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Assessing the effect of diversification strategies on organizational performance of beverage companies in South East Nigeria

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Abstract

This study examined the effect of diversification strategies on the organizational performance of beverage companies in South East Nigeria. Specifically, it assessed the effect of horizontal, vertical, and concentric diversification on firm performance. A cross-sectional survey research design was adopted, targeting a population of 523 employees, from which a sample of 227 respondents was selected using stratified random sampling. Data were collected through structured questionnaires measured on a five-point Likert scale and analyzed using descriptive statistics and multiple regression analysis. The results revealed that all three diversification strategies positively and significantly influenced organizational performance, with concentric diversification demonstrating the strongest effect ($\beta = 0.775$, $p < 0.05$), followed by horizontal diversification ($\beta = 0.189$, $p < 0.05$) and vertical diversification ($\beta = 0.096$, $p < 0.05$). The findings suggest that beverage companies can enhance performance by expanding into related business areas, adopting horizontal product line expansions, and integrating supply chain activities. The study concludes that diversification is a critical strategic tool for achieving sustainable growth and competitiveness in the beverage sector. Recommendations include prioritizing concentric diversification, cautiously implementing horizontal diversification, and strategically engaging in vertical integration to strengthen operational efficiency and market performance.

Keywords: Diversification Strategies, Organizational Performance, Horizontal Diversification.

INTRODUCTION

In the contemporary competitive corporate world, organisations in the Nigeria's beverage industry are increasingly seeking strategic approaches to strengthen their market position, improve resilience, and promote sustainable performance. Diversification is one of the significant strategies organisations use to broaden their brands, markets, or value chain operations to mitigate risks and capitalise on new opportunities. Diversification has become particularly pertinent for beverage companies in Nigeria due to the changing consumer preferences, escalating competition from both domestic and international brands, and ongoing economic concerns. The present dynamic and demanding business climate necessitates that companies adapt swiftly to opportunities and challenges to maintain competitiveness (Chekwube, 2024).

Business diversification is a strategy employed by firms to broaden their operations and enhance profitability (Benyahia, 2021). The neglect of effective company diversification methods may impact the profitability of companies (Benito-Osorio et al., 2020). Companies that fail to implement effective diversification strategies frequently incur financial losses (Brahmana et al., 2019). Diversification strategies, horizontal, vertical, and concentric are essential for the success of companies, allowing them to effectively scale through competitive and dynamic markets. Horizontal diversification, entailing the expansion into related or unrelated products and services at the same value chain level, enables organisations to augment market share and diminish dependence on a singular product line, so alleviating risk. Vertical diversification, including both forward and backward integration, enables organisations to manage supply chains, lower manufacturing costs, and enhance operational efficiency, thereby directly influencing profitability and customer satisfaction. Concentric diversification, wherein enterprises utilise existing competencies to create complementary products or services, promotes innovation, enhances brand loyalty, and expands the customer base. Concentric diversification allows a company to diversify within a closely related industry or acquire a firm that produces similar products (Chekwube, 2024).

These strategies equip organisations with the means to attain sustainable growth, competitive advantage, and resilience amid economic and market volatility. The rising consumer demand for diverse product quality and their ongoing substitution has compelled organisations to devise measures to enhance performance (Fakunle & Aserere, 2024). Notwithstanding the strategic significance of diversification, empirical research about its impact on the organisational performance of beverage companies in South East Nigeria is still scarce. This study attempts to analyse the impact of horizontal, vertical, and concentric diversification methods on the performance of beverage companies in the region. The results will offer significant insights for industry professionals, legislators, and researchers aiming to comprehend the strategic avenues by which beverage companies can improve competitiveness and attain sustainable growth.

Statement of the Problem

In the competitive beverage industry in Nigeria, several companies are rapidly implementing diversification strategies to enhance performance and ensure growth sustainability. Notwithstanding these endeavours, several beverage companies persist in facing challenges such as diminishing market share, escalating operational expenses, fierce competition, and mutable consumer tastes. Diversification is commonly viewed as a strategic mechanism for improving organisational performance; however, empirical data regarding the impact of various forms of diversification, horizontal, vertical, and concentric on performance outcomes in the regional beverage industry is scarce.

