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ABSTRACT

Financial institutions lend money to real estate companies so they can finance their investments. Recent research has shown that real estate companies struggle to make money to the point that they are unable to repay their loans. One important tactic that real estate companies employ to stay competitive and increase their profitability is diversification. The general objective of the study was to establish the effect of product diversification strategies on the performance among real estate companies in coast region, Kenya. The study was based on the modern portfolio theory. The study adopted an explanatory research design and the target population was 319 real estate firms at the coast region, Kenya. A sample of 177 real estate firms were for the study. Correlation results indicated that concentric diversification strategy, vertical diversification strategy, horizontal diversification strategy, and conglomeration diversification strategy had a significant correlation with real estate performance. Multiple Regression results showed that concentric desertification strategy, vertical product diversification strategy, horizontal product diversification strategy, and conglomerate product diversification strategy had positive and significant effect on real estate performance. The study concluded that real estate firms should implement concentric diversification strategy, vertical product diversification strategy, horizontal product diversification strategy significantly and conglomerate product diversification strategy so as to increase real estate performance.

Key words: *Concentric, Conglomerate, Diversification, Horizontal, Performance, Real Estate, Vertical*

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INTRODUCTION

The capacity to recognize the results of organizational operations and processes is defined as performance and takes the form of financial and non-financial measures (Jang, Kwon, Ahn, Lee, & Park, 2019). Operational key performance indicators like market share, innovation rate, or customer happiness can be used to gauge non-financial performance. Financial success, product market performance, and shareholder return are three distinct categories of company outcomes that make up organizational performance. The risks associated with diversifications and uncertainties in the external environment, which are typically outside the control of a single firm in the economy, have an impact on the performance of real estate enterprises in Kenya (Camisón & Villar-López, 2014).

The United States has a diverse real estate market with varying levels of performance across different regions. In recent years, major metropolitan areas such as New York City, San Francisco, and Los Angeles have experienced robust growth in the real estate sector. This is due to factors like population growth, strong job markets, and high demand for both residential and commercial properties (Dáz-Fernández et al. 2015). The United Kingdom's real estate market has seen substantial performance variations between different regions and property types. London, for example, has historically been a major hotspot for real estate investment, driven by international demand, a strong financial sector, and a shortage of housing supply. However, Brexit and the uncertainties surrounding it have led to some fluctuations in London's real estate market, with periods of reduced demand and price stagnation (Humera, et al. 2017). In contrast, other regions such as Manchester, Birmingham, and Glasgow have experienced significant growth, benefiting from urban regeneration, lower property prices, and increased investments. The buy-to-let market in the UK has been affected by regulatory changes, which have reduced the profitability of real estate investment in certain areas.

Germany has a stable and steadily growing real estate market, characterized by its relative resilience to economic shocks. Cities like Berlin, Munich, and Hamburg have seen consistent growth, fuelled by strong demand for residential and commercial properties. The country's economic stability and low-interest rates have attracted both domestic and international investors (Batsakis & Mohr, 2017). However, strict rent control laws in some cities, designed to protect tenants, have impacted the profitability of real estate firms, particularly in terms of residential rental properties. The German real estate market also faces challenges related to demographic shifts, such as an aging population and a declining birth-rate, which affect the demand for certain types of properties. Overall, Germany's real estate market performs well, but the impact of government regulations and demographic factors should be closely monitored by real estate firms.

Australia has experienced significant regional variations in its real estate market performance. Major cities like Sydney and Melbourne have seen strong price growth, driven by population growth, foreign investment, and a competitive housing market. However, these cities also face affordability issues and, at times, speculative bubbles (Bhawe & Jha, 2020). In contrast, regional areas have seen more modest growth, with some areas even experiencing property price declines. Government policies, such as foreign investment restrictions and tighter lending standards, have played a role in shaping the Australian real estate market's performance. The performance of real estate firms in Australia is closely tied to the overall economic health, and any fluctuations in interest rates can have a significant impact on property demand and performance.

Japan's real estate market has had a unique history, including a real estate bubble in the late 1980s followed by a prolonged period of stagnation. While major cities like Tokyo have seen some recovery, overall performance remains mixed. Demographic challenges, including an aging population and a

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declining birth-rate, have impacted the market, particularly in rural and suburban areas (Bustinza, Gomes, Vendrell Herrero & Baines, 2019). Japan's real estate market is also influenced by factors like earthquakes, which can affect the demand for earthquake-resistant properties. Real estate firms in Japan often need to adapt to changing market conditions and investor preferences, making performance highly dependent on location and property type.

