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DIVERSIFICATION STRATEGIES AND FINANCIAL PERFORMANCE IN MOBILE TELECOMMUNICATION INDUSTRY, KENYA: A CASE OF SAFARICOM PUBLIC LIMITED COMPANY

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT OPTION) OF KENYATTA UNIVERSITY

Abstract: **Over the past two decades firms have had a turbulent business environment owing to several factors that directly affect how they conduct their normal business. As such they have had to adopt different strategies to ensure that they survive in the long run. The specific objectives were to examine the effect of horizontal, concentric and conglomerate diversification strategies on financial performance in the mobile telecommunication industry. This research could be of importance to the management of the telecommunication companies, to future scholars and as reference material for further studies in this area. The study used four main theories namely, Resource based view theory, Ansoff theory, transaction cost theory and the agency theory. The research used descriptive design. In order to determine the sample population, proportionate stratified sampling method was employed. The total target population was 490 and a sample of 30% was drawn with the sample size being 147. Analysis for collected data was then done using descriptive statistics and presented using charts, graphs and tables. The relationship between the study variables was analyzed using simple regression analysis and correlation analysis. Validity was determined by use of well-structured questionnaires with both open and close ended questions. Reliability on the other hand was guaranteed by subjecting the questionnaire to a pretest in a pilot study. Data was collected using questionnaires and through a data sheet for secondary data. Collected information was analysed using inferential and descriptive data with the aid of SPSS. Results were computed using standard deviation, means, percentages, tables and frequencies. The study revealed a significant strong positive correlation between concentric diversification and financial performance of the firm (r=0.665, p=0.00). Further, significant strong positive correlation between financial performances of the firm and conglomerate diversification (r=0.732; p= 0.00) was established by the study. The study also found a significant positive correlation between financial performance of the firm and internal diversification (r= 0.727, p= 0.000). Additionally, the study established a significant strong positive correlation between financial performances of the firm and horizontal diversification (r= 0.704; p= 0.000). Based on the aggregated means for each variable and the inferential statistics, conglomerate diversification was the most significant diversification strategy employed by Safaricom Public limited company. Thereby depicting Safaricom Public limited company as an innovative firm that keeps on adding new products and services to its existing products and services. Research recommends that Mobile Telecommunication companies' managers must invest in diversification strategies to increase their income sources. This will ensure that the firm has a stable income in the event that one or two of its revenue streams are affected.**

Keywords: **mobile telecommunication industry, telecommunication companies, Safaricom Public limited company.**

Abbreviations and Acronyms:

ARPU Average Revenue per User

CAK Communication Authority of Kenya

GSM Global System for Mobile Communication

RBV Resource Based View

ISSN International Standard Serial Number

MVNO Mobile Virtual Operating Networks

PLC Public Limited Company

1. INTRODUCTION

1.1 Background to the Study

The present economy and its globalization have rapidly influenced business competitiveness and survival ratings within the telecommunications industry. The telecommunications industry needs to develop future strategic moves and change to a more adaptive business framework, and strategic plans are one of those methods used in managing such environmental changes (Baum & Wally, 2003). Competitive strategies include all corporate acts to maintain competitiveness and develop a wider customer base (Thompson & Strickland, 2010). According to Porter (2000) there are several ways to develop competitive strategy: strategy of low-cost management, strategy of differentiation and focusing on a certain market. Lester (2009) added that; the competitive strategy influences the firms' goals and profitability.

Diversification is outlined as a firms' entry into new lines of business (Homburg, Krohmer & Workman, 2015), involving both operations and markets (Ibrahim & Kaka, 2007). The relevance of diversification is realized in how it elevates the opportunities for business and increases its sources of profitability. Palepu (2012) reinforces the importance of diversification strategies to the overall strategy of a firm. Given its considerable interest to academicians and managers, changing markets makes diversification important for growing firms to stay relevant (Teo, 2001). The connectedness of diversification to corporate financial performance is a highly researched topic in strategic management. There however seems to be insufficient knowledge that may be unreliable, with a variance of results that brings about contradictory interpretations (Mohindru & Chander, 2007).

1.1.1 Financial Performance

Neely, Gregory and Platts (2015) defines financial performance as the resulting outcome of efficiency and effectiveness a firm has put in its resource utilization. As a result, according to Lebas (2016), performance evaluation is the transformation of the dynamic reality of performance into ordered symbols that can be connected and relayed under similar conditions. Performance assessment is a vital part of business development. This concept is like that of Bititci, Carrie, and McDevitt (2017), who described performance management as a mechanism aimed at aligning organizational goals, priorities, and functions. The company's success is reflected in the financial statement, according to Herly and Sisnuhadi (2019). A high-performing business would affirm management's commitment to quality transparency in this regard.

