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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com

Vol. 6, Iss. 2, pp 2342 - 2353, May 31, 2019. www.strategicjournals.com, ©Strategic Journals

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Accepted: May 30, 2019

ABSTRACT

The primary purpose of diversification is to allow an organization to grow. Commercial banks in the Kenya are on different stages of strategizing and implementing diversification plans. While formulating new diversification strategies, many firms often fail to consider problems associated with diversification. Therefore, the objective of this study was to establish the influence of product diversification on the operational performance of commercial banks in Kakamega County, Kenya. The study was conducted using descriptive survey design and targeted the management of 26 commercial banks from the region from which a sample size of 93 respondents were drawn using a stratified random sampling method. Questionnaires were used to collect data after pilot testing them in banks in Kisumu County. The questionnaires were also pretested to ensure content validity and also for reliability at the recommended Cronbach alpha of 0.7. The data was analyzed using both descriptive and inferential statistical methods. The findings of the study established that diversification of banking products into related products leads to increase in number of customers, multiple markets and enhanced performance of banking firms. The hypothesis test was done at a significant level 0.05. The test results showed that there exists a statistically significant correlation between Product Diversification and operational performance. It was recommended that commercial banks should diversify their products into related products which would lead to an increase in number of customers.

Key Words: *Product Diversification, Operational Performance, Commercial Banks*

CITATION: Alengo, V. O., Okello, B., & Malenya, A. (2019). Influence of product diversification on the operational performance of commercial banks in Kakamega County, Kenya. *The Strategic Journal of Business & Change Management,* 6 (2), 2342 – 2353.

INTRODUCTION

Diversification describes the entry of a company into new lines of activity through a process of internal development or through acquisition, which entails changes in its administrative structure, system or other management procedures (Sissy, 2015). Within this definition is implicit the assumption that the decision of the company to enter a new business links to the choice of the entry mode into that business. In the manufacturing industries, diversification is ordinarily defined as a firm's expansion to make/sell products that have no market interaction with the firm's other products. Since Barney (2007) first tied diversification strategy to financial performance, scholars have investigated the effects of diversification on the performance of firms have. Previous studies have focused on the extent/degree (more or less), direction (relatedness or unrelatedness), and mode (internal or acquisition-based) of diversification.

Diversification also allows firms to maximize value by improving the arena in which they compete and supply product offering to the newer customer. Erunza and Senbet (2013) reported that diversified firms gain value by controlling systematic risk. Kogut and Kulatilka (2012) appended that diversified firms that may be nationally, internationally or geographically could be more profitable than domestic firms since diversified firms have more financial and operational flexibility. Researchers noted that diversification is not a trend; instead, it has a legitimate reason behind it. Profitability, increased debt capacity, reduction in risk, higher growth, increased market share, and extension of the business cycle and productive utilization of human, capital and financial resources are some of the reasons.

As a corporate strategy, diversification has been a vital growth tool for corporations. Furthermore, strategic management research acknowledges diversification effects on firm performance have as one of the primary topics in (Yücel & Önal, 2015). Diversification seeks to increase profitability through higher sales volume obtained from new products and new markets. It involves venturing out into a new business, new products or new markets to increase profits. It is a form of growth strategy involving a significant increase in the performance objectives beyond past performance records (Andreas, 2009). Diversification allows a company to venture out into new lines of business that are different from the existing operations. Companies employ different diversification strategies to expand firms' operations by adding markets, products, services, or stages of production to the existing business for better results.

The direction of the diversification can also classify diversification strategies. Vertical integration happens when firms undertake actions at different stages of the production-marketing chain. Firms can undertake operations inside the company (internal diversification) or by acquiring another firm externally. Horizontal integration or diversification involves the firm moving into operations at the same stage of the value chain. Vertical integration is generally linked to current operations and could be considered concentric diversification. Horizontal integration can be either a concentric or a conglomerate model of diversification (Doaei & Shavazipour, 2013).