South Africa boasts the most mature and developed real estate market in the region. Its real estate sector has benefited from a strong legal framework, well-established infrastructure, and a relatively stable political environment (Davcik & Sharma, 2016). However, South Africa has faced economic challenges, such as high unemployment and income inequality, which have influenced the demand for property. In recent years, the country's real estate market has faced headwinds, including uncertainties surrounding land reform policies and the impact of the COVID-19 pandemic. Despite these challenges, South African real estate firms continue to attract both domestic and international investors. Nigeria's real estate market is characterized by rapid urbanization and a growing middle class. Lagos, the country's economic hub, has experienced a surge in real estate development, particularly in the commercial and residential sectors. However, the market faces significant challenges, including issues related to property rights, lack of infrastructure, and regulatory inconsistencies (Bustinza, Gomes, Vendrell & Baines, 2019). The fluctuation in oil prices, which heavily impacts Nigeria's economy, has also had implications for the real estate market. Real estate firms in Nigeria must navigate these challenges while capitalizing on the growing demand for property.

Ghana's real estate sector has experienced steady growth, particularly in the capital city, Accra. This growth is attributed to a stable political environment, a burgeoning middle class, and an increasing need for housing and commercial properties (Oladimeji & Udosen, 2019). However, the sector has faced challenges like fluctuating interest rates, land title issues, and the impact of currency devaluation. The Ghanaian government's initiatives to promote affordable housing and foreign direct investment have positively influenced the market's performance. Real estate firms in Ghana must continue to address regulatory issues while seizing opportunities presented by economic growth. Ethiopia's real estate market is gradually emerging as an attractive investment destination, driven by economic expansion, urbanization, and government initiatives to promote foreign investment (Deligianni, Voudouris & Lioukas, 2017). However, the market is relatively young and faces challenges such as bureaucratic hurdles, land tenure complexities, and limited access to financing. Ethiopia's political landscape also presents risks that can affect market performance. Real estate firms in Ethiopia need to navigate these challenges while tapping into the country's long-term growth potential.

Tanzania's real estate market has experienced growth in recent years, driven by urbanization, population growth, and increased investment in infrastructure and industrial development. Cities like Dar es Salaam have seen a surge in commercial and residential real estate projects. The government's efforts to improve the business climate and attract foreign investors have positively influenced the sector (Davcik & Sharma, 2016). However, challenges persist, such as land tenure issues, bureaucratic hurdles, and a shortage of affordable housing. The Tanzanian real estate market is also sensitive to macroeconomic factors like inflation and interest rates. Real estate firms in Tanzania must navigate these challenges while capitalizing on the country's long-term growth potential. Rwanda's real estate market has been growing steadily, especially in Kigali, the capital city. The country's stability and ease of doing business have attracted investors, leading to increased commercial and residential development (Nanayakkara & Mia, 2017). The government's

Vision 2020 initiative and policies to promote foreign investment have positively impacted the sector. However, Rwanda faces constraints like limited land availability and the need for improved infrastructure. Additionally, while the government's efforts to streamline business processes are commendable, some regulatory challenges remain. Real estate firms in Rwanda have opportunities to leverage the country's political stability and growth-oriented policies while addressing these constraints.

The property market in Kenya is reacting to demand that has been created by the expanding middle class with disposable income, in which people have become able to buy homes and others service their mortgages (Makhoha, Namusonge & Sakwa, 2016). This boom in the real estate sector began somewhere in the mid to late 2000s. To meet this demand, there have been numerous entry into real estate enterprises. Due to the intense competition, businesses must hone their core skills to offer distinctive products at affordable prices in order to survive (Makhoha, Namusonge, & Sakwa, 2016). Kenya's coast has long been a big draw for buyers of real estate, whether they are from the shore, the interior, or even abroad (Anne, 2016). The majority of the counties in the area border the seashore that stretches from Vanga to Kiunga. Many buyers of real estate merely want a vacation house where they may occasionally unwind with their families and loved ones. The fact that your investment is often leveraged more than five to one makes coastal real estate markets cyclical and occasionally risky. Real estate companies increase their benefits by implementing a diversification strategy through a more skilful use of organizational resources. Profitability is also increased by diversification, but only to the extent that complexity allows.