Financial performance includes the following tenets of measurement; revenue, profits, market position, cash flow, and earnings per share, returns on investment. It is said that an organization's capabilities promote positive returns. A good example is the performance management capability to influence financial performance by enabling the review of actions and taking corrective measures by leaders in a timely fashion. For purpose of this study, performance of Safaricom will be measured in financial terms that includes return on assets, market share, return on investment and operating cash flow.

1.1.2 Diversification Strategy

Diversification is a scheme to extend a firms' operations beyond its existing scope. The main aim for diversification for most firms may be to extend its resources (economies of scope), to develop its markets and increase its customer base by diversifying products and services. The result is diversifying its risks and losses by cross-subsidizing surpluses earned from the different ends of its varied business (Luo & Liu, 2009). Diversification can be implemented through corporate development beyond present product or service offerings into newer markets within the company value network (concentric strategy). It can also be carried out through developing a conglomerate strategy by creating products/services further from its current value network (Johnson, Scholes, & Whittington, 2009). Related diversification results in the realizations of scope of economies and economies of integration and the collaborative economies are the sole benefits. This is achieved through common channels of distribution, advertising, and communication. Porter (1980) distinguishes the horizontal strategy of shared activities as most viable since it adds more value to the value chain as a result of established tangible interrelationships. Unrelated diversification on the other hand is often considered as a way of achieving financial synergy and the financial gains of an internal capital market.

Concentric diversification alternatively, involves dealing with extra business that benefits from the basic operations of the firm. A firm is said to have adopted concentric diversification when it has developed new products and services within its line of business in the recent past – mostly a year. These could be clustered under four classes namely, business results, business yields, qualitative indicators and capacity. Profit is the result indicator and as production increases this implies the business is growing (Olomi, 2004). The capacity indicators including capital investment, business assets, workforce and production capacity indicate the business potential to yield output and this outcome.

The indicator of conglomerate/unrelated diversification strategy is new lines of business created by the company for instance a banking organization deciding to venture into telecommunication industry. In order for unrelated diversification to be of benefit to the shareholders, there is need for a diversified business portfolio to support the set goals (Burns, 2013).

1.1.3 Telecommunication Industry in Kenya

For many years, the telecommunication industry in Kenya has had very little or otherwise slow growth in terms of the number of companies. The industry is made of 4 major players namely Safaricom, Airtel, Telkom and Finserve that provide several communication services such as telephony, infrastructure support, mobile money services and internet. According to CAK Annual Report (2013), the telecommunication industry accounted for more than 6% of the annual Gross Domestic Product for the year. This industry enabled the rapid economic growth witnessed in the year. Subscriptions for mobile telephony in the country has grown 100-fold since the year 2000 (O'Dea 2021). This is attributed to the fact that people own more than one SIM card in Kenya because of the competitive price offering by the different players for the diverse services they offer. As at the end of the year 2019, active mobile money subscriptions stood at 29.7 million which reprsents 64% of the population. Similarly, voice traffic for local operators increased by close to a half billion minutes from 13.9 billion to 14.3 billion minutes in the same period under review. These statistics indicate that mobile telephony in Kenya has become a necessity in the daily lives of the populace. As at January 2020, there were 22.86 million internet users in the country, this being an increase of 16% from the previous year. This figure represents 43% of the population who own mobile telephones in the country (Maina 2016).

1.1.4 Safaricom Public Limited Company

Safaricom services started in 1997 and it increased its operations in 2000. At this point, Kencell took second place with Safaricom taking the lead on network operations after receipt of operating license. With an increase in subscriptions between customers from 29.7-32.2 million within a span of 2 years, it was linked to the closing of unregistered SIM cards. Mobile money transfer services also increased to 61.50 % in 2012/13 Fiscal Year from 49.38 % in 2011/12 fiscal year because of cellular availability, more agents and value added on services. Growth of cell data also influenced internet connectivity and growth of subscriptions was also recorded; with 12.43 million internet subscriptions, 19.65 million projected users of internet accounting for 48.3% internet penetration against the previous year's 35.5%. An increase in demand for Safaricom services and support made the call center receive more than a hundred thousand calls per day. This demand necessitated the introduction of a self-service tool for customers. This is when the Safaricom App was rolled out in the year 2017. Queries previously sought by customers on bill payment, data usage and person to person reversals could now be accessed directly from the customers handset. Since its launch, the USSD solution has been used by 24 million people every day, with over 700,000 mobile users using the service on a regular basis (Safaricom Annual Report 2018).

