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IMPACT OF DIVERSIFICATION STRATEGIES ON ORGANISATIONAL PERFORMANCE IN THE MANUFACTURING INDUSTRY: A COMPARATIVE ANALYSIS OF RELATED AND UNRELATED DIVERSIFICATION

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ABSTRACT

This study investigates the effects of related and unrelated diversification strategies on organisational performance within the Nigerian manufacturing sector. A quantitative analysis of data from 750 respondents across eight manufacturing companies reveals that related diversification significantly enhances organisational performance, explaining approximately 42% of the variance. This strategy leverages core competencies and resources to improve market share and profitability. Conversely, unrelated diversification shows a negative impact on performance, accounting for about 22% of the variance, primarily due to challenges such as lack of synergy and increased management complexity. The comparative analysis underscores the strategic advantage of related diversification and highlights the risks of unrelated diversification. The unique contribution of this study lies in its detailed examination of how different diversification strategies affect organisational performance, offering practical insights for managers in the manufacturing sector to optimize their strategic approaches. The findings provide a clear distinction between the benefits of related diversification and the pitfalls of unrelated diversification, guiding future strategic decision-making in the industry.

Keywords: Related Diversification, Unrelated Diversification, Organisational Performance, Manufacturing Sector, Strategic Management.

1.0. Introduction

In the dynamic and competitive landscape of the manufacturing industry, organisations continuously seek strategies to enhance performance and sustain growth (Teece, 2014). Diversification, as a strategic approach, enables firms to enter new markets, improve resource utilization, and mitigate risks associated with dependency on a single market or product line (Hitt, Ireland, &Hoskisson, 2017). Related diversification, where businesses expand into areas closely linked to their existing operations, has been extensively studied for its potential to

leverage existing competencies and synergies (Penrose, 1959). On the other hand, unrelated diversification, involving entry into entirely different industries, presents unique opportunities and challenges, such as accessing new markets and resources (Gertner & Scharfstein, 2012).

The significance of diversification strategies in shaping organisational performance is well-documented, yet the comparative impact of related versus unrelated diversification remains underexplored, particularly in the Nigerian manufacturing sector (Hoskisson et al., 2017). This sector faces numerous challenges including economic instability and infrastructural deficiencies, making effective diversification a crucial strategy for enhancing competitive advantage and achieving business growth (Aremu & Adeyemi, 2019). While related diversification allows firms to build on existing strengths, unrelated diversification might offer distinct performance benefits by exploring new opportunities (Kim, 2004).

The research problem addressed in this study is the comparative impact of related and unrelated diversification strategies on organisational performance in the Nigerian manufacturing industry. The study aims to determine how each diversification strategy influences key performance indicators such as sales growth, market share, and profitability (Miller & Chen, 2016). Specifically, it explores whether related diversification provides a more significant advantage through leveraging existing resources or if unrelated diversification offers superior performance by tapping into new markets and opportunities.

The objectives of this study are: (1) to analyze the effects of related diversification on organisational performance in the manufacturing sector; (2) to assess the impact of unrelated diversification on organisational performance; (3) to compare the performance outcomes associated with related and unrelated diversification strategies; and (4) to provide recommendations for manufacturing firms on the optimal diversification strategy for enhancing performance in the Nigerian context.

This research is significant as it addresses a critical gap in the existing literature by providing a comparative analysis of related and unrelated diversification strategies within the Nigerian manufacturing sector (Hitt et al., 2017). By examining the impact of these strategies on organisational performance, the study offers valuable insights for managers and policymakers navigating the complex business environment in Nigeria. The findings are expected to contribute to strategic frameworks that enhance the effectiveness of diversification initiatives, leading to improved performance and competitive advantage for manufacturing firms (Porter, 1985).

The paper is structured as follows: it begins with a comprehensive review of literature on diversification strategies and their impact on organisational performance, followed by a detailed methodology section outlining the research design and data collection procedures. The results section presents the findings of the comparative analysis, while the discussion interprets these results in the context of existing theories and practices. Finally, the paper concludes with practical recommendations for manufacturing firms and suggestions for future research in the field.