Statement of the Problem

The poor performance of real estate firms in Kenya can be attributed to several factors. Economic instability, fluctuating interest rates, and inflation have eroded the purchasing power of potential homebuyers, leading to a sluggish demand for properties (Bustinza, Gomes, Vendrell & Baines, 2019). Additionally, the real estate sector in Kenya has been plagued by issues such as land tenure insecurity, lengthy and often convoluted property registration processes, and inadequate infrastructure development, all of which contribute to higher operational costs and hinder the growth of the industry. Moreover, the COVID-19 pandemic has further exacerbated the situation by causing a decline in economic activity and reducing the ability of individuals and businesses to invest in real estate (Benito-Osorio et al., 2016). These challenges have collectively hampered the performance and growth of real estate firms in Kenya.

Due to the challenging economic climate created by the Covid-19 pandemic, which had a negative impact on the real estate sector, the real estate sector only saw moderate activity in 2020 and a general reduction in transactions (Mwangi, 2021). In contrast to the 13.2% growth seen in 2019, the real estate and construction industries showed a 7.1%-point fall in growth in 2020, coming in at 6.1%. Performance-wise, the sectors of residential, commercial office, retail, mixed-use developments, and serviced apartments recorded average rental yields of 4.7%, 7.0%, 7.5%, 7.1%, and 4.0%, respectively. This resulted in an average rental yield for the real estate market of 6.1%, which is 0.9% points lower than the 7.0% recorded in 2019 (Mwangi, 2021).

Kenyoru, Chumba, and Rotich (2016) showed a significant and positive relationship between vertical product diversification and bank financial performance. Njuguna, Kwasira, and Orwa (2018) pointed out that there is a considerable link between product variety and company performance. Mwangi (2021) found that commercial banks' profitability has improved as a result of the widespread use of mobile and internet banking as a product diversification strategy. This study was out to determine the effect of product diversification strategies on performance of real estate firms in Coast Region, Kenya.

Research Objectives

The general objective of the study was to determine the effect of product diversification strategies on performance of real estate firms in Coast Region, Kenya. The specific objectives were;

- To determine the effect on concentric product diversification strategy on perfomance of real estate firms in Coast Region, Kenya
- To investigate the effect of horizontal product diversification strategy on perfomance of real estate firms in Coast Region, Kenya
- To establish the effect of vertical product diversification strategy on performance of real estate firms in Coast Region, Kenya
- To find the effect of conglomerate product diversification strategy on performance of real estate firms in Coast Region, Kenya

The study was guided by the following research hypothesis;

- **H_{01}:** Concentric product diversification strategy has no significant effect on perfomance of real estate firms at the Coast Region, Kenya
- **H_{02}:** Horizontal product diversification strategy has no significant effect on perfomance of real estate firms at the Coast Region, Kenya
- **H_{03}:** Vertical product diversification strategy has no significant effect on perfomance of real estate firms at the Coast Region, Kenya
- **H_{04}:** Conglomerate product diversification strategy has no significant effect on perfomance of real estate firms at the Coast Region, Kenya.

LITERATURE REVIEW

Concept of Firm Performance

Gyan, Brahmana, and Bakri (2017) points out that performance is the degree of an investment's profitability. Performance essentially serves as the criterion by which an organization assesses its ability to endure in the corporate world. Organizational performance, according to Stadler, Mayer, Hautz, and Matzler (2018), is correlated with firm effectiveness and efficiency. The three sources of differences in company performance, according to Sun, Peng & Tan (2017), include information about the ostensible causes of variations in performance, information about commonly used analytical models, and theoretical concepts. Profit, profit ratios, market share, and revenue growth are all examples of financial indicators of organizational performance. Three economic objectives are used to measure how well a business is performing in accordance with its strategic orientation. Existence in the marketplace, advancement, and affluence are some of them.

Tang, Tang, and Su (2019) noted that an organization's growth is directly related to its existence and prosperity. Existence entails having a long-term plan in place to ensure that business continues, and the inability to do so suggests that the organization is unable to satisfy stakeholder demands, advance in the number of markets served, increase in the variety of products offered, and finally advance in the technologies used to provide goods and services (Videlis & Josphat, 2018). Change is a sign of progress, and in a dynamic business environment, proactive change is essential. Jayathilake (2018) pointed that there are two measurement strategies that are utilized to assess the firm's financial performance: the market measurement technique and the accounting measurement approach. The two measuring methods provide various angles on how to assess the financial success of a company, and as a result, they have various theoretical ramifications. The majority of academics evaluate the performance of real estate enterprises using accounting metrics.