Safaricom Public Limited company has deployed diversification strategies by expanding its product ranging and venturing into markets that were considered no go zone for mobile companies. This has ensured that Safaricom continues to report improved financial performance year-on-year, gain competitive edge and maintain a loyal customer base. Mpesa on the other hand has become a global reference to mobile money transfer success story leading to many telecommunication companiess worldwide trying to replicate the same in their markets. This is evident with the current diversification into the Ethiopian market for mpesa being sought by Safaricom that will lead to more business thus more profits.

1.2 Statement of the Problem

Companies on a global scale strive to report good profits every end of their financial year. This necessitates continual development of the goods and services they offer while at the same time venturing into virgin markets. Company executives thus have to develop unique diversification strategies in order to increase returns on investment. There is need for a unique set of diversification strategies that Safaricom Public Limited Company needs to employ in order to remain as the top telecommunications service provider of choice in the region by market share (Waema 2008). The firm has continued to report a steady decline in market share over the past five years. This has led to the firm employing various strategies to allow it to continue reporting favorable results despite the falling market share. It is worth noting that in previous years, FY 2010, Safaricom market share according to the KPMG was 78%. The report also indicates that in FY 2011, the market share fell to 72%. This highlights that Safaricom is ceding its market share to its competitors year in year out. These shortfalls are despite the company's effort to remain attractive in the market. From 2012, Safaricom has brought to the market various innovative products, notably Mshwari in 2012, Hakikisha service in 2015 and Mpesa Global. This signals an urgent need to investigate the factors that are responsible for the company to lose its share in the telecommunication market.

The connectedness of diversification to financial performance is highly researched yet, there is insufficient knowledge and empirical studies are often contradictory. Karanja (2013) in his research for Kenol/Kobil, established that the firm had applied different diversification strategies constantly to emerge as a leading oil company in the last decade. In the last one year, there has been a remarkable shift in market share among the three main mobile telecommunication companies. This study thus seeks to understand what strategies Safaricom has employed in order to stay at the top. Despite the huge costs incurred by these companies in a bid to diversify, there has not been a clear link between these costs of diversification and returns. Researcher examines the beginning of diversification and its influences on finances (Elango, Ma & Pope, 2008). Given that various efforts to establish the results of performance diversification are indecisive resulting from conflicting indication developing from such research, a lot of the researches done until now have relied on the involvements of industrialized economies companies. Based on the above studies and the varying results, we thus seek to fill the gap on the actual relation between performance and diversification. This research will thus help to measure the impact of diversification on the financial performance with reference to Safaricom Public Limited Company.

1.3 Objectives of the Study

1.3.1 General Objective

The general study objective was to establish the effect of diversification strategies on financial performance of the Kenyan mobile telecommunication sector.

1.3.2 Specific Objectives

This study was guided by the following objectives:-

i. To establish the effect of horizontal diversification strategies on financial performance of the firm.

ii. To establish the effect of internal diversification strategies on financial performance of the firm.

iii. To determine the effect concentric diversification strategies on financial performance of the firm.

iv. To establish the influence of conglomerate diversification strategies on financial performance of the firm.

1.4 Research Questions

This study was guided by the following research questions:

i. What is the effect of horizontal diversification strategies on financial performance of the firm?

ii. What is the effect of internal diversification strategies on financial performance of the firm?

iii. What is the effect the influence of concentric diversification strategies on financial performance of the firm?

iv. What is the effect of conglomerate diversification strategies on financial performance of the firm?

1.5 Significance of the Study

This research could be of importance to the management of the companies. The study's findings would be crucial in demonstrating the connection between diversification strategies and the company's financial success. This could be relevant in making of policies by managers in the industry that will steer individual companies to enhanced performances. Secondly, the study will point out gaps in knowledge that future scholars should aim at filling. Further, the study forms an important reference material for scholars pursuing studies related to performance and diversification tactics by organizations.

1.6 Scope of the study

The study focused on determining the effect of diversification strategies on financial results in the mobile telecommunications market, using Safaricom Public Limited Company as an example. In particular, the study sought to establish the impact of horizontal diversification strategies, internal diversification strategies, concentric diversification strategies and conglomerate diversification strategies on financial performance of the firm. The research targeted a population of 490 respondents and selected a sample size of 147 being 30% of the entire population. The research was done in the Safaricom's head office in Nairobi. The study was done over duration of six months since the development of the proposal to the demonstration of results.