Horizontal diversification, entailing the expansion into related product lines, is frequently employed; yet, its impact on profitability and market growth remains ambiguous. Vertical diversification, involving backward integration into supply sources or forward integration into

distribution channels, is anticipated to enhance operational efficiency and control; nonetheless, several organisations continue to encounter supply chain inefficiencies and distribution impediments. Concentric diversification, designed to utilise existing capabilities for the introduction of new yet related products, has been embraced by certain organisations; nonetheless, its actual influence on innovation, consumer happiness, and competitive advantage remains inadequately substantiated.

The lack of thorough research on these diversification methods in the context of beverage industries in South East Nigeria results in a knowledge deficit. As a result, managers frequently struggle to identify which form of diversity most significantly enhances organisational performance. This study aims to analyse the impact of horizontal, vertical, and concentric diversification on the performance of beverage firms in South East Nigeria, addressing the uncertainties that currently hinder strategic decision-making in the market.

Objectives of the Study

The aim of the study is to examine the effect of diversification strategies on organizational performance of beverage companies in south east Nigeria. The specific objectives are to:

- i. assess the effect of horizontal diversification on organizational performance of beverage companies in south east Nigeria.
- ii. determine the effect of vertical diversification on organizational performance of beverage companies in south east Nigeria.
- iii. ascertain the effect of concentric diversification on organizational performance of beverage companies in south east Nigeria.

REVIEW OF RELATED LITERATURE

Diversification Strategies

Diversification strategies are crucial corporate growth methods that enable organisations to enter new markets, products, or industries to mitigate risks and augment revenue sources. Through diversification, enterprises can alleviate the effects of market volatility, diminish reliance on a singular product or service, and seize emerging opportunities. These tactics enable organisations to venture into unexplored domains while preserving equilibrium between expansion and stability. Diversification is especially advantageous in volatile markets where consumer tastes and competitive dynamics are always changing (Benito-Osorio et al., 2020). The principal kinds of diversification encompass horizontal, vertical, and concentric strategies, each designed to meet distinct company requirements and goals. Horizontal diversification emphasises expanding a company's products inside the same industry, aiming at diverse consumer segments. Vertical diversification is the integration of operations throughout the supply chain to enhance control and efficiency. Concentric diversification enables organisations to enter related areas by utilising their current assets, such as market expertise or technological capabilities. Collectively, these methods constitute a formidable framework for attaining sustainable growth and enduring success. Diversification strategies are measures employed by businesses to expand their operations or product offerings into other markets, industries, or product lines (Segal, 2023).

These techniques are essential for firms seeking to diminish reliance on a singular market or product, thus mitigating risks linked to market volatility or product obsolescence. By exploring other sectors, firms can generate more revenue, optimise resource allocation, and strengthen their competitive advantage in the marketplace. Diversification provides substantial advantages, although it necessitates strategic planning and implementation to ensure alignment of new initiatives with the organization's objectives and competencies. The competitive landscape of the construction sector compels enterprises to make strategic decisions to enhance their long-term performance (Azman et al., 2020).

Diversification, the expansion of economic activities across many sectors, industries, or markets, has been a primary focus of economic policy and research for decades.

Diversification is motivated by the desire to diminish reliance on a singular business or sector while fostering economic growth through increased resilience, innovation, competitiveness, and risk mitigation (Ye et al., 2018). Diversification, whether in a related form or otherwise, is increasingly employed by managers as a strategic alternative to enhance performance (Castaldi & Giarratana, 2018). Organisations have selected from many strategic alternatives to optimise resource utilisation in order to achieve established performance objectives (Xaxx, 2017).

Denotes strategies employed by large, medium, and small firms to enhance their reach and coverage (Benito-Osorio et al., 2020). A business may employ product and geographical diversification techniques. A business engages in geographical diversification by entering new markets. Conversely, product diversification entails the incorporation of new goods or components into established product lines. Segal (2023) defines company diversification as a portfolio approach that consolidates diverse assets to mitigate overall investment portfolio risk.