Theoretical Framework

The Modern Portfolio Theory

According to Deligianni, Voudouris, and Lioukasm (2017), modern portfolio theory describes how risk-averse investors can build portfolios to maximize expected return depending on a specific amount of market risk. In his 1952 Journal of Finance article titled "Portfolio Selection," Harry Markowitz established this hypothesis. The idea contends that product diversification may improve returns at specific risk levels or alternatively may deliver the same returns at lower risk, depending on the manager's decision-making process. Applications of this theory take into account the risk-weighted volatility of returns implied by changes in market price (Deligianni, Voudouris, & Lioukasm, 2017). At some level of assumed return, diversification can be used in a business enterprise to reduce risk. The idea is to maximize realized rate of return while staying within risk tolerance limits.

One of the central assumptions is the concept of diversification. MPT assumes that investors are rational and seek to maximize their returns while minimizing risk. It posits that investors can achieve a more efficient portfolio by diversifying their investments across different asset classes or securities (Deligianni, Voudouris, & Lioukasm, 2017). This diversification is based on the belief that not all assets move in perfect correlation with each other; therefore, by holding a mix of assets with imperfect correlations, an investor can reduce the overall risk of the portfolio without sacrificing returns. This assumption implies that investors are risk-averse and prefer portfolios that offer the highest expected return for a given level of risk or the lowest risk for a given level of return. Another key assumption of MPT is that investors have access to all relevant information and can make rational decisions based on this information. This assumption is known as the Efficient Market Hypothesis, which suggests that asset prices fully reflect all available information. In an efficient market, it is assumed that investors cannot consistently achieve returns above the market average through analysis or information since any new information is rapidly incorporated into prices (Dennis, Gideon, Sammy, & Shadrack, 2016).

Transaction Cost Economics Theory

A Transaction Cost Economics theory is said to have supplemented the resource-based theory by advising real estate firm management as to when the firms should organize for product diversification within the firm's boundaries and how firms can profit from product diversification across different businesses within their own firm boundaries (Oliver, 2004; Coase, 2003) (Eukeria & Favourate, 2014). According to this theoretical framework, product diversification helped businesses gain more market control by excluding rivals and by engaging in vertical diversification. One fundamental assumption of TCE is the presence of transaction costs. Transaction costs encompass the expenses and inconveniences associated with conducting economic exchanges and transactions. These costs include search and information costs, negotiation and bargaining costs and monitoring and enforcement costs (Oliver, 2004; Coase, 2003). TCE assumes that these transaction costs exist and can significantly influence the decisions made by economic actors. Another key assumption is bounded rationality. TCE recognizes that individuals and organizations have limited cognitive and computational abilities to process information and make decisions. Therefore, they often rely on simplified decision rules, heuristics, and routines rather than conducting exhaustive analysis. This bounded rationality assumption suggests that economic actors may not always make perfect decisions but rather make satisficing choices, selecting options that are "good enough" given their cognitive limitations.

Boston Consulting Group Matrix

The Boston Consulting Group developed the BCG matrix as a framework to assess the strategic position and potential of the business brand portfolio (Batsakis & Mohr, 2017). Based on the attractiveness of the industry and competitive position, it divides the business portfolio into four categories. According to the cash required to support each unit and the cash it generates, these two dimensions indicate the likelihood that the business portfolio will be profitable (Gözgör & Can, 2017). The analysis's main goal is to clarify which brands the company should invest in and which ones it should withdraw from. The Boston Matrix assumes that the rate of market growth is a pivotal factor in evaluating a product's or business unit's potential for profitability and future success. It categorizes products based on their perceived growth potential, implying that markets with higher growth rates offer greater opportunities for revenue expansion and profit generation (Hitt, Ireland & Hoskisson, 2015). Another fundamental assumption of the Boston Matrix is the belief that a higher market share relative to competitors provides a competitive advantage. The matrix classifies products according to their existing market share, assuming that products with a higher market share are better positioned to capture a larger portion of the market's value and generate profits.

