned with the presentation of data that has been collected for the purpose of this study through questionnaires.

4.1. Profile of the respondents

4.1.1 Age

In real life experience, age as a number determines one's stage of growth, maturity and social positioning in society. In this study, the age bracket needed varied between 20 to 40 years of age and above as shown in table 1.

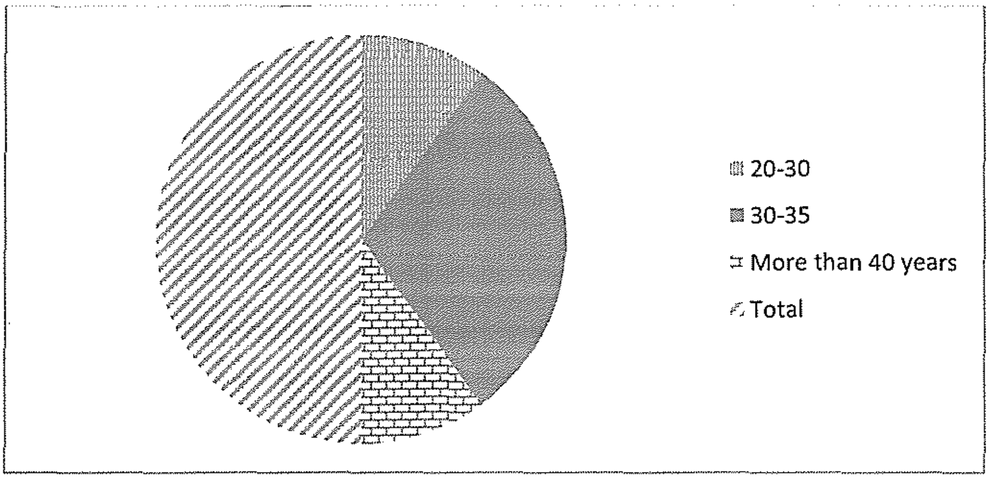
Table 1: Age of the Respondents

Age	Number of Respondents	Percentage (%)
20-30	05	20
30-35	15	60
More than 40 years	05	20
Total	25	100

Source: Primary data, 2014

Table 1 shows the distribution of respondents whereby different ages were interviewed as shown on table . Out of 25 persons interviewed, 20% were between 20 and 30 years, 60% were between 30 to 35 and the rest were above 40 years which was equivalent to 20%. Therefore, the age shows the number of respondents who were interviewed as shown in table 1.

Figure 1: Age of the Respondents



Source: Primary data, 2014

4.1.2 Gender

Gender in this study determines whether the respondents were male or female in terms of their roles, needs and positions in the society. Therefore, both males and females were conducted as respondents are their numbers are presented in table 2.