Horizontal Diversification

Horizontal diversification is a strategic method whereby a corporation broadens its product or service range within the same industry to appeal to various client segments. This technique allows companies to attract a wider audience by launching versions of existing items or wholly new ones that enhance their current portfolio. This strategy is essential for cultivating client loyalty, expanding market share, and improving competitive positioning (Oladimeji & Udosen, 2019). By providing a range of products, companies can more effectively satisfy varied client needs, adjust to evolving preferences, and diminish reliance on a singular product line. Furthermore, horizontal diversification enables organisations to leverage established brand equity and distribution channels, rendering it a cost-efficient expansion strategy.

When a corporation opts for horizontal diversification, it may incorporate products into an existing product line that are unrelated to the other offerings within that line. This enables the introduction of new items that cater to existing clients by providing innovative solutions to fulfil their wants (Chekwube, 2024). Horizontal diversification may entail the development of new product lines that provide offerings distinct from existing ones. This strategy generally focusses on new consumer segments within the same sector (Fakunle & Aserere, 2024). Horizontal diversification allows organisations to leverage established customer loyalty and market expertise, while simultaneously responding to changing consumer demands. Success, however, hinges on comprehending market need and adeptly distinguishing the new goods from those of competitors.

Vertical Diversification

Another significant strategy is vertical diversification, entailing expansion along the supply chain. This might manifest as backward integration or forward integration. Vertical diversification entails the extension of a company's activities along its supply chain, either upstream (backward) into production or downstream (forward) into distribution or retail (Brahmana et al., 2019). Vertical diversification aims to generate value across the supply chain while enhancing relationships with suppliers and end-users (Benyahia, 2021). This thorough control eventually equips companies for enduring growth and competitive superiority.

Vertical diversification is a strategic expansion approach employed by economies to integrate various organisations for enhanced benefits. Vertical diversification strategies are categorised into two types: backward and forward diversification techniques (Mukoya et al., 2024). Backward vertical diversification strategies refer to the procurement of raw materials essential for the production of goods. A forward, vertical diversification strategy is characterised as a method employed by enterprises to ascend the supply chain for the completion, distribution, and provision of finished products (Mahmudjonovna, 2022). This study examined vertical

diversification about the tactics utilised by fish farmers to advance finished products throughout the supply chains to consumers, so enhancing their profits.

Ao et al. (2021) examined the influence of vertical integration on the performance of farmers in China. The study sought to tackle the ongoing problem of stagnant income growth rates among farmers relative to urban dwellers in the context of China's economic reforms that commenced in 1978. The findings indicated substantial correlations among the three variables, with farmers engaged in agricultural operating organisations exhibiting greater total and operational revenues than non-participants. Farmers participating in the complete supply chain, from production and processing to retailing, have higher income levels than those only focused on production. Vertical integration denotes the amalgamation of many levels within the supply chain, encompassing suppliers or distributors, conducted within a singular business entity. The procedures necessary for attaining vertical integration involve self-expansion through internal capabilities and the internalisation of operations, typically through mergers and acquisitions (Hashimoto, 2021). Vertical integration enables centralised authorities to coordinate activities that are highly interdependent (Fakunle & Aserere, 2024). Vertical integration facilitates new product development (Hall et al., 2020).

Concentric Diversification

The third form of diversification strategy is concentric diversification, which emphasises entering similar businesses or industries that leverage the company's current technology, skills, or market knowledge. A camera firm might expand into security systems, utilising its technological expertise and reputation for optical accuracy. This technique enables organisations to expand within their domains of expertise while mitigating risk relative to venturing into unrelated sectors (Chekwube, 2024). Companies engaging in concentric diversification can leverage their core skills to create synergy between existing and new enterprises, resulting in improved overall performance.