2.0. Literature Review

2.1 Conceptual Review

2.1.1. Diversification

Diversification is a growth strategy that organisations use to strengthen their competitive advantage and enhance performance amidst market uncertainties and changing economic conditions. Ansoff's (1957) strategic planning tool provides a foundational framework for understanding diversification within the broader context of growth management. The Ansoff Matrix outlines four key growth strategies: market penetration, market development, product development, and diversification, also known as the Product/Market Expansion Grid. Market penetration involves promoting existing products within existing markets. This strategy is characterized by relatively low risk as it does not require substantial investment and primarily focuses on increasing market share with current products. This approach is effective in growing the customer base within known markets, leveraging existing resources and marketing efforts. Market development targets new markets with existing products. This strategy involves introducing existing products to previously untapped markets or customer segments. It allows organisations to find new revenue streams with minimal investment, utilizing current products to appeal to new audiences. Product development focuses on creating new products for existing markets. This strategy includes the innovation of new products or modifications to existing ones to meet the needs of current markets. It aims to enhance the product portfolio and strengthen market position by offering updated or novel products to existing customers. Diversification, the fourth quadrant of the Ansoff Matrix, involves expanding into new industries or markets with new products. It is a higher-risk strategy compared to the other three due to its requirement for significant investment and the challenges of entering unfamiliar territories. Diversification is categorized into two types: related and unrelated diversification.

2.1.1.1 Related Diversification

Related diversification occurs when a company expands into a new industry that has significant similarities with its existing business operations. This type of diversification leverages synergies between the new and existing business areas, such as shared resources, capabilities, and market presence. Scholars define related diversification as follows. Tanriverdi and Venkatraman (2005) explain that related diversification involves entering a new industry that shares similarities with the firm’s existing industry, potentially utilizing common sales forces, joint advertising, and shared branding. According to Johnson, Scholes, and Whittington (2015), this strategy extends beyond the firm's current products and markets but remains within its value system or industry. Chen and Shyu (2011) describe related diversification as expanding business operations into similar product lines or within the same industry. Su and Tsang (2015) further clarify that it involves developing new products in the same business line or industry, either jointly or individually. According to Akkermans (2010), related diversification can enhance performance through resource sharing and the transfer of expertise across related business units, leading to potential cost reductions and operational efficiencies. Companies such as Apple Inc. and Nestlé Nigeria PLC exemplify successful related diversification by expanding their product lines while maintaining core competencies, which has led to increased market presence and profitability.

2.1.1.2 Unrelated Diversification

Unrelated diversification involves expanding into business areas that have no strategic fit with the firm's existing operations. This strategy aims to reduce risk and explore new growth opportunities by operating in diverse markets with no direct connection to the company's core competencies. Definitions and perspectives on unrelated diversification abound. According to Grossman (2011), unrelated diversification is described as entering markets that are unrelated to the firm's current operations. Haim (2013) defines it as involving diversification into businesses that have no strategic relationship to existing operations. Castaner and Kavadis (2013) explain that unrelated diversification extends operations into different businesses with limited common resources. Su and Tsang (2015) describe it as cross-industry diversification that lacks significant similarities to the firm's existing industries**.** Unrelated diversification can offer opportunities for growth by spreading risks across different sectors and accessing new markets (Akewusola, 2015). Examples include Unilever Nigeria PLC, which operates in various product categories, and Amazon, which has diversified into multiple retail and service sectors. Despite its potential benefits, unrelated diversification can be challenging and may lead to excessive risk if not managed carefully. The impact of unrelated diversification on organisational performance varies among scholars, with some observing potential for growth and innovation, while others caution against the risks of excessive diversification (Le, 2019; Sadler, 2003; Pinheiro, Hartmann, Boschma, &Hidaigo, 2022). In conclusion, diversification strategies—whether related or unrelated—play a crucial role in organisational growth and competitive positioning. They offer various benefits, including risk reduction, enhanced market presence, and increased profitability, but require careful consideration and strategic planning to maximize their effectiveness.

2.1.2 Organisational Performance

Organisational performance is a multifaceted concept explored through various lenses, highlighting both financial and non-financial factors. Anwar, Shah, and Hasnu (2016) identify a wide range of performance indicators, including management quality, employee talent, and sales growth, underscoring the need for a comprehensive evaluation. Oladimeji and Udozien (2019) emphasize the importance of translating strategy into operational effectiveness and aligning organisational operations with strategic goals. Santos and Brito (2012) distinguish between one-dimensional and multidimensional approaches, with the latter capturing facets such as profitability and employee satisfaction. Financial measures, including profitability metrics like Return on Assets (ROA) and Return on Investment (ROI), are crucial for assessing organisational success (Carton & Hofer, 2005; Nimalathasan, 2009; Nguyen et al., 2020). In this study, Growth of Sales, Employee's Job Satisfaction, and Employee's Productivity are used to provide a balanced view of performance, integrating both financial outcomes and internal workforce dynamics to evaluate the impact of related and unrelated diversification strategies comprehensively.