On the other hand, a firm may use product diversification. Palmer (2008) lists some of the causes as follows. When a product has entered the maturity stage of its lifecycle, and it is going to decline, a firm may develop a new product may be sought to maintain the sales level and remain relevant. Secondly, a new product may be developed as a way of maximizing on the available potential. Firms may also develop a new product to balance their existing portfolio and thus reducing the risk of depending on a few products or when clients need to be kept and make them obtain loyalty.

In the USA, the 3M Company implemented diversification over various innovation strategies to become amongst the top ten most innovative companies worldwide (Trott, 2014). This innovation brought positive influence on the performance of IBM due to economies of scope and scale, the market power effects and risk reduction and learning effects. Furthermore, diversification has been coupled with reductions in bank revenues even when controlling the risks (Fang et al., 2011). Additionally, only a few cases of risky high banks and industrial diversification have had a positive statistically significant association between diversification and bank revenues.

Olu (2009) investigated corporate diversification and firm performance to identify whether diversification improves or worsens firm performance. The study applied survey research design to identify changes in corporate performance resulting from diversification. The study was conducted on the entire manufacturing companies in South Western Nigeria. Descriptive statistics were used as a method of data analysis. The study revealed that diversification was widely practiced among the companies, diversification was highly needed for companies' growth and survival and that diversification was a solid strategy that influences performance. The results further indicated that the reasons companies applied diversification strategy varied from synergistic, financial performance, market power, resource-based and agency motive.

Some studies have linked the diversification strategy directly to corporate effects. Marlin, Lamont, and Geiger (2014) suggest a relationship between the size of corporate effects and the degree of diversification. Specifically, Roequbert, Phillips, and Westfall (2006) find that corporate effects increase as firms are less diversified. Moreover, Yücel and Önal (2015) indicate that firm diversification is closely related to its core competencies because the best performances are typically enjoyed by the firms that diversify primarily into the areas that drew on some essential core competencies. David (2011) suggests that related firms and independent firms differ significantly by their research and development expenditures and that R&D might be part of the core competencies hence specialization rather than diversification that benefits the organization (Berger & Ofek, 2005).

According, CBK's directory there is forty-three commercial banks in the country some of which are internationally based. The headquarters of these banks are in Nairobi, and they serve both retail and corporate customers. The banks in the country perform the following function: the creation of money, community savings, ensure smooth support of payment mechanisms, ensure smooth flow of international transactions, storage of valuable goods and provision of credit services. The Central Banks of Kenya falls under Treasury docket, is accountable for the formulation and execution of monetary policy and foster of liquidity and proper operations of Kenyan commercial banks. This policy formulation and implementation also include commercial banks financial risk management and financial performance (Central bank of Kenya, 2015).

Statement of the Problem

Limited knowledge of new products, services, and market complicate accurate predictions of diversification success, yet diversification remains a better way to portend environmental uncertainty and spread risks. This limitation may distort strategic planning for firms in transferring management skills to new areas of business. Therefore, diversification is a risky corporate strategy for firms because it has a bearing on their core competencies. Focusing on the upcoming performance and thus the competitiveness of the banking industry, diversification is both an opportunity and a challenge for the banks. Despite excellent overall performance in financial perspective, of most commercial banks, there are some banks recording losses (Ongore & Kusa, 2014). For instance, the National Bank of Kenya reported a loss for the financial year 2014/2015 while the Cooperative Bank of Kenya had reported a drop in their profits in 2014 resulting in restructuring. Despite robust regulatory and legal framework enforced by the Central Bank, the Kenyan banking system has experienced banking problems since 1986, which has led to the collapse of more than 40 commercial banks (Gitonga, 2014) with the recent ones in 2015 and 2016 being Imperial and Chase banks respectively. Further, based on the annual CBK Supervision Reports, the pace of growth of commercial banks in Kenya has not been steady (Sawe, 2011). As a result, commercial banks are on different stages of strategizing and implementing diversification plans. Nonetheless, while formulating new diversification strategies, some firms often fail to consider problems associated with diversification. Some firms assume their present financial capabilities and diversification costs before delving into costly regional expansion. In Kenya, several studies on product diversification have covered oil companies, the telecommunications and cosmetic industry among others. However, no existing study has examined the influence of product diversification on the operational performance of commercial banks in Kenya. Therefore, the present study sought to establish the influence of product diversification on the operational performance of commercial banks in Kakamega County, Kenya.