One of the central purposes of the Boston Matrix is to guide resource allocation decisions. The assumption here is that businesses should allocate resources differently to products or business units in each quadrant of the matrix (Batsakis & Mohr, 2017). For example, Stars may necessitate significant investments to fuel their growth, while Cash Cows can generate cash that can be reinvested in other parts of the portfolio. The matrix operates under the assumption that the dynamics of growth and market share of products or business units are relatively predictable. It suggests that products categorized as Stars today will continue to grow and evolve into Cash Cows in the future, while products classified as Dogs are unlikely to experience substantial growth. The matrix can assist management in determining the position of a company's diversification plan and helping to create the best approach for preserving and enhancing business units or products (Kito, New, & Reed-Tsochas, 2018). There are several product types, organizational divisions, and business units in major corporations that diversify in various ways. It is crucial for managers to evaluate where their business unit or products stand in the market. Knowing a product's strategic positioning aids management in creating the best diversification strategy for that product as well as the best assessment methods to ensure that it continues to move in the appropriate directions (Selçuk, 2015).

Balanced Scorecard Model

The Balanced Scorecard model is a strategic management and performance measurement framework that has gained significant prominence in the business world. Developed by Robert Kaplan and David Norton, it offers a holistic approach to evaluating an organization's performance by considering multiple dimensions beyond just financial metrics. The Balanced Scorecard model introduces the idea that an organization's success should not be solely measured by financial outcomes but should also include other critical factors, such as customer satisfaction, internal processes and learning and growth (Qiu, Chen & Lee, 2021).

Robert Kaplan and David Norton, the key contributors to the Balanced Scorecard model, introduced this concept in a 1992 Harvard Business Review article and later expanded on it in their book, "The Balanced Scorecard: Translating Strategy into Action." Their work has revolutionized performance measurement and strategic planning, making it possible for organizations to assess their performance from multiple angles (Ahmadi & Ieamsom, 2022). By including non-financial aspects, such as customer loyalty and employee skills, the model provides a more comprehensive view of an organization's health and its alignment with strategic goals. One of the key assumptions of the Balanced Scorecard model is that financial metrics alone do not provide a complete picture of an organization's performance. The model assumes that there are multiple dimensions to success, including customer perspectives, internal process efficiency, and the growth and development of employees.

The importance of the model is evident in its capacity to provide a balanced view of an organization's performance. It is a valuable tool for organizations to translate their strategic goals into actionable measures and to assess the effectiveness of their strategies. By including non-financial indicators, the model helps organizations focus on long-term success and customer satisfaction, rather than just short-term financial gains (Schouten, Janssen & Verspaget, 2021). It can be challenging to implement, especially in complex organizations, as it requires a significant amount of data and resources to track and measure the various performance dimensions. Additionally, there may be a risk of overloading organizations with too many metrics, leading to information overload and a lack of focus on the most critical aspects of performance.

Empirical Review

Concentric Product Diversification and Performance

Videlis and Josphat (2018) study on concentric product diversification in the European insurance sector, the best concentric diversification happens when combined firm profits boost strengths and possibilities while reducing weaknesses and risk exposure. It has been discovered that well executed concentric diversification in the food industry has benefits in terms of lowering R&D costs, speeding up time to market, and forging connections with other enterprises. Concentric diversification, according to Tang and Tang (2019) expands the product line by introducing new items to fully utilize the capabilities of contemporary technologies and promotional strategies. Strategic fit occurs when one or more supply chain operations of different businesses are sufficiently comparable to offer a chance for the diverse organization to succeed over the long term. Concentric diversification is a comprehensive strategy that involves managing a business to capitalize on its core competencies.

Mishra and Akbar (2017) discovered that related diversification strategy-implemented groups of businesses had better value than focused or unrelated diversification strategy-implemented groups of firms. According to research by Sun, Peng, and Tan (2017), linked diversity improves company performance, whereas unrelated diversification has a statistically significant negative association with firm performance. Performance in related diversified businesses with no political ties outperformed that of specialized and unconnected businesses with no political ties. Boz, Yigit and Anil (2019) Concentric diversification has a beneficial influence on organizational performance, according to the Rumelt categorization, because of size and scope economies, market power, risk reduction, and learning curve effects. The researchers contend that because a business entity can take use of synergies that come from pre-existing links to obtain cost or differentiation benefits, related diversification leads to higher profits than unrelated diversification. The dangers associated with diversification include agency conflicts caused by managers advancing their own interests, erroneous business decisions made by corporate entities, and the administrative expenses associated with managing vast company entities.