2.2. Theoretical Framework

This study is anchored in the Resource-Based View (RBV) theory and Modern Portfolio Theory (MPT), offering a comprehensive theoretical framework to explore the effects of related and unrelated diversification on organisational performance. The Resource-Based View (RBV) theory, as articulated by Barney (1991) and grounded in the work of Penrose

(1959), underscores that a firm's competitive advantage stems from its unique, valuable, and difficult-to-imitate resources. In the context of diversification, RBV suggests that related diversification—expanding into industries or markets closely linked to a firm's existing capabilities—can leverage these unique resources more effectively. By integrating related activities, firms can exploit synergies, share resources, and achieve economies of scale, thereby enhancing performance and competitive advantage. Conversely, unrelated diversification involves venturing into industries with no strategic connection to existing operations. From an RBV perspective, this type of diversification may not fully utilize a firm's core competencies or resources, potentially leading to less efficient resource utilization and diminished performance.

Modern Portfolio Theory (MPT), as developed by Markowitz (1959) and elaborated by Mangram (2013), provides insights into how diversification impacts risk and return. MPT emphasizes the importance of portfolio diversification to manage risk, suggesting that firms should balance their investment across various assets to achieve optimal returns while minimizing risk. Applied to organisational diversification, MPT implies that related diversification may offer a better risk-return profile by capitalizing on synergies and shared resources within a related industry. In contrast, unrelated diversification may be seen as a strategy to spread risk across different sectors but might not provide the same level of strategic fit or resource utilization. This theory supports the notion that while related diversification can enhance performance through strategic alignment and resource synergy, unrelated diversification may offer risk reduction benefits but potentially at the cost of strategic coherence and performance efficiency.

2.3. Empirical Review

2.3.1. Related Diversification

Oladimeji and Udosen (2019) found that related diversification positively impacts Return on Assets (ROA) and Return on Investment (ROI), whereas unrelated and hybrid diversifications were more beneficial for Return on Equity (ROE). Their study, covering 31 organisations listed on the Nigerian Stock Exchange over 20 years, revealed that diversified organisations generally outperformed undiversified ones in terms of ROA and ROI. This underscores the potential of related diversification to enhance growth and profitability. Abdurahman and Simba (2019) examined corporate diversification's effect on strategic performance at Hashi Energy Ltd and found that related diversification led to higher profits compared to unrelated diversification. Their study indicated a significant positive relationship between related diversification and organisational performance, suggesting that diversifying into related businesses can offer higher incremental value.

Wodu and Nwaeke (2012) investigated the effect of diversification on corporate performance, noting that it helps increase market share and profitability. Similarly, Marangu, Oyagi, and Gongera (2014) found that concentric (related) diversification positively impacted competitiveness in the sugar industry in Kenya. Nwaksby and Ihediwa (2018) explored the effect of related diversification on financial performance, showing a consistent positive relationship with financial performance, while business diversification had a negligible effect.

This supports the idea that related diversification may be more beneficial for financial performance.

2.3.2. Unrelated Diversification

Oyedijo (2012) found that while related diversification had a positive correlation with financial performance, unrelated diversification had a negative but insignificant impact. This suggests that unrelated diversification may not significantly contribute to financial performance or growth. Patrisia and Dastgir (2017) examined the relationship between business diversification and Corporate Social Performance (CSP) in Indonesia. Their study found that unrelated diversification had a positive statistical relationship with CSP, while related diversification had no significant impact.

Ellouze and Mnasri (2020) found that business group diversification improved firm performance only if it surpassed a certain threshold. Their study highlighted the potential benefits of diversification for firms facing financial constraints but noted that such benefits are conditional. Gaur, Mukherjee, Gaur and Schmid (2011) found a significant negative relationship between the degree of diversification and firm performance, indicating that highly diversified firms may face inefficiencies. Chang and Wang (2007) also noted that excessive product diversification could negatively impact firm performance.