Concentric diversification occurs when a corporation extends its operations into related markets or products. The objective of this diversification is to attain strategic alignment. An organisation can achieve synergy by identifying its strategic alignment. Synergy, in its most basic definition, is the ability of two or more organisational elements to attain greater overall effectiveness than the sum of their individual contributions. Synergy may arise from the amalgamation of organisations with analogous marketing, financial, operational, or managerial objectives. Breweries have created marketing synergy via nationwide advertising and distribution (Hasby et al., 2017). Concentric diversification entails the selection of a new product or market segment that complements the company's present business or market. This method leverages the company's current expertise, distinctive capabilities, marketing channels, and other assets, hence mitigating integration risks, in contrast to unconnected diversification (Le, 2019). Concentric diversification is a growth strategy in which corporations expand into new but related businesses or industries by utilising their existing competencies, technologies, or market expertise. This strategy entails creating products or services that enhance existing offers, enabling companies to leverage their established expertise and market reputation (Wang et al., 2020).

Organizational Performance

Schommer et al. (2019) assert that an organization's performance measures the efficiency with which it utilises resources from its main business operations to generate profits over a certain timeframe. Mawdsley (2019) posits that organisational performance constitutes a facet of organisational effectiveness, encompassing financial, market, and shareholder value performance categories. They define organisational effectiveness as a broad term that includes both organisational performance and the surplus of internal performance outcomes associated with more effective or efficient operations, along with other external metrics related to factors beyond mere economic value and reputation.

Theoretical Review

Resource-Based View (RBV) Model

The Resource-Based View (RBV) is essential for analysing the reasons behind organisations' superior performance in product diversification. Examining the reasons organisations establish a competitive edge and surpass their competitors is a primary objective of strategic management. The Resource-Based View (RBV) concept, first proposed by Barney in 1991, remains essential for analysing the reasons behind organisations' superior performance. Organisational strategy is crucial in product diversification. The primary objective of business enterprises is to formulate and implement effective strategies to secure a competitive advantage (Tehseen et al., 2019). From the viewpoint of strategic management, organisations can implement internal and external strategies to augment their competitive edge. External factors, including environmental uncertainties and network skills, might influence the competitive advantage of enterprises (Giovanelli & Rotondo, 2022). Internal organisational elements, encompassing resources and competencies, affect organisations' ability to achieve enhanced performance (Tehseen et al., 2019). Consequently, both internal and external influences may affect the efficacy of product diversification.

Variations in resources across enterprises within an industry may exist; hence, these resource disparities could be a source of competitive advantage. Tehseen et al. (2019) assert that the public should regard firms as the aggregate of their rare, valuable, non-substitutable, and non-imitable resources. The four components provide the principal sources of competitive advantage. A company's strategy in diversification is to generate, acquire, and leverage resources to surpass its competition. The Resource-Based View (RBV) is a crucial framework for business managers seeking to leverage unique resources to establish a competitive edge (Giovanelli & Rotondo, 2022). During diversification, business managers must identify characteristics that enhance firm performance (Ganbold et al., 2020). Nandi et al. (2020) assert that the business manager must identify effective methods to leverage distinctive qualities and resources to augment competitive advantage.

Review of Empirical Studies

Mutinda et al. (2024) examined horizontal diversification as a technique to enhance sustainable organisational performance in private universities in Kenya. The study employed a cross-sectional survey of all 21 private institutions and analysed the data using ANOVA, correlation, and regression in SPSS, revealing a direct and statistically significant positive impact of horizontal diversification on sustainable performance. The researchers advised universities to enhance academic programs, provide specialised courses, establish alliances, and create new initiatives to draw more students.

Chekwube (2024) investigated the correlation between diversification strategies and the success of mobile service providers in Enugu, specifically analysing MTN, Globacom, Airtel, and 9Mobile. The study, utilising a sample of 320 employees and correlation analysis, identified substantial positive correlations between business success and concentric, conglomerate, vertical, and horizontal diversification methods. The report advised mobile service providers to implement diversification techniques to improve performance.