Objectives of the study

The objective of this study was to establish the influence of product diversification on the operational performance of commercial banks in Kakamega County, Kenya. The study hypothesis was;

H_0: Product diversification does not significantly influence the operational performance of commercial banks in Kakamega County, Kenya

LITERATURE REVIEW

Theoretical Review

Ansoff's Theory

The Ansoff Matrix, designed by Igor Ansoff in 1957 classifies and explains different growth strategies for a firm. This matrix is used by firms which have a growth target or a strategy of specialization to facilitate decision making (Ansoff, 1957). According to this theory, in an ever-changing business environment, it is vital that the management of any organization strongly identify directions for strategic development. This requires that management has a thorough understanding of the environment in which it operates (Kotler & Armstrong, 1996). The Ansoff matrix offers four strategies to achieve the objectives, which are designed on market penetration, market extension, product development, and diversification. Ansoff describes four different strategies for business growth, four product-market strategies; market penetration, market development, product development, and diversification. The Ansoff matrix helps management understand and assess marketing or business development strategy (Ansoff, 1958). A company can choose a strategy to employ or a mix of strategic options to use. This is a relatively simple way of looking at strategic development options. While there is much research on growth strategies, this basic model of Ansoff, the product-market growth matrix (Hussey, 1990), is still beneficial, particularly in this research.

Critics, however, point out that the model, like many other models, has limited predictive capability (Geringer et al., 2000; Teece, 2007). However, in using a model which focuses on strategic choice, managers were able to assess the level of risk attached to each potential strategic option (Porter, 1990). For example, the adoption of a market penetration strategy involves the lowest risk, whereas a diversification has a higher risk mainly when the entry strategy is not based upon the core competencies of the organization. Scholars in the field of strategy have put forth various models that can be applied by companies to achieve a competitive advantage. They, however, agree on one thing, that no one cure-it-all strategy applies to all companies. Various companies use various competitive strategy

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

models to attain competitive advantage depending on various circumstances such as the environment in which they operate and the nature of product or service.

In this study, Ansoff's matrix was particularly useful in explaining the power of the strategies used in achieving the sustainable operational performance of commercial banks. Unlike Porter’s generic strategies, Ansoff’s matrix provides a fourth strategic dimension-diversification- which is also applied in the commercial banking sector and is scrutinized in the present study.

Review of Variables

Product Diversification

Perhaps the most critical decisions made by top managers concerns how to improve and measure financial performance among various business opportunities. In companies with multiple divisions, managers can move capital within business units in order to fund the best opportunities, thus creating internal capital markets (Santalo et al., 2008). The firms might try to expand internationally into less mature markets to continue growing at the maturity stage. In case they would not, firms might need to diversify into different industries, (Mishra et al., 2007). Entering separate areas or industries is a conglomerate product diversification through which corporations aims to reduce the overall risk exposure and expand growth opportunities. Related product diversification, on the other hand, indicates expanding beyond the existing product lines and market of the current industry (Mishra et al., 2007).