Horizontal Product Diversification and Performance

Sambharya and Goll (2018) showed that because of different agency issues, horizontal growth frequently resulted in inferior firm performance. These include, for instance, ineffective or illogical managers, competent but self-interested managers, wasteful expenditure generally and wasted investment in underperforming divisions specifically, and, ultimately, the incapacity of the firm's internal economy to signal appropriately. Peace and Augustine (2018) asserted that horizontal diversification may increase the diversified firm's market power, which might therefore aid the company in strengthening its long-term strategic position. The relevance of synergies increases as businesses diversify. Businesses can expand without the danger of having to pay the transaction costs associated with the contractual exploitation of synergies by diversifying internally.

Ogbonna (2018) revealed that when choosing fresh and distinctive products to offer alongside the conventional product line, characteristics including geography, gender, and income level are taken into account. This strategy is typically promoted to customers as an extra perk provided by a reliable company that enables those customers to meet many needs by purchasing a larger variety of products from the company. There is a very good probability that the strategy will be effective and the business will make more money, presuming that the new products satisfy the quality and price requirements of the clients. Nwakoby, Nkiru and Ihediwa and Augustine (2018) noted that although the idea of horizontal diversification has a number of advantages for the company and its clients, there is also a potential disadvantage to take into account. This technique doesn't broaden the consumer base because the emphasis is on selling new products to the current clientele. This implies that any variables that have a negative influence on those customers' ability to make purchases will also have an undesirable effect on the volume of sales produced. Because of this, many companies will strive to diversify in ways that appeal to customers in various age, gender, and economic groups rather than relying just on horizontal diversity.

Vertical Product Diversification and Performance

Jayathilake (2018) argues that the development of market dominance is reflected in vertical integration, just like the integration of various activities throughout a value chain. Moreover, he views it as a successful countermeasure to the price of contiguous monopolies. Others believe it might encourage price discrimination or be used to drive up rivals' costs by raising the barrier to entry. Furthermore, they contend that because there is insufficient demand for specialist inputs to maintain their independent production, vertical integration is more likely in a young business. Gözgör and Can (2017) demonstrated that food processors and restaurants with vertical integration or diversification strategies were found to have considerable premiums. On the other hand, integration and diversification plans also carried sizeable premiums for food wholesalers and retail supermarkets. Food processors were employing forward vertical integration at this time because they were integrating toward retail supermarkets. Gyan, Brahmana and Bakri (2017) showed that the operational efficiency of the major US airlines was improved through vertical integration. The integrated airlines outperformed the non-integrated carriers, and their performance advantage grew, especially on days with terrible weather and crowded airports. Some of the flights were operated by regional partners who were either owned by these airlines or subject to contractual control.

Dinh, Nguyen and Hosseini (2019) claimed that a business may opt for vertical diversity over horizontal since it may provide greater risk management and protection. The business can get an income stream from an industry it has not previously been collecting from by growing vertically. Conglomerate businesses that grow vertically include General Electric and Honeywell. In this manner, the other industries in which the company operates will continue to generate income even if one area of the business suffers, such as fewer sales of jet engines.

Conglomerate Product Diversification and Performance

According to Gerry et al. (2018) the market power thesis, which asserts that if a corporation develops larger, it would be able to obtain a superior position, is the first justification for conglomerate diversification. The next strategy that has been acknowledged is the agency strategy. When managers do this, they are strengthening the firm's position and safeguarding its financial situation amid uncertain economic times. When a company has spare resources that could be used more effectively elsewhere, the third justification, known as the resource view, is in favour of diversification. As a result, conglomerate diversification is essential to ensure that a company expands the range of products it offers into unrelated markets, increasing the firm's market share, profitability, and sustainability.

Bhawe and Jha (2020) a conglomerate diversification strategy may be sought by corporations to increase their growth rate. An organization's ability to generate greater money can attract investors. As the organization grows, the management's standing and influence may improve. If the new area offers greater opportunities for expansion than the current line of business, conglomerate growth may be advantageous. An organization can diversify through acquisitions instead of using its own personnel and resources to launch a new line of business as part of the conglomerate diversification strategy. Most conglomerates diversify because they believe there is enormous potential in growing in unrelated areas. According to Bustinza, Gomes, Vendrell Herrero and Baines (2019) in the business world, it happens frequently that a struggling company will catch the eye of another organization seeking to make a substantial investment to grow operations. The companies engaged will frequently be in the same industry and may even be direct rivals, which results in "concentric diversification." Contrarily, conglomerate diversification results from the merger of two businesses with little in common, which has its own set of benefits and drawbacks.