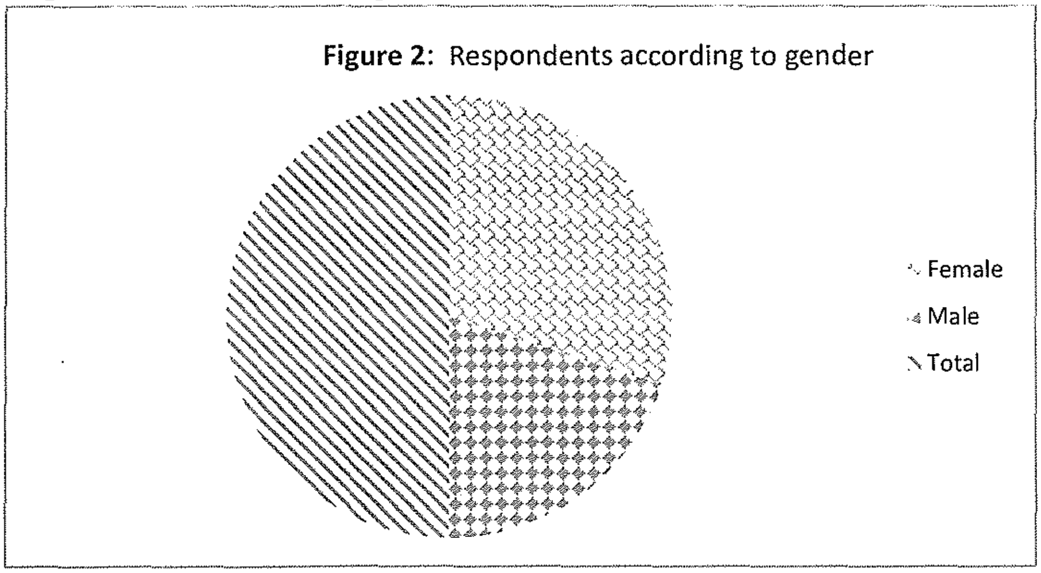
Table 2: Gender of the respondents

Gender	N umber of Respondents	Percentage (%)
Female	15	60
Male	10	40
Total	**25**	**100**

Source: Primary data, 2014

Table 2 shows the distribution of respondents by gender, 60% of the respondents were female, while 40% of the respondents were male, and more than 50% indicates that female respondents were the majority, because the majority were women we found in Nyarugunga sector as a result of genocide which claims especially men rather than women. Another thing men are not interested in attending this study occasion, that they are busy doing their own activities which they think benefits them more than anything else.

Figure 2: Gender of the respondents



Source: Primary data, 2014

4.1.3 Level of education

Education plays several fundamental roles in our societies: educated are respected, have wealth of knowledge and they have capacity of giving it systematically for quality data in this study, they are courageous among others. However, in this study, the education level of the respondents varied from primary to university level as illustrated in tale 3.

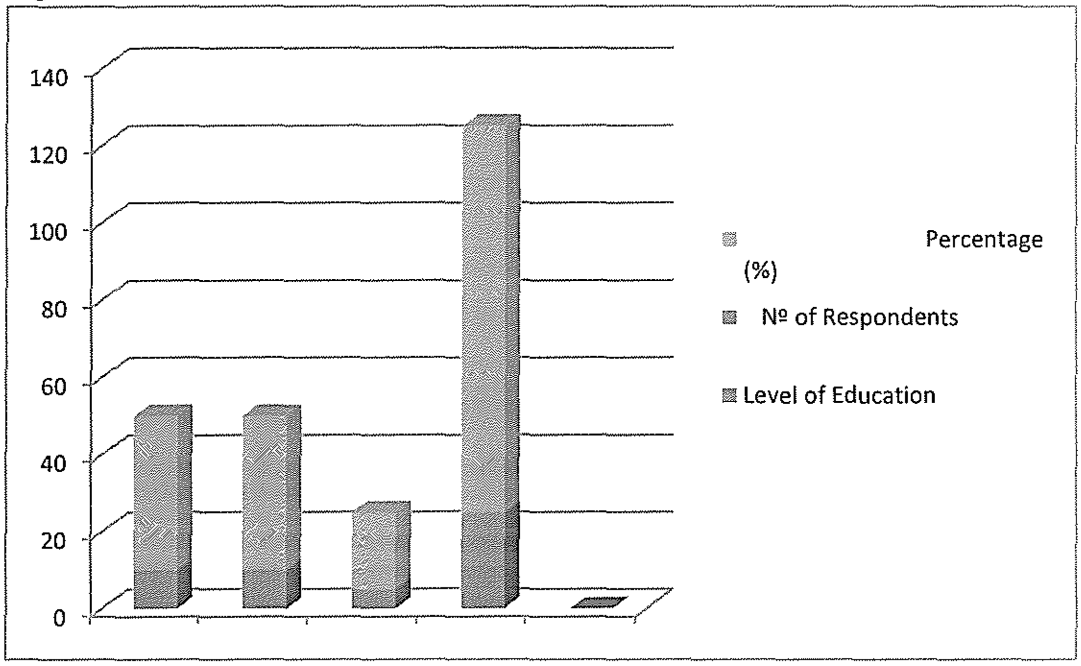
Table3: Level of education for the people from different cells in Nyarugunga