2. LITERATURE REVIEW

2.1 Introduction

The research of diversification has interested scholars being a frequently researched area of business. Study also has scrutinized the diversification antecedents and how it influences monetary performance. Strategic management study has lacked to find reliable and clear association patterns of performance and diversification most of which are indecisive. For example, while Lei and Schmit (2009) determined that insurers that are more spread have better performance financially, Chakrabarti et al. (2007), resolved that divergence is related to inferior performance for independent firms and affiliated firms. Given the challenge of inconclusive and conflicting evidence between various researches on the topic, most of the investigations also focus in the experience of industrialized companies. In his book "Curvilinear in the Diversification-Efficiency Linkage: An Analysis of Over Three Decades of Research," Palich Cardinal and Miller (2000) has clearly given an elaborate association between organizations financial performance and diversification. This Chapter is organized in three main parts; the theoretical review, empirical review and conceptual framework.

2.2 Theoretical Literature Review

2.2.1. Resource Based View Theory

Resource based view was developed by Penrose in 1959 as argued by Kor and Mahoney (2014) stating that diversification of a company is based upon exploiting its resources which it has accumulated over the past. Barney (1991) examines the attributes that the isolated resources of a firm must possess so as to have a long-term competitive advantage. The RBV assumes firm's resources to be heterogeneous and scarce. This theory states that the development of an enterprise is reliant upon its opportunities and earning power. Penrose's theory introduced RBV. This theory holds the assumption that a firm must obtain and control non-substitutable, rare, and valuable assets and resources. The firm needs to have a range of products that are non-substitutable in the market for it to gain competitive advantage. The major critique of this theory is its assumption that the strategies firms pursue and the resources they control are all identical, and the strategies a company employs are reactive as opposed to proactive in nature.

2.2.2 Ansoff Theory

This theory was pioneered by Igor Ansoff in 1965 by creating a tool that has helped firms come up with their market and product growth strategies. He developed a growth matrix that postulates that a company can diversify horizontally by market penetration, industry expansion, or diversification are both examples of new product development. This theory informed horizontal diversification strategies of Safaricom that are spearheaded by market segmentation, development of new trade channels and new departments or divisions that focus on particular product development and go to market activities. An organization realizes market penetration through scaling of its sale volumes in existing markets. According to Palich and Miller (2015), Market development focuses of introducing existing products to new markets, while product development, coming up with a new product for existing clients.

2.2.3. Transaction Cost Theory

According to Ronald Coase (1937), the objective of an organization is to use factors of production at a lower cost than competition. The transaction cost theory in this study will help us understand conglomerate diversification strategy. This theory majors on two assumptions. One is that individuals in a firm pursue their own interests regardless of the cost effect to a firm that is they are always opportunistic in nature. The other assumption is that information on the past, present and future states is unknown. These assumptions stipulate why companies incur more costs for market based transactions and why they need to be more cost effective as compared to the market. A company chooses the form that minimizes both production and transaction costs. This theory is relevant in the study for breaking down cash flow as variable in internal diversification for the firm. A critique of this theory is that it is not clear what factors affect the level of transactions in a particular firm.

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2.2.4. Agency Theory

The proponent of agency theory was Smith in 1937. This theory forecasts that if non-owners manage a firm, it is possible for them not to work for the benefit of the owners. Agency theory (Jensen & Meckling, 1976) shows separating both owner and manager of an establishment causes an emergence due to lack of common interest. These are known as agency costs, they include monitoring expenses and opportunity cost resulting from the management hierarchy that affects the speed of decision-making.g In assessing corporate assets, on the other hand, as indices of management effort ability, the firm's owners are concerned with the expected sum of returns, the riskiness of returns, and the in formativeness of returns. The department controversy is brought to light as a result of this. Perrow (1986) critiqued the agency theory as having focused on the representative problem side and suggested that the challenge may also emanate from the principal side, who may exploit the agents.