Moreover, product diversification feeds on itself. It creates a cadre of aggressive general managers, each running his or her division, who push for further product diversification and further growth. Thus, most of the giant corporations were not only able to reach their status by diversifying but also feel enormous pressures to continue doing so. The relationship between product diversification and financial performance has been one of the most debated topics in the field of financial performance (Ramasamy et al., 2002; Santalo et al., 2008). Product diversification issue has been studied mostly in various developed countries (Campa et al., 2002; Geringer et al., 2000; Rumelt, 1982) but limited evidence is available in emerging markets. Diversified firms have business operations in more than one industry (Hitt et al., 2005).

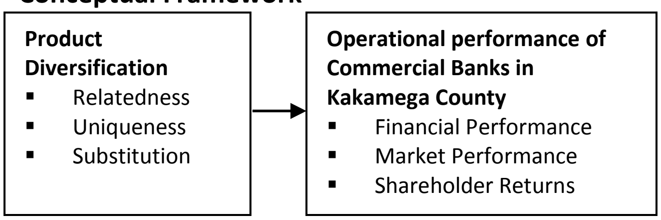
According to Gourlay et al., (2004) Economies of scope occurred if there are increasing returns (or indivisibilities) to scale in the use of one or more essential factors of production, transaction costs prevent an efficient market in the relevant factors, forcing integration. (Syed,2004). Results from the research on this question (Syed et al., 2004) are primarily mixed and offer little explanation. Grant et al. (1988) reported limited and weak evidence to support the assertion that product diversification leads to or is a prerequisite for financial performance. However, Syed et al., (2004) contend that the deteriorating or inferior financial performance drives product diversification. The causal relation within the product diversification strategy literature, therefore, is still a significant issue. On the one hand, the present study confirms that firm financial performance is correlated with product diversification based on market measures of returns, the market rate of return. Campa, (2002) found that non-diversified firms perform better than diversified firms in the emerging Kenyan economy against a dearth of studies that have only given attention to developed countries.

Products with a lesser number of close substitutes give a more significant opportunity for the firms to raise their product prices and earn more enormous profits. Diversifying into new lines of business aims at gaining more market share and reaching out to new customer segments. Further, innovation is the solution to environmental turbulence for future opportunities in the market (Ingwe, 2012). The

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

intense rivalry is related to the number and size of competition and opportunities for growth. Dominant suppliers, therefore, can squeeze profitability out of an industry unable to recover cost increases in its prices. According to Ngonga (2011), firms require to adopt strategies that would enable them to maintain competitive positions in the market. Moreover, in highly dynamic and complex environments, defending a market share or position becomes difficult. The pressure on disposable incomes has had a significant number of consumers switching to mass brands in the cosmetics industry (Euro Monitor, 2011).

Conceptual Framework



Independent Variables **Dependent Variables**

Figure 1: Conceptual Framework

Source: Author (2019)

Empirical Review

Product Diversification

A good deal of diversification strategy in practice involves building relationships with existing markets and products (Johnson & Whittington, 2008). Berger and Ofek (2010) in their study on diversification effect on firm value describe diversification as the entry of a firm into new lines of activity through a process of internal development. Any modification of a current product that serves to expand the potential market implies that the company is following a strategy of product diversification. A study conducted by Hitt, Hoskisson, and Kim (2011) shows that firms that have diversified into products that use the existing internal resources or capabilities benefits from economies of scale and earn higher returns. The payoff created by diversification may be magnified when multi-national corporations capitalize on economic rents derived from product and market diversity. They also gain from various advantages embodied in international activities such as knowledge acquisition, capability development, risk reduction, and complementary synergies. Furthermore, Luo (2009) adds that such synergies from product diversification are more likely to be realized when firms expand into related lines of business or industries.

Product differentiation strategies focus on the quality and design of the product to create a perception that there are no substitutes available on the market. Although competitors may have a similar product, the differentiation strategy focuses on quality or design differences. In this case, a business gains an advantage in the market as customers view the product as unique (Flyvbjerg, 2011). Furthermore, product-related diversification emphasizes the operational synergy that enables a firm to benefit from economies of scale. According to Tavana (2014), some firms may seek to diversify from a proactive approach when it spots opportunities for expansion into industries whose technologies complement its existing business. It can also leverage existing capabilities by expanding into other businesses, diversifying into related businesses as an avenue for cost reduction. Such firms have a mighty brand name that can be used to drive up sales. A firm can also diversify into a closely related business or move into an entirely new business that is not related to the current operations (Schindler & Cooper, 2008).