Wang et al. (2024) examined the impact of abroad subsidiary diversification on the innovation performance of parent companies, utilising data from Chinese corporations spanning 2000 to 2013. The research indicated that diversity of abroad subsidiaries promotes innovation in the parent business via spillover effects. The configurations of domestic and international investments influenced the relationship distinctively: domestic investments served as substitutes in developed areas and for state-owned enterprises, whereas international investments exerted a more pronounced moderating effect on non-state-owned firms. The research highlighted the utilisation of international subsidiary connections to enhance global competitiveness.

Mweemba and Mwanza (2024) evaluated the impact of diversification on the financial performance of the Zambia Postal Services Corporation (Zampost). The study, utilising qualitative interviews with 20 managers, determined that Zampost employs concentric and horizontal diversification strategies. Diversification was demonstrated to impact financial performance both favourably and negatively, although it exerted a generally significant overall effect. The research highlighted strategic diversification as a means to enhance financial results.

Mukoya et al. (2024) examined the impact of vertical diversification on sustainable livelihoods among 350 randomly chosen fish farmers in Kakamega County, Kenya. Findings demonstrated that value addition, processing, and packing substantially enhanced income levels, asset accumulation, and social capital. The study advocated for enhanced farmer access to financial services, cooperative farming, and supporting legislative frameworks to bolster vertical diversification outcomes.

Fakunle and Aserere (2024) investigated the effects of product and concentric diversification on the success of ZAP Global Enterprise in Ibadan. The study, utilising questionnaire data and regression analysis, determined that both product diversification and concentric diversification markedly enhanced organisational performance. The study determined that diversification increases profitability, growth, and competitiveness, advocating for diversified product lines to achieve better results.

Njuguna et al. (2024) investigated backward vertical integration strategies and the competitiveness of enterprises in EPZ Kenya. This study utilised both quantitative and qualitative methodologies, incorporating descriptive and inferential statistics. The research strategy employed a descriptive technique, namely a survey. The target population comprised all 137 EPZ enterprises in Kenya, from which the sample was extracted. The stratified random sampling method was employed. The EPZ enterprises are located in 74 designated zones, of which 69 are privately owned and run, and 5 are publicly managed. The acquired quantitative data was analysed with the Statistical Package for the Social Sciences. The significance level of each independent variable was evaluated against the dependent variable at a 95% confidence level utilising ANOVA, regression, and correlation methods. The results indicated that backward vertical integration techniques positively and significantly impacted the competitiveness of enterprises in EPZ, Kenya, with coefficients of 0.151, $p < 0.05$, and 0.432, $p < 0.05$ when accounting for the moderating variable of firm size.

Yildiz et al. (2023) investigated the performance implications of international diversification techniques from a relational perspective. Analysis of data from 202 manufacturing firms within the S&P 500 reveals that optimal performance is attained when partners had substantially elevated levels of international diversity and a moderate overlap in foreign market presence.

Putri and Pan (2021) examined the influence of global diversification as a corporate growth strategy on performance, focussing on Taiwanese electronics companies. This study employs panel data regression utilising the generalised least squares approach to analyse a sample of 3,256 observations from 407 enterprises throughout the period of 2013 to 2020 (eight years). The results indicate a negative correlation between product diversification and performance; an inverted U-shaped relationship is observed between the extent of international diversification and performance, as well as between the interaction of product and international diversification and performance. The finding indicates a substantial cultural and corruption dimension influencing the relationship between diversification methods and performance.

Wegwu (2020) examined the correlation between diversification strategies and the success of food and beverage companies. The study's population comprised 177 employees selected from 10 organisations. Two research questions were posed, and two hypotheses were constructed

accordingly. The sampling technique employed was nonprobability sampling for convenience. Consequently, the population census was analysed. The study's data was obtained by structured questionnaires and personal interviews, then examined using the Spearman Rank Order Correlation Coefficient in accordance with SPSS software. The investigation found a substantial positive correlation between diversification methods and the success of food and beverage enterprises. The study advised that, in light of the evolving environment and industry competitiveness, food and beverage companies should adopt diversification strategies to attain growth and profitability, which are indicators of business performance.