Research indicates varied impacts of diversification on different performance metrics. For example, Oladimeji and Udosen (2019) reported that related diversification benefits ROA and ROI, while unrelated diversification affects ROE. However, other studies like Oyedijo (2012) and Gaur et al., (2011) highlight that unrelated diversification may not significantly enhance financial performance, suggesting inconsistencies in how diversification affects different performance measures. While some studies show that related diversification enhances growth and profitability (e.g., Abdurahman & Simba, 2019), others indicate that diversification, particularly unrelated diversification, may lead to inefficiencies and lower performance (e.g., Gaur et al., 2011). This reflects a lack of consensus on the relationship between diversification and profitability. Ellouze and Mnasri (2020) suggest that the benefits of diversification are conditional, highlighting that its impact on performance depends on surpassing a certain threshold. This indicates that the effectiveness of diversification strategies may vary based on firm-specific factors and conditions, which is not always considered in existing studies. The literature presents mixed results across different geographical regions and sectors. For example, studies in Nigeria (e.g., Oladimeji &Udosen, 2019) and Kenya (e.g., Marangu et al., 2014) show varied impacts, which may not be directly applicable to other contexts. This highlights the need for context-specific research to understand the effects of diversification in different environments.

The research methods employed vary widely, from quasi-experimental designs (Oladimeji &Udosen, 2019) to descriptive studies (Abdurahman & Simba, 2019) and meta-analyses (Bausch and Pils, 2009). This variability may contribute to the inconsistencies in findings, emphasising the need for standardized approaches to assess diversification strategies. These gaps and inconsistencies suggest a need for further research to clarify the relationship between related and unrelated diversification and organisational performance, particularly in

the Nigerian manufacturing sector. This study aims to address these gaps by providing a comparative analysis of the effects of different diversification strategies on organisational performance.

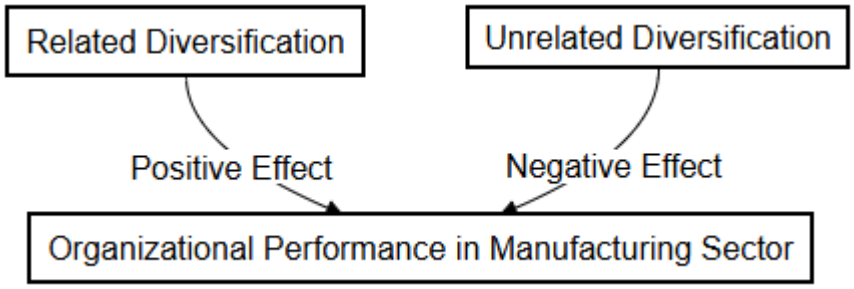
2.4. Hypothesis Formulation

The empirical evidence indicates that related diversification often leads to improved organisational performance. Studies such as Oladimeji and Udosen (2019) reveal that firms engaging in related diversification experience enhanced Return on Assets (ROA) and Return on Investment (ROI), suggesting that such diversification strategies lead to better profitability and efficiency. Abdurahman and Simba (2019) further support this by showing that related diversification results in higher profits compared to unrelated diversification, highlighting its potential to offer incremental value. Additional research by Wodu and Nwaeke (2012) and Marangu, Oyagi, and Gongera (2014) confirm that related diversification positively impacts market share and competitiveness. This is echoed by Nwaksby and Ihediwa (2018), who find a consistent positive relationship between related diversification and financial performance. These findings collectively underline the strategic advantage of related diversification in enhancing growth and profitability, making it a worthwhile area for further exploration.

2.4.1 Hypothesis 1: Related diversification has a positive effect on organisational performance in the manufacturing sector

In contrast, the impact of unrelated diversification on organisational performance is less consistent. Oyedijo (2012) reports a negative but insignificant effect on financial performance, suggesting that unrelated diversification does not significantly contribute to improved financial outcomes. Patrisia and Dastgir (2017) find that while unrelated diversification has a positive statistical relationship with Corporate Social Performance (CSP), it does not translate into better financial performance. Ellouze and Mnasri (2020) emphasize that the benefits of diversification, including unrelated diversification, are conditional and depend on surpassing certain thresholds. Additionally, Gaur et al., (2011) and Chang and Wang (2007) highlight that excessive or unrelated diversification can lead to inefficiencies and negatively impact firm performance. This body of research suggests that unrelated diversification might be less effective or even detrimental to organisational performance, emphasizing the need to carefully evaluate its potential risks and rewards.

2.4.2 Hypothesis 2: Unrelated diversification has a negative effect on organisational performance.



The conceptual diagram illustrates two hypotheses: "Related Diversification" is expected to have a positive effect on "Organisational Performance in the Manufacturing Sector," while "Unrelated Diversification" is anticipated to have a negative effect on the same performance outcome.