2.3 Empirical Literature Review

Many empirical studies support the theoretical literature and show that diversification raises growth and productivity. Choi & Russel, 2004, on 'why businesses diversify or fail to diversify.' find that the profitability growth rate was higher in diversified companies in their study 'Economic gains around Mergers and acquisitions in the building industry of the United1States of1America.' Alternatively, Ofori & Chan (2000) realized that companies perform well by staying attentive despite uncertainties and dangers brought about by inherent variations. According to Huang & Chen (2008), who conducted research on commercial banks in Taiwan from 1992 to 2004, banks with high interest income and low noninterest income work more cost efficiently. Diversified businesses became less cost-effective. They also point out that the share of non-interest revenue in Taiwan's operational incomes is increasing. There are numerous associations that were studied on with variation. One of the studies exposed is the link between informativeness and diversification. Diversified companies have risen in value in relation to single-segment businesses, and the value of diversification has grown beyond the recession.

2.3.1 Horizontal Diversification and financial performance

An indicator of this form of horizontal diversification is improvement of functions within the same stage of manufacturing. An example is Safaricom marketing and sale of its products online in addition to use of the existing retail and distribution network. In his research on the effect of diversification on financial efficiency, Maina (2016) discovered that the Assets Return of highly diversified firms is lower than that of less or moderately diversified companies. In his research on diversification strategies of firms, established that undiversified firms are associated with underperformance, while moderate diversification is associated with over performance. Horizontal and vertical diversifications were not found to be strongly associated with financial efficiency, according to the findings. Horizontal diversification has no major impact on the financial results of combined institutions, according to the findings of the report. In order to fill the expertise vacuum, the conclusions of the report call for a re-evaluation of the literature on diversification.

2.3.2 Internal Diversification and financial performance

Kim, Hwang, & Burgers(1993) investigated the diversification and success of Nigerian manufacturing companies. The aim of the analysis was to determine the importance of product diversification strategy as strategy catalyst. The findings suggest that as manufacturing companies grow in scale, they diversify their product lines. Irrespective of its supposed gains, the challenges of diversification appear most in companies operating within developing economies. In their study of organizational diversification, Sahni and Juhari (2019) looked at general market conditions, industry environments, and firm characteristics. Internal capacity expansion appears to be the most used expansion technique, according to the results of this report. Skilled and experienced skilled personnel, professionally skilled operatives, access to and maintenance of highly skilled subcontractors, as well as expert labor considerations, was all treated in the majority of the businesses analyzed. Furthermore, the competency of their professional personnel was described as a strength by almost all of the surveyed companies. Surprisingly, these companies' key shortcomings were listed as marketing and information technology. In the present, a hopeful note can be seen in the fact that these companies have improved their capital management, among other items. However, the greatest challenge revealed by the major obstacles was that there were so many operations external to the core business.

2.3.3 Concentric Diversification and Financial Performance

Rotich, Okaka and Away (2011) on their study on commercial banks of Kenya discovered a linear association between financial performance and diversification. In their study of 44 Kenyan banks from 2005-2009 settles that a better performance was led by financial diversification. Bigger banks got a greater capability to enlarge. Marangu, Oyagi and Gongera (2014) in her study on investigation of concentric strategy of diversification on competitiveness of the firm, found a comprehensive optimistic linear association between firm competitiveness and concentric diversification. Diversification needs strong consideration whenever a firm wants to engage in closely related businesses as it opens avenues for cost reduction. According to Ghoroghchi (2015), concentric diversification can be both beneficial and detrimental for a firm depending on how it is executed. He concludes that a firm may pursue concentric diversification that would in turn cannibalize its existing products thus killing the alternative line of business.

2.3.4 Conglomerate Diversification and financial performance

Delios, Andrew, Xu, Dean, Beamish and Paul. (2008) tested around 800 Chinese companies. The findings concluded that focused companies outdid conglomerates in every ownership identity category. In a similar research by Gonenc and Aybar (2006) insufficient evidence was established on the optimistic association between performance and group diversification in Turkish industries thereby implying that the presentation of strategies of diversification depends on performance of the target industry. According to Kotler and Armstrong (2010) profitability improvement is not guaranteed by diversification However, it is an important part of maximizing long-term success while minimizing risk. Maina (2016) investigated commodity diversification techniques examined as a determinant of real estate companies' perceived financial performance. According to the results, any concentric and conglomerate diversifications were found to be closely correlated with financial production. The investigation discovered that the company lacked effective risk management procedures. As a result, the study suggests that real estate firms develop policies such as per unit cost distribution guidance for diversified products and risk control plans to help with improved risk management in the diversification process.