Level of Education	**Number of Respondents**	**Percentage (%)**
Primary	10	40
Secondary	10	40
University	05	20
Total	**25**	**100**

Source: Primary data 2014

Table 3 shows the distribution of the respondents by their level of education in different cells from Nyarugunga sector. 40% completed primary education. Again 40% completed secondary level of education and the rest of 20% completed university education. Although a considerable number of the population stopped in primary level, they have a wealth of knowledge and experience regarding the events of 1994. They wield fundamental influence in their societies and their ideas are greatly respected; but the big number of the educated is believed to have significantly influenced the quality of data collected for this study.

Figure 3: Level of education for the people from different cells in Nyarugunga



Source: Primary data, 2012

Administration of Questionnaires:

Question 1: Have you come across the word diversification before? The purpose of these questions is to know whether the respondents actually know its meaning and application. This will ensure proper responses to the questions been asked.

Table 4: Knowledge of the term.

ALTERNATIVE	NO. OF RESPONDENTS	PARENTING
YES	58	93.5
NO	4	6.5
TOTAL	**62**	**100**

Source: Questionnaire Administrated 2013

Analysis:

Table 4 indicate that, 93.5% of the respondents have come across the term. While only 6.5% claimed not to have come across it before.

Question 2:

If yes, has your organization embraced it as a concept? The objective of this question is to find out whether the concept of diversification was embraced by the strategic management of the organization.

Table 5 Embracing of the term as a concept.

ALTERNATIVE	NO. OF RESPONDENTS	PARENTING
YES	60	96.8
NO	2	3.2
TOTAL	**62**	**100**

Source: Questionnaire Administrated 2013

Analysis:

Table 5 showed that 96.8% believed that the organization embraced the term diversification as a concept. Only 3.2% did not.

Question 3:

If yes, did your organization believe that it has any direct relationship to the growth arid development of your organization? The aim of this question, is to determine whether the organization consider it as a strategy for growth and development. This will guide in assessing the hypothesis question highlighted in chapter one.

Table 6:Relationship of the concept to growth and development.

ALTERNATIVE	NO. OF RESPONDENTS	PARENTING
YES	62	100
NO	0	0
TOTAL	**62**	**100**

Source: Questionnaire Administrated 2013

Analysis:

Table 6 proved beyond any doubt that diversification is a strategy for growth and development.

Question 4:

If yes, in what ways has it affected the growth of your organization? The aim of this question is to ascertain the areas within the organization that experience growth and development since when the organization embraced diversification strategy as a concept.

Table 7: Organizational growth factors

ALTERNATIVE	NO. OF RESPONDENTS	PARENTAGE
Financially	6	9.7
In terms of assets	4	6.5
In terms of the total wealth	4	6.5
All of the above	9	14.5
TOTAL	**62**	**100**

Source: Questionnaire Administrated 2013

Analysis:

Table 7 represents the various responses of the respondents. Whereby 9.7% believed that the company experience increase in finance, 6.5% believed it experience increase in asset, and 6.5% believed that the increase is in labor productivity, 14.5% of the respondents believed that the wealth of the organization increase. However, 62% of the respondents believed that the organization experience growth in terms of finance, assets, wealth and labor productivity.

Question 5:

Please, can you recall some of the strategic moves made by your organization which you are aware of?

The objective of this question is to determine some of the strategy for survival adopted by Dangote group of companies.

Table 8: Recall of strategic moves

ALTERNATIVE	NO. OF RESPONDENTS	PARENTAGE
Market penetration	9	14.5
Product development	15	24.1
Vertical integration	24	38.1
Market development	12	19.4
All of the above	20	32.3
TOTAL	**62**	**100**

Source: Questionnaire Administrated 2013

__Analysis:__

Going by the above responses, 14.5% believed that the group embarked on market penetration strategy, 24% believed that it pursue product development strategy. Similarly, 38.7% believed that, the group embarked on vertical integration, 19.4% believed that it was market development strategy been adopted. While 32.39% believed that the organization pursues all the above strategies.