Benito-Osorio et al. (2020) examined the synergistic impacts of product and regional diversification on performance. The research context comprises a sample of manufacturing small and medium-sized enterprises from 1994 to 2014. The application of dynamic panel data models yields statistical evidence for a horizontal S-shaped correlation between geographical diversification and performance. The findings indicate that related product diversification positively influences the performance of SMEs involved in geographical diversification, though not indefinitely, while unrelated product diversification may substantially hinder performance, particularly for SMEs pursuing low and high levels of international diversification. Our research indicates that product and international diversification strategies for SMEs can be either complimentary or substitutive, contingent upon the precise type of product diversification strategy and the degree of geographical diversification implemented.

Oladimeji and Udosen (2019) examined the impact of diversification initiatives on organisational performance within Nigeria's manufacturing industry. Data were obtained from six purposively selected enterprises listed on the NSE over a 20-year span using a quasi-experimental, ex-post facto design. Performance metrics encompassed ROA, ROI, ROE, firm size, value, growth, leverage, and liquidity. Results indicated that diversified enterprises surpassed their undiversified counterparts, with related diversification enhancing ROA, whilst unrelated and hybrid diversification elevated ROE. The research determined that diversification improves growth, profitability, and capital structure, rendering it an essential strategic instrument.

Zubairu et al. (2019) investigated the effects of horizontal diversification on the performance of 200 nonprofit organisations, of whom only 22 submitted usable financial reports. Employing the specialisation ratio to categorise diversification levels, findings indicated that undiversified entities outperformed highly diversified counterparts in return on total assets and profit margin. Firms with moderate diversification surpassed those with high diversification in terms of ROE, ROA, and profit margin. The study determined that horizontal diversification does not inherently enhance organisational performance and that companies may attain superior outcomes by preserving strategic focus.

Ahmed and Simba (2019) examined the impact of corporate diversification strategy on the strategic performance of Hashi Energy Ltd. A descriptive design was employed, using a sample of 87 senior employees. Data were gathered with approved questionnaires and analysed through factor analysis and SPSS. The research identified a substantial positive correlation between diversification methods and business performance. Related diversification proved to be more lucrative than unrelated diversification, although horizontal mergers were observed to enhance output. The company also gained advantages by acquiring established enterprises. The report advocated for comprehensive feasibility analyses and ongoing assessment of diversification methods.

Binuyo et al. (2019) evaluated the correlation between diversification strategy and profitability in selected FMCG enterprises in Lagos State. The study, utilising a survey design and a sample of 400 employees, determined that a diversification strategy considerably

enhanced profitability. The instrument demonstrated good dependability, and the results suggested a significant positive impact of diversity on corporate earnings. The report advised FMCG companies to bolster policy support for diversification efforts to improve profitability.

Ndungu et al. (2018) examined the impact of horizontal diversification on the performance of state-owned sugar enterprises in Western Kenya. The research concentrated on five companies—Nzoia, Sony, Chemelil, Muhoroni, and Miwani—and aimed at 50 strategic and senior managers chosen via census sampling. The researchers employed a descriptive survey research strategy to gather primary data using questionnaires, subsequently analysing the results through descriptive statistics, Pearson correlation, and multiple regression. The research examined the premise that horizontal diversification does not significantly correlate with business success. The results corroborated the null hypothesis, indicating that the implementation of horizontal diversification did not substantially affect the performance of the sugar companies. Nonetheless, the authors advised that companies persist in investigating supplementary revenue streams in light of heightened competition, while meticulously assessing the true effects of horizontal diversification on performance prior to execution.

METHODOLOGY

Research Design

This study adopted a cross-sectional survey research design, which involved collecting data from respondents at a single point in time. By using this design, the study sought to provide a snapshot of how horizontal, vertical, and concentric diversification strategies influenced organizational performance. The cross-sectional approach was cost-effective, time-efficient, and suitable for drawing generalizable conclusions from the sample.

The population of this study includes 523 employees. The sample size of 227 for this study was determined using Taro Yamen's sample size formula. The study employed a stratified random sampling technique to select a representative sample from the population. The population was divided into strata based on firm categories and staff levels. This sampling technique ensured that each subgroup was adequately represented, minimizing bias and enhancing the reliability of the findings.