3.0. Methodology

3.1. Research Design

An ex-post facto research design was employed, examining existing data from annual reports and financial bulletins to predict effects based on pre-existing conditions that the researcher cannot manipulate. This design is appropriate for analyzing differences between pre-existing groups regarding organisational performance.

3.2. Area of Study

The study focuses on eight manufacturing industries in Southwest Nigeria, listed on the Nigerian Exchange Group (NGX Group) from 2011 to 2020. These industries include Flour Mills Nigeria Plc, Dangote Sugar Refinery Plc, Fidson Health Care Plc, May and Baker Plc, Nigeria Breweries Plc, International Breweries Plc, UAC Nigeria Plc, and Unilever Nigeria Plc. The sectors represented are food and beverages, breweries, health care/pharmaceuticals, and conglomerates, specifically within Lagos, Ogun, and Osun states.

3.3. Population and Sampling Technique

The study encompasses 22 manufacturing industries within the specified sectors. Stratified random sampling was used to ensure representation from top, middle, and lower management levels across selected industries. From each sector, two industries were chosen, totaling eight for the study. A sample size of 905, representing 50% of the total population, was determined to ensure comprehensive representation across management levels.

3.4 Data Collection

Primary data were collected through a structured Likert scale questionnaire divided into six sections: demographics, related diversification, unrelated diversification, material resource, human resource, and organisational performance. Secondary data were sourced from annual reports and financial statements covering liquidity, profitability, and turnover ratios.

3.5. Data Analysis

Descriptive statistics, including frequency distributions and percentages, were used to analyze demographic characteristics. Inferential statistics, specifically Analysis of Variance (ANOVA), were employed to test the hypotheses concerning the impact of related and unrelated diversification on organisational performance.

3.6. Validity and Reliability

The research instrument underwent face and content validity checks by experts, and convergent and discriminant validity were confirmed with factor loadings and Average Variance Extracted (AVE) values. Reliability was assessed using Cronbach's alpha, with values ranging from 0.737 to 0.941, indicating high internal consistency. This methodology allows for a thorough examination of how diversification strategies impact organisational

performance in the manufacturing sector, providing a robust framework for analyzing both related and unrelated diversification effects.

4.0. RESULTS AND DISCUSSION

4.1 Response Rate of Questionnaires Distributed to Respondents

Questionnaire Status	Frequency (N)	Percentage (%)
Completed	750	82.9
Not Completed	155	17.1
Total	**905**	**100.0**

Source: Author's Compilation 2024

The response rate for the study was 82.9%, with 750 out of 905 distributed questionnaires completed and returned. This high response rate indicates strong participation among the surveyed employees across eight manufacturing industries in Southwest Nigeria.

4.2. Response Rates by Manufacturing Industries

S/N	Manufacturing Industry	No. of Questionnaires Administered	No. of Questionnaires Retrieved
1	Flour Mills Nig Plc	122	92
2	Dangote Sugar Refinery Plc	111	90
3	Fidson Health Care	112	98
4	May and Baker	106	90
5	Nigeria Breweries Plc	117	96
6	International Breweries Plc	106	90
7	UAC Nig Plc	116	96
8	Unilever Nig Plc	105	98
	Total	**905**	**750**

Source: Author's Compilation 2024

The breakdown of response rates shows that the majority of responses were retrieved from the manufacturing industries surveyed, reflecting a robust engagement with the questionnaire.

4.3. Demographic Characteristics of the Respondents

Variable	Category	Frequency	Percentage (%)
Sex	Male	419	55.9
	Female	331	44.1
Age	18-25	115	15.3
	26-35	181	24.1
	36-45	247	33.0
	46-55	153	20.4
	56 and above	54	7.2
Marital Status	Single	196	26.1
	Married	518	69.1

	Divorced	5	0.7
	Separated	31	4.1
Educational Background	Primary	0	0.0
	Secondary	126	16.8
	Tertiary	624	83.2
Cadre	Top Management	42	5.6
	Middle Management	200	26.7
	Low Management	508	67.7
Department	Sales	201	26.8
	Marketing	114	15.2
	Personnel	94	12.5
	Production	125	16.7
	Resource Management	101	13.5
	Accounting	115	15.3
Years of Experience	0-10	357	47.6
	11-20	296	39.5
	Above 20	97	12.9
Diversification Type	Related	523	69.7
	Unrelated	227	30.3
Diversification Level	Low	63	8.4
	Medium	393	52.4
	High	294	39.2

Source: Author's Compilation 2024

The demographic data provides a comprehensive overview of the respondent profile. Notably, there is a higher representation of males (55.9%) compared to females (44.1%). The majority of respondents is within the age group of 36-45 years (33.0%) and has tertiary education (83.2%). The distribution across different management levels shows a predominance of low management (67.7%) and a significant number of respondents with 0-10 years of experience (47.6%). Diversification type data indicates a higher focus on related diversification (69.7%) compared to unrelated diversification (30.3%).