Question 6:

Is your organization facing serious competition?

The objective of this question is to determine whether competition threaten the future survival of the organization.

Table 9: whether the industry facing serious competition.

ALTERNATIVE	NO. OF RESPONDENTS	PARENTAGE
YES	41	66.2
NO	21	33.8
TOTAL	**62**	**100**

Source: Questionnaire Administrated 2013

Analysis:

The above table 9 presents an analysis of the respondents whereby; 66.2% believed that the organization is facing serious competition. While 33.8% argued that the organization is not facing serious competition.

Question 7:

If yes, what has been the effect of competition on the growth and development of your organization?

The aim is to know the extent to which the organization has been affected by the competition.

Table 10: effect of competition.

ALTERNATIVE	NO. OF RESPONDENTS	PARENTAGE
No impact	0	0
Low profit as a result of huge promotional budget, high quality and maintenance	50	80.0
Low price just to remain competitive	12	19.4
TOTAL	**62**	**100**

Source: Questionnaire Administrated 2013

Analysis:

From the table 7:1 none of the respondents believed that competition has any impact. While 80.6% believed that competition has serious impact on the company, 19.4% believed that competition has affected the profit of the organization through lower prices of its goods.

Question 8:

ALTERNATIVE	NO. OF RESPONDENTS	PARENTAGE
Internal source	42	67.8
Bank loans	12	19.4
By equity & bonds	8	12.9
TOTAL	**62**	**100**

Source: Questionnaire Administrated 2013

Analysis:

Table 8:1 indicate that 67.7% of the respondents believe that the fund is generated from within the group, while 19.4% believed that it get some loans from the banks. 12.9% believed that the organization raise capital through equity and debt.

Question 9:

Where did you source your raw materials?

The aim is to analyze whether diversification strategy has any impact to the organization in terms of raw materials supply.

Table 9:1 Sources of raw materials

ALTERNATIVE	NO. OF RESPONDENTS	PARENTAGE
Locally	40	64.5
Importation	12	19.4
All of the above	10	16.1
TOTAL	**62**	**100**

Source: Questionnaire Administrated 2013

Analysis:

From the data above, 64.5% believed that the organization sources its raw materials from within the country. While 19.4% believed it import some of its raw materials from abroad and 16.1% believed it sources the raw materials both from within and aboard.

Question 10:

Have you been producing at full capacity?

The essence of this question is to determine the capacity of production in the group.

Table 10:1 Capacity of production

ALTERNATIVE	NO OF RESPONDENTS	PARENTAGE
YES	33	53.3
NO	29	46.7
TOTAL	**62**	**100**

Source: Questionnaire Administrated 2013

<u>**Analysis:**</u>

From table 10:1, we can understand that 53.3% of the respondents believed that the group is operating at full capacity. While 46.7% did not agree.

Question 11:

Why do you opt of diversification strategy?

The objective of this question is to ascertain the reasons why companies opt for diversifies strategy.

Table 11: 1 Reasons for diversification

ALTERNATIVE	NO. OF RESPONDENTS	PARENTAGE
Market saturation	2	3.2
Competitive pressure	5	8.0
Desire to expand opportunities	10	16.1
To minimize risk	5	8.0
To have control over supply of raw materials	3	6.8
All of the above	37	59.6
Total	**62**	**100**

Source: Questionnaire Administrated 2013

Analysis:

Table 11:1 indicate that 3.2% believed that firms diversify because of market saturation. 8.0% believed that it is as a result of competitive pressure. 16.1% believed that is as a result of risk minimization and 6.8% believed that companies diversify so as to have control over supply of raw materials, while 59.6% believed that firms diversify due to all of the above reasons.

Question 12:

Does diversification strategy has impact on your organization?

The objective is to determine the positive and or negative effect of diversification strategy.