Method of Data Collection

Data were collected through the administration of structured questionnaires to respondents in the selected company. The questionnaires included closed-ended questions designed to gather specific information about diversification strategies and organizational performance. Each question was aligned with the research objectives, ensuring comprehensive data collection to address the study's purpose. To enhance response rates and ensure data accuracy, field assistants were employed to distribute and retrieve the questionnaires. The variables in this study were measured using a five-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree." Independent variables included horizontal diversification, vertical diversification, and concentric diversification, while the dependent variable was firm success. The questionnaire items were adapted from previous studies conducted by Fakunle and Aserere (2024), Chekwube (2024), Wang et al. (2024), Mweemba and Mwanza (2024).

The validity of the research instrument was established through content and face validity. A panel of experts reviewed the instrument to ensure that it adequately covered the research objectives. Their feedback ensured that the questions were clear, relevant, and aligned with the study's aims. Content validity ensured that the instrument captured all relevant aspects of diversification strategies, while face validity confirmed that the instrument appeared suitable for its intended purpose.

The reliability of the instrument was tested using the test-retest reliability method. A pilot study was conducted with 15 respondents, and their responses were analyzed to assess the instrument's consistency over time. The analysis yielded a Cronbach's alpha value higher than

0.7, indicating a high level of reliability. This reliability test ensured that the instrument produced stable and consistent results when administered under similar conditions.

Method of Data Analysis

Data collected for the study were analyzed using a combination of descriptive statistics and multiple regression analysis. Descriptive statistics, including frequency distributions, were used to summarize the data and provide insights into the variables. Multiple regression analysis was employed to examine the strength of relationship between diversification strategies (independent variables) and organizational performance (dependent variable). This non-parametric test was suitable for ordinal data and provided insights into the strength and direction of the associations. The results were presented in tables and charts for clarity and ease of interpretation.

Model Specification

The model specification for this study is as follows:

$$OP = \beta_0 + \beta_1 HD + \beta_2 VD + \beta_3 CD + \varepsilon$$

Where:

OP = Organisational Performance (dependent variable)

HD = Horizontal Diversification

VD= Vertical Diversification

CD= Concentric Diversification

This model captured the hypothesized relationship between diversification strategies and organizational performance. The functional form was analyzed using multiple regression analysis to test the strength and direction of these relationships.

RESULTS

A total of 227 copies of the questionnaire were administered, 211 copies of the questionnaire were returned, and properly filled. The response rate was 93%.

Table 1
Analysis of Respondents Profile (N = 211)

Variable	Category	Frequency (f)	Percentage (%)
Gender	Male	128	60.7%
	Female	83	39.3%
Age	18–25 years	32	15.2%
	26–35 years	74	35.1%
	36–45 years	68	32.2%
	46 years and above	37	17.5%
Educational Qualification	OND/NCE	18	8.5%
	HND/B.Sc	112	53.1%
	M.Sc/MBA	61	28.9%
	PhD	20	9.5%
Work Experience	Less than 5 years	46	21.8%
	5–10 years	92	43.6%
	11–15 years	51	24.2%
	Above 15 years	22	10.4%
Position/Rank	Junior Staff	64	30.3%
	Middle-Level Staff	101	47.9%
	Senior Management	46	21.8%

Source: Field Survey, 2025.

The analysis of respondents’ profile (N = 211) shows that the study sample comprised more males (60.7%) than females (39.3%), indicating a male-dominated workforce. The age distribution reveals that most respondents were between 26–35 years (35.1%) and 36–45 years (32.2%), suggesting that the majority of participants are within their active working age. In terms of educational qualification, over half of the respondents (53.1%) held HND/B.Sc degrees, followed by 28.9% with M.Sc/MBA, showing that the workforce is relatively well educated. Regarding work experience, the majority had 5–10 years of experience (43.6%),

while 24.2% had 11–15 years, implying that most respondents have substantial industry exposure. The distribution by position indicates that nearly half (47.9%) were middle-level staff, followed by junior staff (30.3%) and senior management (21.8%).