4.4 Factor Analysis

Table 4.4.1: Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity

Test	**Value**
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.591
Bartlett's Test of Sphericity: Approx. Chi-Square	529.052
Bartlett's Test of Sphericity: Degrees of Freedom (df)	10
Bartlett's Test of Sphericity: Significance (Sig.)	0.000

Source: Author's Compilation 2024

Bartlett's Test of Sphericity shows a significant result ($p < 0.01$), indicating that the correlation matrix is not an identity matrix and thus supports factor analysis. The KMO value of 0.591 is moderately high, suggesting that the data is suitable for factor analysis.

Table 4.4.2 Communalities

Variable	Initial	Extraction
Organisational Performance	1.000	0.882
Related Diversification	1.000	0.638
Unrelated Diversification	1.000	0.387
Material Resource	1.000	0.739
Human Resource	1.000	0.691

Source: Author's Compilation 2024

Communalities show how much variance in each variable is accounted for by the factors. High communalities, except for Unrelated Diversification (0.387), indicate that the factors adequately represent the variables.

Table 4.4.3 Total Variance Explained

Component	Initial Eigenvalues	Extraction Sums of Squared Loadings
	Total	% of Variance
1	1.947	38.939
2	1.090	21.799
3	0.972	19.435
4	0.579	11.582
5	0.412	8.244

Source: Author's Compilation 2024

The initial eigenvalues and extracted components reveal that three components account for 80.173% of the variance. This suggests that these components explain most of the variability in the data.

Table 4.4.3 Component Matrix

Variable	Component 1	Component 2
Organisational Performance	0.189	0.920
Related Diversification	0.524	-0.252
Unrelated Diversification	0.544	-0.302
Material Resource	0.852	-0.112
Human Resource	0.784	0.277

Source: Author's Compilation 2024

Component loadings indicate the strength and direction of the relationships between variables and components. High loadings on Component 2 for Organisational Performance suggest it is a significant factor in explaining variance in the data.

4.5 Hypothesis Testing

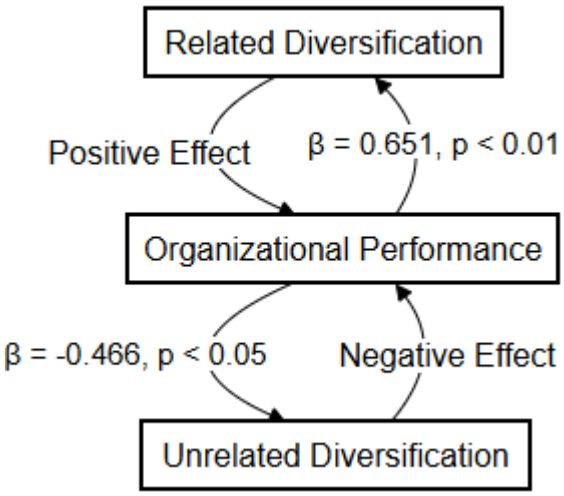
Hypothesis 1: "Related Diversification is expected to have a positive effect on Organisational Performance in the Manufacturing Sector."

Table 4.5.1 The effect of related diversification on organisational performance

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

Source: Author's Compilation 2024

The analysis shows that related diversification significantly positively affects organisational performance, with an F-ratio of 11.988 and a p-value of 0.000. The R^2 value of 0.424 indicates that about 42.4% of the variance in organisational performance is explained by related diversification. Thus, the hypothesis is supported.



Hypothesis 2: "Unrelated Diversification is anticipated to have a negative effect on Organisational Performance in the Manufacturing Sector."