According to Kinyanjui, (2012), diversification through differentiation strategy aims to build up a competitive advantage by offering unique products characterized by valuable features such as quality, innovation and customer service. This differentiation enables the firm to earn above-average returns by defending it against competitive forces of substitute products, rivalry in the industry and threat of new entrants due to the brand loyalty it commands (Gachambi, 2007). A favorable brand image has a positive influence on consumer behavior towards the brand in terms of increasing loyalty, commanding a price premium and generating positive word of mouth (Martenson, 2007). Besides, Peter et al., (2007) posited 16that a right brand name can evoke feelings of trust, confidence, security, strength and many other desirable characteristics. The brand image comprises a consumer's knowledge and beliefs about the brand's various products and its non-product attribute.

METHODOLOGY

A descriptive research design was used in this study. This study used cross-sectional since it studied many units at the same time. The study was carried out in Kakamega County in Kenya where there were 26 commercial banks branches in operation. Therefore, the study targeted 122 branch managers, credit managers, customer relationship managers, and operations managers drawn from all the banks. In order to draw a representative sample population from the target population, this study adopted the Krejcie-1970 model generated by Morgan in 1990 that shows sample sizes corresponding to given populations. The study used structured questionnaire for data collection. The researcher used the computer software Statistical Package for Social Scientists (SPSS) version 24 for windows to conduct initial data analysis using simple descriptive statistical measures such as, minimum, maximum, mean, standard deviation and variance to give a glimpse of the general trend.

FINDINGS

Descriptive Statistics on Product diversification

This section was in line with the study objective which sought to examine the influence of Product diversification on the operational performance of commercial banks in Kakamega County, Kenya. Table 1 showed the statistical results in details.

Table 1: Descriptive Statistics on Product diversification

Project Initiation	N	Minimum	Maximum	Mean	Std. Deviation
Diversification of banking products into related products leads to increase in number of customers	62	1.00	5.00	3.7619	1.00752
Related diversification leads to multiple markets and enhanced performance of banking firms	62	2.00	5.00	3.5952	.88509
Offering unique products helps build up competitive advantage	62	1.00	5.00	3.7619	1.12205
Product value helps defend a firm against competitive forces from substitute products/new entrants.	62	2.00	5.00	4.1667	.76243
Substitution of products reduces demand for a particular class of products as customers switch to alternatives	62	1.00	5.00	3.6667	1.07446
Banking product diversity has enhanced diversification to related product lines	62	1.00	5.00	3.5952	1.10563
Valid N (listwise)	62				

From table 1, the findings of the study established that the participants the participants strongly agreed (mean = 3.7619; Std. dev = 1.00752) that diversification of banking products into related products led to increase in number of customers and also concurred (mean = 3.5952; Std. dev = .88509) that related diversification led to multiple markets and enhanced performance of banking firms.

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

However, with regards to competitive advantage, the respondents largely agreed (mean = 3.7619; Std. dev = 1.12205) that offering unique products helped build up competitive advantage. Besides, the study revealed that while a significant majority of the respondents agreed (mean = 4.1667; Std. dev = .76243) that product value helped defend a firm against competitive forces from substitute products/new entrants. , a number of the participants remained neutral while others expressed contrary opinion. In addition, the respondents were in agreement (mean = 3.6667; Std. dev = 1.07446) that substitution of products reduced demand for a particular class of products as customers switch to alternatives. In the same breadth, the respondents agreed (mean =3.5952; Std. dev = 1.10563) that banking product diversity had enhanced diversification to related product lines These findings were consistent with those of Jarzabkowski and Balogun (2009) whom concurred that organizations were placing an enhanced emphasis on strategic planning as a mechanism of enabling communication, participation, and integration around the shared goals of the organization. To deliver integration as a strategic planning process needs to take into account the diverging interests that workers bring to that process. The adoption of strategic integration predicts the following implications to business organizations, adjusting structures and relationships that affect functional groups and related processes in organizations to achieve higher profit margins via conventional organizational processes, reward systems, and measurements to reflect changes in procedures and approach to production (Ketokiviet al., 2006).