2.4 Conceptual Framework

Conceptual frameworks are applied in study to outline the likely course of action or explain further the idea (Mugenda & Mugenda, 2003). The conceptual framework below presents the impact of diversification strategies on monetary performance at the sector of telecommunication. An overall illustrational plan is exposed below demonstrating that financial performance variable is dependent and the independent variables are the diversification strategies while the policy of the government has a moderating effect on the diversification strategies and financial performance.

Independent Variables **Dependent Variable**

Diversification Strategies

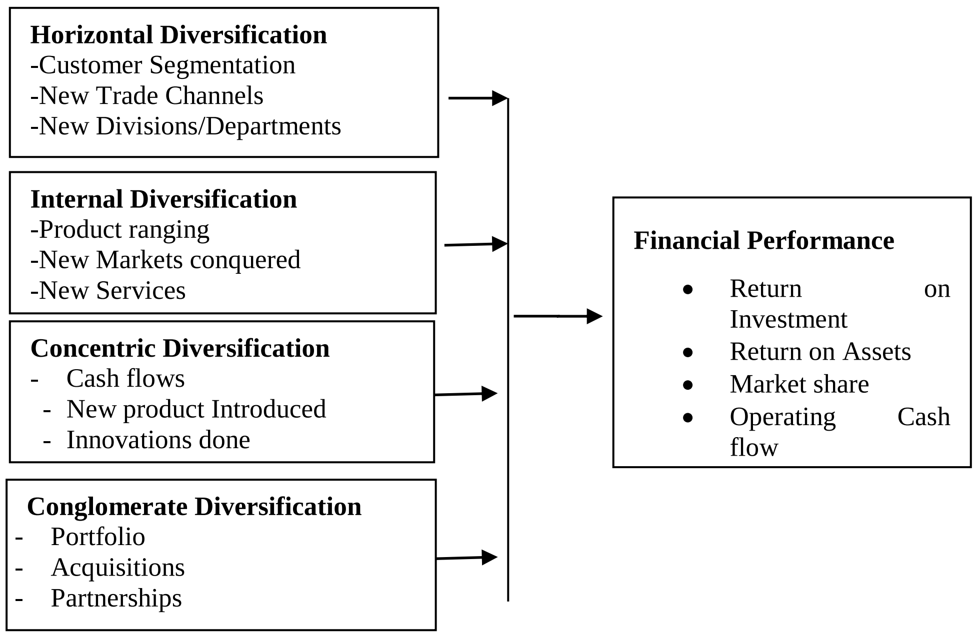

Figure 2.1: Conceptual Framework

Source: Researcher, 2019

3. RESEARCH METHODOLOGY

3.1 Introduction

This segment offers the methodology employed in presenting and analyzing information collected from the research. It consists of; research design, target population, sampling and sample size, data gathering measures and techniques of data analysis.

3.2 Research Design

The research assumed a descriptive research design to reach the objectives of the study. This is due its flexibility and adaptability to possible field challenges during data collection and interpretation (Kombo & Tromp, 2006). According to Kothari (2014) descriptive studies are faulted due to their observable nature, most are not repeatable. In most cases, descriptive studies have some level of bias since they lack statistical tests and therefore cannot verify research problem statistically. Further, they are not able to identify the cause behind described phenomenon. However, despite the shortcomings, Descriptive survey study designs, are used in preliminary and exploratory study to enable researchers to collect data, compile it, present it, and interpret it for the purpose of clarity. Mugenda and Mugenda (2008) highlighted that, descriptive research reports the facts on the ground to help in describing the current status of a phenomenon being investigated. In that regard, Mugenda and Mugenda (2008) notes that this design is helpful in the description, explanation and exploration of the current status between a set of variables.

3.3 Target Population

Frederic (2010) defines target population as "a universal collection of all representatives of an actual or hypothetical set of persons, activities, or objects to which an investigator wants to generalize the result." Because of the limited number of the population targeted in the research, the study used a census survey of all the six divisions of the company. Senior managers and managers concerned with making outsourcing decisions were sampled for purposes of collecting primary data. These were represented by 490 employees

3.4 Sampling design

Conferring to Denning (2001) sampling course is where a sample is analyzed so as to establish something on the whole population. Proportionate stratified sampling was employed to choose respondents out of a target population. The respondents were stratified into six divisions namely; customer operations, finance, strategy and innovation, information technology, human resources and corporate affairs. The samples are proportionate to the size of population being studied. The sampling defines "a list of all population units from which the sample was selected" (Cooper & Schindler, 2008). According to Kothari (2004) 30% of population is a good enough sample.