Table 4.5.2 The effect of unrelated diversification on organisational performance

Variables	F-Ratio	Sig. of P	R	R^2	Adj R^2	B	t	P	Remark
Unrelated Diversification	11.982	.022	-0.466	.217	.208	-0.466	-1.991	.022	Significant

Source: Author's Compilation 2024

The analysis reveals a significant negative effect of unrelated diversification on organisational performance, with an F-ratio of 11.982 and a p-value of 0.022. The R^2 value of 0.217 indicates that approximately 21.7% of the variance in organisational performance is explained by unrelated diversification. Thus, the hypothesis that unrelated diversification negatively affects organisational performance is supported.

Table 4.5.3 Regression Analysis of Diversification Strategies on Organisational Performance

Variable	F-Ratio	Sig of P	R	R^2	Adj R^2	B	T	P
Related Diversification	15.445	.000	.577	.333	.327	.217	3.094	.002
Unrelated Diversification	-	-	-	-	-	-.283	-2.149	.032

Source: Author's Compilation 2024

The regression analysis reveals distinct effects of related and unrelated diversification strategies on organisational performance in the manufacturing industry. The results indicate that related diversification has a positive and statistically significant impact on performance, with a β value of 0.217 ($p < 0.01$). This suggests that firms engaging in related diversification strategies tend to experience enhanced performance. The positive association implies that when organisations diversify into areas closely related to their core activities, they can leverage existing capabilities and synergies, which likely contributes to improved performance outcomes. In contrast, unrelated diversification shows a negative and statistically significant effect on organisational performance, with a β value of -0.283 ($p < 0.05$). This negative relationship suggests that firms pursuing unrelated diversification strategies may face challenges that detract from their performance. The results imply that diversification into areas unrelated to the company's core business could lead to inefficiencies or reduced focus, ultimately harming organisational performance. Overall, the findings underscore the effectiveness of related diversification in enhancing performance while highlighting the potential drawbacks of unrelated diversification. Firms seeking to improve their performance should consider focusing on related diversification strategies, which appear to offer better alignment with their core competencies and business objectives.

4.6. Discussion of Findings

Examining the impact of related and unrelated diversification strategies on organisational performance in Nigerian manufacturing industries reveals critical insights that underscore the strategic implications of these approaches. The study's findings confirm that related diversification positively influences organisational performance ($\beta = 0.651$, $p < 0.01$), reflecting the significant benefits of aligning new ventures with existing business operations. This outcome supports the strategic rationale that related diversification enables firms to leverage existing resources, capabilities, and market knowledge to enhance performance (Antoncic (2006), Hashai, 2015). For instance, related diversification allows firms to exploit synergies and economies of scale, as evidenced by the substantial R^2 value of 0.424, indicating that related diversification explains 42% of the variance in performance outcomes. This result aligns with Wodu&Nwaeke (2012), who argue that firms pursuing related diversification can achieve a competitive advantage by building on their core competencies and reducing operational inefficiencies.

Furthermore, related diversification facilitates improved resource allocation and market positioning, contributing to increased profitability and growth (Marangu, Oyagi&Gongera, 2014). This is consistent with the findings of Nwaksby&Ihediwa (2018), who highlight the strategic benefits of related diversification in enhancing organisational performance through

strengthened core capabilities. The positive impact of related diversification observed in this study underscores its value as a growth strategy, reinforcing the arguments of John & Adebayo (2013) and Massaro, Dumay and Bagnoli (2015) that such strategies can lead to substantial performance gains when effectively implemented.

In contrast, unrelated diversification demonstrates a significant negative effect on organisational performance ($\beta = -0.466$, $p < 0.05$). This finding indicates that while unrelated diversification might offer risk reduction through diversification into distinct markets or industries, it often leads to operational and strategic challenges that detract from overall performance. The negative R^2 value of 0.217 reveals that unrelated diversification explains only a moderate portion of the variance in performance, highlighting its less favorable impact compared to related diversification. The detrimental effects of unrelated diversification can be attributed to several factors. Firstly, unrelated diversification often results in a lack of synergy between diversified business units, leading to inefficiencies and resource misallocation (Chang and Wang 2007; Gaur et al., 2011). This is supported by the observations of Hameed, Iqbal and Qadeer (2012) who find that unrelated diversification may lead to operational difficulties and reduced focus on core business areas. Additionally, the capital-intensive nature of unrelated diversification and its potential to spread organisational resources too thinly can hinder performance outcomes (Oyedijo, 2012; Phung and Mishra, 2016). The findings of Lawal, Abiola & Oyewole (2015) and Ellouze&Mnasri (2020) further reinforce the view that unrelated diversification can introduce complexities that impede effective management and performance. Overall, the study highlights the strategic value of related diversification in enhancing organisational performance while cautioning against the potential pitfalls of unrelated diversification. The positive effects of related diversification suggest that firms should prioritize strategies that align with their existing capabilities and market strengths. Conversely, the negative impact of unrelated diversification underscores the need for careful evaluation and management to avoid performance drawbacks associated with misaligned business units. These insights offer valuable guidance for both practitioners and researchers in optimizing diversification strategies to achieve better organisational outcomes in the manufacturing sector.