Descriptive Analysis of Operational Performance of Commercial Banks in Kakamega County, Kenya

This section entailed an analysis of the dependent variable (Operational Performance). It examined the perceptions held on the operational performance of commercial banks in Kakamega County, Kenya. Table 2 showed the descriptive statistics and results in details.

Table 2: Descriptive Statistics on Operational Performance

	N	Minimum	Maximum	Mean	Std. Deviation
Our financial performance has been improving as a result of restructuring	42	1.00	5.00	3.5952	1.10563
We have been able to attain profitability with most of our products	42	1.00	5.00	3.6429	1.03173
Market response to our products has been positive	42	2.00	5.00	4.0000	.82639
Most of our products are absorbed by the markets	42	1.00	5.00	3.9762	1.02382
We have reduced the levels of no-performing products	42	2.00	5.00	4.3095	.71527
We have been able to operate with low levels of debts	42	2.00	5.00	4.0952	.82075
Our profitability margins are improving	42	2.00	5.00	4.0732	.82463
Valid N (listwise)	42				

As outlined in table 2 the results of the study indicated that the participants concurred (mean = 3.5952; Std. dev = 1.10563) that their financial performance had been improving as a result of restructuring. It was also established (mean = 3.6429; Std. dev = 1.03173) that they had been able to attain profitability with most of their products. This report was consistent with that of Njoka (2016) whom carried out a study on the influence of diversification strategies on the performance of savings and credit co-operative societies in Nairobi City County, Kenya revealed that Saccos operating in Nairobi had employed different diversification strategies in their operations by venturing into different business lines outside their core function. It was found to emanate from the different internal resources that the firms have. Further the respondents concurred (mean = 4.0000; Std. dev = .82639) that market response to our products had been positive. On product absorption, the respondents agreed (mean 3.9762; Std. dev = 1.02382) that most of their products were absorbed by the markets. The researcher also discovered (mean = 4.3095; Std. dev =.71527) that they had reduced the levels of no-performing products. It was also established (mean = 4.0952; Std. dev =.82075) that they had been able to operate with low levels of debts. In addition the respondents agreed (mean = 4.0952; Std. dev =.82075) that they had been able to operate with low levels of debts. Also, the respondents were in agreement (mean = 4.0732; Std. dev =.82463) that their profitability margins are improving. These findings were consistent with those of Karanja (2013) sought to establish the diversification strategy adopted by Kenol Kobil Ltd and the influence of this diversification strategy on the performance of Kenol Kobil in Kenya. It emerged that KK had adopted related, unrelated and multinational diversification strategies. The study also established that this diversification had increased the sales, net profits and shareholder equity of KK.

Inferential Statistics

The Pearson product-moment correlation coefficient was used to obtain a measure of the strength of association between two variables (Independent and Dependent). The Pearson correlation coefficient, *r*, can take a range of values from +1 to -1. A value of 0 indicated that there exists no association between the independent and the dependent variables while a value greater than 0 indicated a positive association meaning that an increase in the value of one variable led to the increase in the other. A value less than 0 indicated a negative association meaning that a decrease in the value of one variable would lead to a decrease in the value of the other.

Correlation Analysis for Product Diversification and Operational Performance of commercial banks in Kakamega County, Kenya

This section outlined the results of correlation analysis between Product Diversification on the operational performance of commercial banks in Kakamega County, Kenya (Table 3). The findings were interpreted and discussed accordingly.