Conceptual Framework

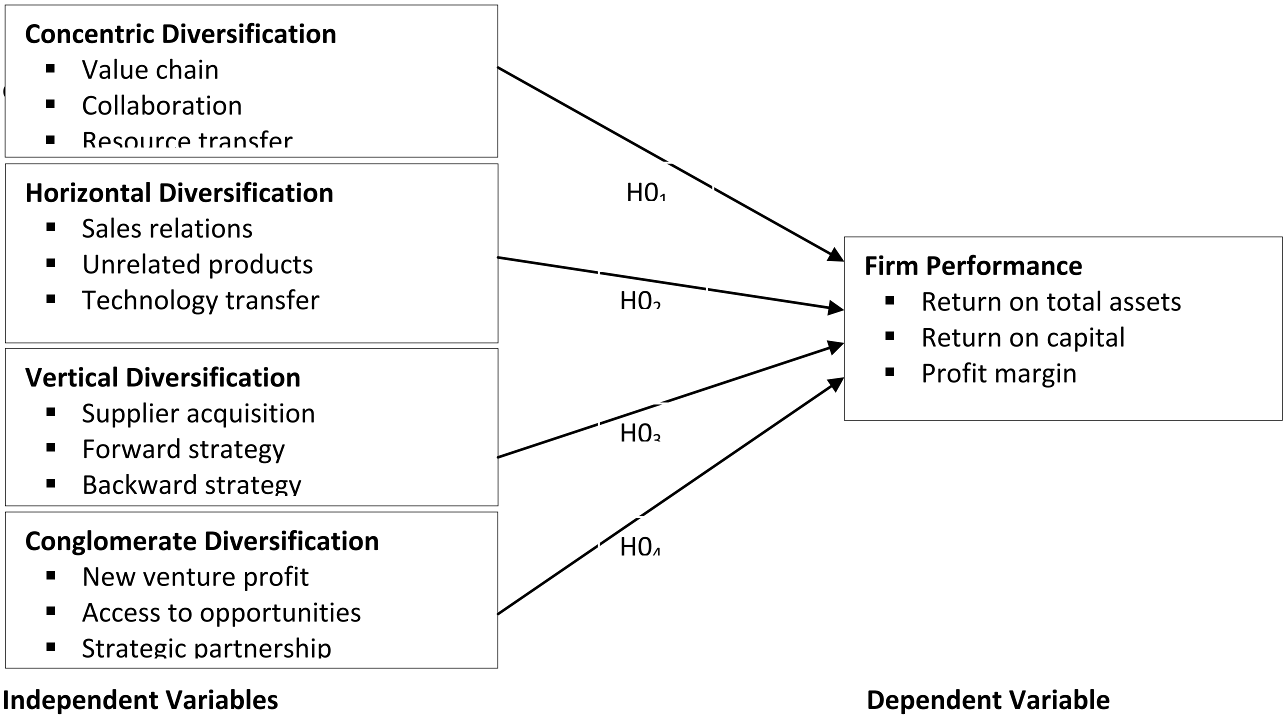

Figure 1: Conceptual Frame Work

Source: Researcher (2022)

METHODOLOGY

Research Design: This study utilized an explanatory research design (Bell, Bryman, & Harley, 2018). Cooper and Schindler (2011) claim that an explanatory research design is created for the discovery of an issue that has never been researched in detail in order to provide new explanations and enhance outcomes.

Target Population and Sample Size: The target population was 319 real estate firms in Kilifi, Kwale, and Mombasa Counties and a sample size of 177 real estate firms was arrived at using Yamane's sampling formular. Simple random sampling method was used to identify the 177 real estate firms under study.

Data Collection Instruments: Primary data was collected using a five scale Linkert scale structured questionnaire.

Data Analysis & Presentation: Collected data was sorted and coded to ensure clean data was used in the analysis of study variables. Data analysis was carried using the Statistical Package for Social Sciences (SPSS). The multiple regression model was as shown below;

FP: $\beta_0 + \beta_1 CD_1 + \beta_2 HD_2 + \beta_3 VD_3 + \beta_4 CD_4 + \varepsilon$

Where β_1, β_2, β_3 and β_4 is the regression coefficient of the independent variables

FP= Organizational perfomance

β_0 = Constant

CD_1 = Concentric diversification

HD_2 = Horizontal diversification

VD_3 = Vertical diversification

CD_4= Conglomerate diversification

ε is the error term normally distributed about a mean of zero.