Table 12:1 Impact of diversification

ALTERNATIVE	NO.OF RESPONDENTS	PARENTAGE
Minimize risk	3	6.8
Reliable source of raw material	5	8.0
Rapid growth in the profit and share capital	2	3.2
Increase in market share	2	3.2
Achieved competitive advantage	4	6.5
Increase productivity	7	11.2
All of the above	39	62.9
TOTAL	**62**	**100**

Source: Questionnaire Administrated 2013

Analysis:

Table 12:1 present the responses whereby 6.7% believed that diversification has its impact on risk minimization. 8.0% believed that organization obtain reliable source of raw materials. 3.2% believed that it lead to the rapid growth in profit and share capital, 3.2% believed that it increased her market share, while 6.5% believed that it lead to the achievement of competitive advantage.

11.2% believed that it lead to the increase in productivity. However, 62.9% of the management are convinced that diversification has impact on the above reasons.

4.4 DISCUSSION OF FINDINGS

From the data presented and analyzed the following findings were found;

1) The term diversification is well known to the respondent which helps in obtaining valued information needed. This indicated by 93.5% of respondent who acknowledge that they have come across the term.

2) The term diversification as a strategy for growth has been embraced by many units in the group with the exception of few 96.8% of respondent believed the organization embraced the term diversification as a concept.

3) The management generally believed that diversification has been aiding the growth and development of the organization. This shown by 100% of the respondent

4) The researcher was made to understand that when an organization diversify, it experience growth in profit, assets base, labor productivity and eventually to become at a competitive advantage. However, 62% of the respondents believed that the organization experience growth in terms of finance, assets, wealth and labor productivity.

5) Based on the responses and interviewed held, the researcher discovered that the group at inception (growth stage) embarked on market penetration, because it was not the market leader. Later, it embarked on product development by extending the rage of the existing products. As time goes on, the organization integrate both forward (by reaching customers through their own channels of distributions) and backward (by sourcing their own raw-materials). Also the group embarks on market development by exploiting new market segment and serves them effectively. For example it when abroad (Ghana) and other African countries.

6) Going by the above percent, it indicates that the organization is facing serious competition from the companies producing related goods and services.

7) The researcher is convinced that, competition has affected the organization's survival by reducing its profit as a result of promotional and advertisement activities. It has encouraged the organization to produce high quality products so as to beat their competitors. The company used to lower its price to question the effect of competition. Similarly, the organization diversifies its activities into unrelated field so as to reduce the intensity of the competition. This is why they are in transport, clearing argent, and other business.

8) Going by the above analysis, the researcher is convinced that the organization is liquid enough to finance its developmental or expansionary policies. The sources of fund come from various firms within the group. Based on the interview I have conducted, the organization use to obtain loan from banks sometimes without any collateral due to the good will it has built.

9) The researcher is convinced that majority of the raw materials used by the group were from within the environment (firms within the group). Thus: some firms finish products serves as an input to other firms. For example flour mills, produce flow as an output which is an inputs to spaghetti and macaroni firm. Dangote ginneries which process it and make it ready for textile industry. Moreover, it diversity into unrelated field i.e. in transport for easy evacuation of its goods and services, also the group produce cement which is used for building some of its plant and office. It is also in clearly agency to help clear its goods been imported. On the other hand, some respondents believed that the organization had to import some of the raw materials like chemicals for producing fertilizers and automobile machines for production activities.

10) From the interview conducted and response obtained one will be convinced that the organization still needs more hands and resource so as to operate at full capacity.

11) More than half of the entire management believed with all of the alternatives listed above. In an ideal situation, companies will never survive if they did not diversify their activities.

12) The researcher is convinced that the impact of diversification strategy to manufacturing companies is many. It helped the group toward risk minimization, reliable source of raw-materials. Rapid growth of the organization in terms of profit, assets, share capital, increase in market share which is obvious when one compare the initial investment of the company which was few millions and it was only in trading. While presently, it is in manufacturing, transport,

clearing agent, textile, cement, flour mills, spaghetti, and macaroni and so on. This is evidence of the impact of diversification strategy to companies.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 SUMMARY

This chapter summarized some of the discussions made in the researcher work, the conclusion and recommendation made based on the findings of the study.