Table 3.1: Sample Size

Function	Target Population	Rate	Sample size
Customer Operations	204	0.3	61
Finance	50	0.3	15
Strategy & Innovation	36	0.3	11
Information Technology	38	0.3	11
Human Resources	72	0.3	22
Corporate Affairs	90	0.3	27
Total	**490**	**0.3**	**147**

Source: Safaricom Human Resource Record, 2019

3.5 Data Collection Instrument

Both secondary and primary statistics was involved. Primary information was gathered using questionnaires. Structured queries were used so as to save money and time while unstructured questions were applied to encourage more elaborate responses. Secondary statistics was gathered Safaricom's financial statements to measure the indicators of performance like market share, financial liquidity, return on equity and return on investment. The study collected data over a period of five (5) years.

3.6 Validity and Reliability

Validity and reliability of results of data analysed by the researcher must be guaranteed for the results to be reusable.

3.6.1 Validity

Validity denotes the extent to which the results gotten from data analysis represent spectacle under study (Kothari, 2004). This study used sectioned and well-structured questionnaires using both open-ended and closed queries to accommodate a variety of answers. This helped the researcher in achieving content validity and promotes collection of both quantitative and qualitative information.

3.6.2 Reliability

Reliability is the degree of study tools to produce reliable result or statistics after repetitive trials (Mugenda & Mugenda, 2008) thus minimizing error or bias (Kothari, 2004). To achieve this, the questionnaire was designed systematically. Comprehensive queries were employed to enable respondents to respond without much reference. In order to ensure dependability, questionnaire was subjected to a pre-test in a pilot study where a few questionnaires were administered by hand delivery to the respondents. Reliability of the results was measured using the Cronbach's alpha.

3.7 Data collection procedure

Because of the working hours of the employees, the questionnaires were distributed to the various interviewees and collected later. In case of no response, respondents were contacted via phone calls and the anonymity of respondents guaranteed with accompanying assurance letters attached to all provided questionnaires. A data sheet was used to collect secondary data on financial performance from published information on Safaricom Public limited company financial performance.

3.8 Data Analysis and presentation

Descriptive statistics was employed to scrutinize data with the feedback from questionnaires being recorded, coded, exported and analyzed using SPSS. The statistical tool SPSS (Statistical Package for Social Science) was employed to scrutinize and present the specific issues through coding and generalizing all responses. Descriptive statistics were calculated, and data relationships analyzed according to the study objectives. This was facilitated by correlation analysis. Results were presented using standard deviation, means, percentages, frequencies and tables.

The regression equation is:

$$\mathbf{Y=a_o+ a_1X_1+a_2X_2+a_3X_3 +a_4X_4 + €}$$

Where:

$Y=$ Financial Performance

$a_o =$ Constant

$X_1 =$ Concentric Diversification

$X_2 =$ Conglomerate Diversification

$X_3=$ Internal Diversification

$X_4 =$ Horizontal Diversification

€ = Error term

3.9 Ethical Considerations

The researcher made sure collected data is handled confidentially. The respondents may or may not choose to identify themselves and prior to collecting information, the researcher explained his intentions. Participation was therefore being through voluntary and informed consent.

4. DATA ANALYSIS, RESULTS AND INTERPRETATION

The section gives the analysis of the results and interpretation. The section is offered in accordance to the study objectives. In the data analysis, descriptive analysis and inferential analysis were employed.

4.1 Response Rate

The research pursued to evaluate the respondent's response rate, out of the 147 questionnaires issued, 135 were completed and collected and gave a response rate of 91.8 % which was adequate for the analysis of data as Mugenda and Mugenda (2008) acknowledges any rate of response that is higher than 70% is excellent.

4.2 Reliability Results

The research wanted to measure the dependability of the results which was tried using the Cronbach's alpha. A pilot research was carried out to ascertain the research instruments reliability and validity showed that conglomerate diversification strategy had the maximum reliability of 0.806, trailed by internal diversification with a reliability of 0.7361, concentric diversification had a reliability of 0.742 and horizontal diversification with a reliability of 0.724. From the findings, the Cronbach's alpha of all the variables was above the 0.7, average of 0.758, threshold thus implying that the tool was valid and reliable.

4.3 Validity Results

Gill and Johnson (2008) point out that validity is how much the sample is a representation of the phenomenon it is desired to represent. Content soundness was used to test the questionnaire's validity so as to correct any inconsistencies that might have arisen in the actual study. There were few inconsistencies obtained after the pilot study was done and where they arose, they were corrected by checking the content of the results which improved the questionnaire validity.