DATA PRESENTATION AND DISCUSSSION

Validity and Reliability Test

Table 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.905
Bartlett's Test of Sphericity	Approx. Chi-Square	5124.160
	Df	149
	Sig.	.000

Source: Research Data (2022)

The KMO (0.905) is above the recommended minimum value of 0.7. The Bartlett's Test of Sphericity has a significant Chi square of 5124.160, $p<.001$. Together, the results suggest that the data is suitable for FA.

Table 2: Reliability Results

Factor	Number of items	Cronbach's alpha
Concentric diversification	5	.851
Horizontal diversification	5	.833
Vertical diversification	5	.875
Conglomeration diversification	5	.903
Firm performance	5	.966

Source: Research data (2023)

All the constructs had a Cronbach alpha greater than .7 thus an indication that the research instruments were reliable for use in the study.

Descriptive Statistics

Table 3: Descriptive Statistics

Variable	Mean	Std. Deviation
Concentric diversification	3.79	.846
Horizontal diversification	3.67	.992
Vertical diversification	2.45	.974
Conglomeration diversification	4.04	.687
Firm Performance	3.47	.922

Source: Research Data (2022)

The results show that majority of the respondents strongly agreed that concentric diversification, horizontal diversification, and conglomeration diversification increases real estate performance.

Correlation Analysis

Table 4: Correlation Analysis Results

		Performance	Horizontal	Vertical	Conglomerate	Concentric
Performance	Pearson Correlation	1				
Horizontal	Pearson Correlation	.693	1			
Vertical	Pearson Correlation	.701	.647	1		
Conglomerate	Pearson Correlation	.565	.487	.624	1	
Concentric	Pearson Correlation	.630	.544	.483	.388	1

**. Correlation is significant at the 0.01 level (2-tailed).b. List wise N=150

Source: Research Data (2022)

The results indicates that concentric diversification, horizontal diversification, vertical diversification and conglomeration diversification have a positive significant correlation with real estate performance. This implies that increasing any if the four variables increase real estate performance.

Multiple Regression Analysis

Model Summary

Table 5: Model Summary

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate
1	.710a	.504	.497	.600

The model summary shows that product diversification accounts for 49.7% of variance in performance of the studied companies and the rest 50.3% is accounted for by other factors outside this model.

Table 6: Analysis of Variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	102.188	4	25.547	36.86	.000[b]
	Residual	100.555	145	0.693		
	Total	202.743	149			

Source: Research Data (2022)

From the results, the F ratio is significant ($F=36.86$, $p<0.000$) indication that the model is appropriate in predicting performance from product diversification level.

Multiple Regression Coefficients

Table 7: Multiple Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients			Decision
	B	Std. Error	Beta	T	Sig.	
(Constant)	.641	.140		4.583	.000	
Concentric	.415	.064	.449	6.505	.000	Reject $H0_1$
Horizontal	.178	.059	.190	3.024	.003	Reject $H0_2$
Vertical	.152	.052	.162	2.944	.004	Reject $H0_3$
Conglomeration	.007	.058	.007	.114	.909	Do not reject $H0_4$

Source: Research Data (2022)

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Concentric product diversification, horizontal product diversification and vertical product diversification positively and significantly affect the performance of real estate firms. This implies that an improvement on any of the three will lead to an in improvement in the real estate performance. Conglomerate diversification on the other hand ha a positive but insignificant effect on performance of real estate firms.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded the following;

- Concentric product diversification positively and significantly affects the performance of real estate firms
- Horizontal product diversification positively and significantly affects the performance of real estate firms
- Vertical product diversification positively and significantly affects the performance of real estate firms
- Conglomerate product diversification positively and insignificantly affects the performance of real estate firms

The following recommendations were made;

- Real estate managers should employ concentric product diversification so as to increase their real estate performance.
- Real estate managers should employ vertical product diversification so as to increase their real estate performance
- Real estate managers should employ horizontal product diversification so as to increase their real estate performance
- Real estate managers should employ conglomerate product diversification so as to increase their real estate performance

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