5.1 This project had five chapters. The first chapter, had an introductory part of the topic, an abstract and the statement of the problem. It also had the limitation and objectives of the study.

The second chapter covered, a review of related literature reviewed from various authorities in the field. It covered the definition of the key terms, the types of diversification strategy, kinds, methods, planning, managing diversified corporation, and the impact of diversification on manufacturing and other companies.

Chapter three covered the methods of obtaining data, the population, sampling techniques and the analysis of the data.

The fourth chapter presented the findings through questionnaires, interviews and visits to Dangote group of companies, Internet, as well as various text books on diversification. It also contains brief history of the organization under study.

The fifth chapter provided the summary of the work, the conclusion, and the recommendations for the usefulness of both the company and the outsider who wants to pursue it as a strategy for growth and survival.

5.2 CONCLUSION

The researcher was convinced that diversification is a strategy for survival. This is obvious because it allows companies to covert cost centers to revenue or profit centers. It increase market share of the organization, it minimizes risk of operations by moving abroad to "Ghana" to expand their market hence satisfying their own customers. The group achieved competitive advantage in terms of goodwill, most modern equipment, reliable means of transportation, government barking, increase in market and labor productivity, whereby laborers or employees were transferred from one plant to another which help reduce cost of keeping laborers ideal, share capital, assets and profit.

However, when companies diversify into conglomerate (unrelated field) it suffers, organizational conflict, increase cost and time waste in taking decision and do not yield maximum result. This finding is along with that of Drucker (1980) who argued that there is right diversification and wrong diversification (conglomerate).

5.3 RECOMMENDATIONS.

1) Organization should diversify their business activities if really they want to remain in business.

2) The best way to minimize risks is by diversifying in to other business ventures.

3) Organization should understand that diversification strategy is a strategy for achieving competitive advantage through reliable sources of raw materials, best channels of distribution (forward and backward integration).

4) Small organization should diversify their activities based on common 'core of unity' (related diversification) by extending the range of their products, or introducing new ones (product development).

5) Organization should study methods of diversification and managing diversified corporations. This will reduce business failure.

6) Organization should consider the financial and management implications when diversifying.

7) Countries facing economic crises have diversification strategy as an alternative for economic growth and development.

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APPENDIX I

College of Economics and Management
Department of Business Management
Kampala International University
Uganda,
1st June, 2013.

The General Manager Admin,
Human Resources,
Dangote Group of Companies,
Flour Mills Plc,
Area 20 Former Engineering,
Apapa Woup,
Tanzania port.

Dear Sir,

I am a final year student of the Department of Business and Managment of the above named Institution. I am currently carrying out a research on your company, my research topic is Impact of Diversification Strategy in Manufacturing Companies. 'A study of Dangote Group of companies as part of requirement for the award of Bachelor of Science Degree in International Business Administration (BIBA)

I humbly solicit for your cooperation in completing this questionnaire, as it will enable me complete my course of study. Be rest assured that all information supplied is for the purpose of this academic research and shall be treated with utmost confidentiality.

Thank you.

Yours Faithfully,

....

Ibrahim Umar.

APPENDIX II

QUESTIONNAIRE

PERSONALITY PROFILE OF RESPONDENTS

Age ....

Sex of respondents: Male ☐ Female ☐

Duration of service [Yrs.]..

Rank/Position...

Grade/level: 1-5 ☐ 1 6-12 ☐ 13-17 ☐

Nature of Job...

1) Have you come across the word diversification before?

a. Yes ☐

b. No ☐

2) If yes, has your organization embraced it as a concept?

a. Yes ☐

b. No ☐

3) If yes, did you believe it has any direct relationship to the growth and development of your organization?

a. Yes ☐

b. No ☐

APPENDIX III

QUESTIONNAIRE

PERSONALITY PROFILE OF RESPONDENTS

Age…………………………………………………………………………………

Sex of respondents: Male ☐ Female ☐

Duration of service [Yrs.]……………………………………………………………

Rank/Position……………………………………………………………………….