Table 2

Diversification Strategies and Organizational Performance

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-1.918	.828		-2.316	.022		
Horizontal diversification	.224	.040	.189	5.659	.000	.637	1.571
Vertical diversification	.119	.034	.096	3.519	.001	.953	1.049
Concentric diversification	.762	.033	.775	22.809	.000	.613	1.632

a. Dependent Variable: Organisational Performance

The regression coefficients indicate that all three diversification strategies have a positive and significant effect on organizational performance. Horizontal diversification ($\beta = .189, p < 0.05$) significantly contributes to performance. Vertical diversification ($\beta = .096, p = 0.05$) also positively affects performance, though with a smaller effect size. Concentric diversification has the strongest positive effect ($\beta = .775, p < 0.05$), on organizational performance. The Variance Inflation Factor (VIF) values for all predictors are below 2, indicating no multicollinearity concerns and confirming that the variables independently contribute to predicting organizational performance.

Table 3

Analysis of Variance

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	418.745	3	139.582	402.654	.000 ^b
	Residual	71.757	207	.347		
	Total	490.502	210			

a. Dependent Variable: organisational performance

b. Predictors: (Constant), Horizontal diversification, Vertical diversification, Concentric diversification

The ANOVA results show that the overall regression model is statistically significant ($F = 402.654, p < .05$). This indicates that the combined effect of horizontal, vertical, and concentric diversification strategies significantly explains variations in organizational performance.

Table 4

Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.924 ^a	.854	.852		.589

a. Predictors: (Constant), Horizontal diversification, Vertical diversification, Concentric diversification

The R Square value of 0.854 indicates that 85.4% of the variation in organizational performance is explained by the three diversification strategies included in the model. This high explanatory power shows that diversification is a critical strategic driver of performance in the sampled organizations. The Adjusted R Square (.852) further confirms that the model remains robust even after adjusting for the number of predictors.

Discussion of Findings

The results indicate that horizontal diversification ($\beta = .189, p < 0.05$) significantly contributes to organizational performance, suggesting that expanding into similar product

lines enhances market reach and improves outcomes. This finding aligns with Ahmed and Simba (2019), who reported that horizontal mergers led to a sudden increase in output. However, it contradicts Ndungu et al. (2018), who found no significant relationship between horizontal diversification and firm performance. The implication of this finding is that beverage companies can leverage horizontal diversification to increase product offerings, attract new customers, and generate additional revenue streams, thereby improving overall performance.

Vertical diversification ($\beta = .096, p < 0.05$) also has a positive effect on performance, though with a smaller effect size. This suggests that integrating supply chain activities—such as backward or forward linkages, provides moderate gains in operational efficiency and market control. The result supports Njuguna et al. (2024), who found that backward vertical integration positively and significantly influences firm competitiveness. The implication is that beverage companies that engage in vertical diversification can enhance control over production and distribution, reduce dependency on suppliers, and improve service delivery, thereby strengthening competitiveness.

Concentric diversification has the strongest effect ($\beta = .775, p < 0.05$), indicating that expanding into related business areas with shared technological or marketing characteristics substantially boosts organizational performance. This corroborates Fakunle and Aserere (2024), who found that product and concentric diversification significantly improve organizational outcomes. The implication is that firms adopting concentric diversification are likely to achieve higher efficiency, innovation, and customer satisfaction by leveraging existing capabilities and resources in related business areas.

CONCLUSION

The findings demonstrate that diversification strategies positively influence the performance of beverage companies in South East Nigeria, with concentric diversification having the most substantial effect. While horizontal and vertical diversification contribute moderately to performance, adopting a combination of these strategies allows firms to achieve sustainable growth, competitive advantage, and operational efficiency.

Recommendations

1. Beverage companies should prioritize concentric diversification by expanding into related product lines to maximize operational efficiency and market performance.
2. Firms should adopt horizontal diversification cautiously to increase product offerings and market reach, while conducting feasibility studies to ensure profitability.
3. Companies should engage in vertical diversification by integrating key supply chain activities to enhance control, reduce costs, and strengthen competitiveness

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