5.0. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

The study's investigation into the effects of related and unrelated diversification on organisational performance in the Nigerian manufacturing sector yields significant implications for strategic management and business practice. The positive influence of related diversification on organisational performance highlights its strategic value in the manufacturing sector. By leveraging existing core competencies and resources, firms can achieve operational synergies, streamline processes, and enhance overall performance. Related diversification allows organisations to build on their established strengths, leading to increased efficiency, growth, and competitive advantage (Massaro et al., 2015, Phung and Mishra 2016; Wodu&Nwaeke, 2012). This strategy enables firms to expand their market presence and improve profitability while maintaining a strategic focus aligned with their existing capabilities. The evidence supports the view that related diversification facilitates

sustainable growth and operational effectiveness by capitalizing on existing resources and expertise (Boschma and Capone 2015; John & Adebayo, 2013).

Conversely, the negative impact of unrelated diversification underscores the potential risks and challenges associated with this strategy. Unrelated diversification often leads to inefficiencies and diluted focus, as firms struggle to integrate and manage disparate business units effectively (Chang and Wang 2007; Gaur et al., 2011). The lack of synergy between unrelated ventures can impede performance and resource allocation, making this strategy less favorable for achieving desired organisational outcomes (Igbal, Hameed & Qadeer, 2012; Oyedijo, 2012). The study implies that firms should exercise caution when pursuing unrelated diversification, emphasizing the need for robust strategic planning and risk management to mitigate potential drawbacks and ensure alignment with the firm's core objectives (Lawal, Abiola & Oyewole, 2015; Phung & Mishra, 2016).

This study, while providing valuable insights into the impact of diversification strategies on organisational performance in the Nigerian manufacturing sector, is not without its limitations. The reliance on cross-sectional data from a specific geographic region and sector may limit the generalizability of the findings to other contexts or industries. Additionally, the study's focus on quantitative measures may overlook qualitative factors such as managerial perspectives and organisational culture that could influence diversification outcomes. Future research could benefit from longitudinal studies to examine the long-term effects of diversification strategies, as well as from comparative studies across different industries or regions to enhance generalizability. Moreover, incorporating qualitative methods could provide a more comprehensive understanding of the underlying mechanisms and contextual factors influencing the effectiveness of related and unrelated diversification.

5.2 Recommendations

For manufacturing firms in Nigeria, the findings of this study underscore the critical importance of adopting a strategic focus on related diversification to boost organisational performance. Companies should strategically align new ventures with their core competencies and existing operations. This alignment allows firms to capitalize on their established strengths and market positions, potentially leading to enhanced growth, increased market share, and improved profitability (Marangu, Oyagi&Gongera, 2014). Specifically, firms are encouraged to pursue opportunities that complement their existing product lines, operational processes, and customer base. This can lead to synergies that optimize resource utilization and reduce operational costs, ultimately driving superior performance.

Conversely, unrelated diversification requires cautious evaluation. The study highlights that while unrelated diversification can offer risk-spreading benefits, it often introduces complexities that can negatively affect performance. Firms should engage in rigorous strategic analysis and risk management when considering unrelated diversification. This involves assessing the potential for operational inefficiencies, misalignment with core competencies, and the challenges of managing diverse business units (Ellouze&Mnasri, 2020; Ajao &Kokumo-Oyakhire, 2021). A well-defined strategic framework and robust risk management

practices are essential to mitigate potential downsides and ensure that any diversification efforts align with long-term organisational goals.

Overall, the study provides actionable insights for decision-makers in the Nigerian manufacturing sector. By prioritizing related diversification, firms can strengthen their competitive positioning and leverage their existing capabilities to drive growth. At the same time, a prudent approach to unrelated diversification—characterized by careful strategic planning and risk assessment—can help avoid inefficiencies and performance setbacks. Embracing these recommendations will enable manufacturing firms to optimize their diversification strategies, enhance operational effectiveness, and achieve sustained competitive advantage in a dynamic market environment.

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