Table 3: Correlations between Product Diversification and Operational Performance

		Product Diversification	Operational Performance
Product Diversification	Pearson Correlation	1	.655**
	Sig. (2-tailed)		.000
	N	42	42
Operational Performance	Pearson Correlation	.655**	1
	Sig. (2-tailed)	.000	
	N	42	42

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis results in table 3 revealed that there was a positive and a strong significant association between Product Diversification and operational performance of as supported by (r=0.655, p=0.000). This implied that both Product Diversification and operational performance change in the same direction. According to Ngonga (2011), there is a statistically significant positive correlation between the Product Diversification and operational performance.

Hypothesis Testing

$H_{0:}$ Product diversification does not significantly influence the operational performance of commercial banks in Kakamega County, Kenya

The hypothesis was tested by determining the relationship between Product Diversification and operational performance. The test was done at a significant level 0.05. The test results showed that there exists a statistically significant correlation between Product Diversification and operational performance. The result led to the rejection of the null hypothesis, hence a conclusion that there exists a significant influence of Product Diversification on operational performance of commercial banks in Kakamega County, Kenya.

SUMMARY

The objective was to examine the influence of Product Diversification on the operational performance of commercial banks in Kakamega County, Kenya. Descriptive Statistics showed that diversification of banking products into related products leads to increase in number of customers and also the findings revealed that related diversification leads to multiple markets and enhanced performance of banking firms. However, with regards to competitive advantage, the respondents largely agreed that offering unique products helps build up competitive advantage. Besides, the study revealed that product value helps defend a firm against competitive forces from substitute products/new entrants. In addition, the respondents were in agreement that substitution of products reduces demand for a particular class of products as customers switch to alternatives. In the same breadth, the respondents agreed that banking product diversity has enhanced diversification to related product lines. Correlation analysis showed that there was a positive and a strong significant association between Product Diversification and operational performance. This implied that both Product Diversification and operational performance change in the same direction. The hypothesis was tested by determining the relationship between Product Diversification and operational performance using multiple regressions. The test was done at a significant level 0.05. The test results showed that there exists a statistically significant correlation between Product Diversification and operational performance

CONCLUSIONS

From the objective which sought to examine the influence of Product Diversification on the operational performance of commercial banks in Kakamega County, Kenya. It was concluded that diversification of banking products into related products leads to increase in number of customers In addition; diversification leads to multiple markets and enhanced performance of banking firms. However, offering unique products helps build up competitive advantage. The analysis implied that, product value helps defend a firm against competitive forces from substitute products/new entrants. In addition, the respondents were in agreement that substitution of products reduces demand for a particular class of products as customers switch to alternatives. In the same breadth, banking product diversity has enhanced diversification to related product lines. Correlation analysis showed a positive and a strong significant association between Product Diversification and operational performance. The hypothesis test results showed that there exists a statistically significant correlation between Product Diversification and operational performance.

RECOMMENDATIONS

The objective sought to examine the influence of Product Diversification on the operational performance of commercial banks in Kakamega County, Kenya. It was recommended that commercial banks should diversify their products into related products which would lead to an increase in number of customers In addition; diversification will lead to multiple markets and enhanced performance of banking firms. However, commercial banks should offer unique products that would help build up competitive advantage. The analysis implied that, product value helps defend a firm against competitive forces from substitute products/new entrants. In addition, commercial banks should enhance substitution of products to reduce demand for a particular class of products as customers switch to alternatives. In the same breadth, banking product diversity should be used to enhance diversification to related product lines.

Areas for Further Research

Drawing from the study findings, it was imperative that further research be done on organizations to determine the influence of information sharing for efficient response to the competitive environment. The study also recommended future research on the effect of diversification on operational performance in other sectors other than the banking sector.

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