Grade/level: 1-5 ☐ 6-12 ☐ 13-17 ☐

Nature of Job

1) Have you come across the word diversification before?

a. Yes ☐

b. No ☐

2) If yes, has your organization embraced it as a concept?

a. Yes ☐

b. No ☐

3) If yes, did you believe it has any direct relationship to the growth and development of your organization?

a. Yes ☐

b. No ☐

4) If yes, in what ways has it affect the growth and development of your organization?

a. Financially ☐

b. In terms of assets ☐

c. In terms of human resource development ☐

d. In terms of the total wealth ☐

e. All of the above ☐

5) Please, can you recall some of the strategic moves made by your organization which you aware of?

a. Market penetration ☐

b. Product development ☐

c. Market development ☐

d. Vertical integration ☐

e. All of the above ☐

6) Is your, organization facing serious competition?

a. Yes ☐

b. No ☐

7) If yes, what has been the effect of competition on the growth and development of your organization?

a. No impact ☐

b. Low profit as a result of huge promotional budget, high quality and maintenance ☐

c. Low price just to remain competitive ☐

8) What are the sources of fund in your organization?

a. Internal source ☐

b. Bank loans ☐

C. By equity &bonds ☐

9) Where did you source your raw materials?

a. Locally ☐

b. Importation ☐

c. All of the above ☐

10) Have you been producing at full capacity?

a. Yes ☐

b. No ☐

11) Why do you opt for diversification strategy?

a. Market saturation ☐

b. Competitive pressure ☐

c. Desire to expand opportunities ☐

d. To minimize risk ☐

e. To have control over supply of raw materials ☐

f. All of the above ☐

12) What impact diversification strategy has on your organization?

a. Minimize risk ☐

b. Reliable source of raw materials ☐

c. Rapid growth in profit and share capital ☐

d. Increase in market share ☐

e. Achieved competitive advantage ☐

f. Increase in productivity ☐

g. All of the above ☐

Thanks very much for your precious time in answering this questionnaire May God Bless you.

CURRICULUM VITAE

NAME	: IBRAHIM UMAR HAJIYA
SEX	: MALE
DATE &PLACE OF BIRTH	: NIGERIA
NATIONALITY	: NIGERIA
RELIGION	: ISLAM
MARITAL STTUUS	: NOT MARRIED
CUNTACT ADDRESS	: KANO STATE D/KUDU
MOBILE	: +2348030580391
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CAREER OBJUCTIVES

To manage and contribute to the process of influencing throughout the process international business.

EDUCATIONAL BACKGROUND

Institutions	**Year study**	**Achievements**
KAMPALA INTERNATIONAL UNIVERSITY	2011-2014	International Business Administration
AMEER SHEHU IDRIS COLLEGE OF EDUCATION STUDIES AFFLIATED TO AHMMED BELLO UNIVERSITY-ZARIA	2005-2007	Banking and Finance

COLLEGE OF ADVANCED STUDIES (CAS)	2002-2003	Interim Examination (IJMB)
GOVERNMENT SECONDARY SCHOOL MARU-SOKOTO	1992-1998	Secondary Certificate of Education
ABDULLAHI MEMORIAL PRIMARY SCHOOL	1986-1991	Primary leaving Certificate of Education

SHORT COURSE

Course	Year	Awards
Project Management	2013	Certificate

WORK EXPERIENCE

Place	Activities	Year
textile company FUNTUA	an Administrator management	2000 for 1 year
Internship Dangode Port - TANZANIA	Researcher	2013

SKILLS

- communication Skills
- English
- French
- Housa
- Internet services skills
- computer software

LANGUAGES POKEN

Languages	Reading	Spoken	Written
English	Good	Good	Good
HOUSA	Excellent	V.Good	V.Good
Mother Tongue	good	Good	Very good
FRENCH	Good	Good	good

REFEREES:

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