Outcomes given on customer segmentation shows that most of the propositions (72.6%) targeted different classes of customers while only few (27.4%) which targeted all customers generally. This implies most of the firm had developed different products to suit different classes of customers. The researcher also wanted to find whether the company had ventured or expanded its trade channels in the past one year.

4.4 Diversification Strategies and Financial Performance

The subsequent section presents statistical finding on diversification strategies assumed by mobile telecom firms and its impact on the financial performance.

4.4.1 Conglomerate Diversification

The research wanted the participants to show the degree to which conglomerate Diversification strategy affected the financial performance

Table 3.2: Effect of conglomerate diversification strategy on performance

Statement	N	Min	Max	Mean	Std. Dev
The company's goods and services that environmental uncertainty have threatened or in waning stage of life have managed to reduce their risk through diversifying to different sectors from the current main sector.	135	3.00	5.00	4.22	0.53
By expanding our activities and product line to diverse areas where the doubt is decreased and, success is higher, the firm has confirmed its survival making its flow of cash more dependable.	135	4.00	5.00	4.19	0.40
The unrelated strategic business units being considered as a profit center help the top managers to monitor each strategic unit more efficient through information access and as a consequence help in dropping the total costs.	135	3.00	5.00	4.10	0.52
Aggregated Mean				4.17	0.48

Source: Research data, (2020)

Assessment on the association between conglomerate diversification strategy and company's performance revealed that change in unit conglomerate strategy of diversification other factors held constant would cause positive change in financial performance by a 0.795 factor, descriptive findings also disclose that through conglomerate diversification firm's services and products being susceptible to the uncertainty of the environment. It is agreeable that expansion of activities and product lines to diverse areas has led to firm's survival making cash flow more dependable (mean of 4.19). The expansion to diverse areas caused little variation in cash flow (standard deviation of 0.40). The profitable unrelated strategic business units make managers to monitor efficiently because of accessibility to information and the consequence is a drop in total cost (mean of 4.10) which is agreed by management. However, the drop in total cost didn't vary significantly (standard deviation of 0.52). The aggregated mean for statements assessing on the effect of conglomerate diversification strategy on financial performance recorded a mean of 4.17 and a standard deviation of 0.48. The aggregate mean value of 4.17 indicates that conglomerate diversification strategy affects financial performance. Further to a low mean of std deviation (0.48) confirms the harmony with participants views. These results are in line with others by Kotler and Armstrong (2010) who indicated that conglomerate diversification is a significant aspect of achieving long-term performance while reducing risk. The study results also in line with others by Maina (2016) that indicated that conglomerate diversifications are significantly correlated with financial performance.

4.4.2 Internal Diversification

The research required the participants to show the level to which internal diversification strategy impacted the performance of the firm.

Table 3.3: Effect of internal diversification strategy on performance

	N	Min	Max	Mean	Std. Dev
Executives requiring monetary resource by the firm or any calculated unit of business is able to transmit it by choosing from any strategic units of business whose data is made available without any cost of transaction.	135	4.00	5.00	4.33	0.47
Some actions such as public relations, the company's case security, investment decisions, legal services, internal audit could be done at firm's level centrally for all planned units of business despite being spread and such moves becomes a cost savings measures.	135	2.00	33.00	4.03	2.60
Since managers got hard to attain skills, endorses the impression that companies' executives engaged in dissimilar diversification would be effective in brand investments.	135	2.00	5.00	4.17	0.43
The firm spreads due to effect of co-insurance with a positive effect on the debt of the firm due to reduced volatility of the profits and revenues of the firm.	135	3.00	5.00	3.81	0.62
Diversification helps the managers on how to make monetary values in diverse produce markets and lines due to their sufficient environmental information.	135	4.00	5.00	4.24	0.43
Aggregated Mean				**4.12**	**0.91**

Source: Research data, (2020)

From the research findings, most respondents approved that executives requiring monetary resource by the firm or any calculated unit of business is able to transmit it by choosing from any strategic units of business whose data is made available without any cost of transaction. It is agreeable that expansion of the product ranging capacity and growth into new services has led to growth of the firm (Mean of 4.33). At the same time this has caused little variation in increase of new markets conquered (Standard Deviation of 0.47). These conclusions agree with those of Kim (1993) when firms embrace internal diversification strategy, it is more likely to secure better distribution channels, accelerate contact to new market areas or product, gain immediate market segment / increased marketplace power and ultimately gain savings of scale. The aggregated mean for statements on the effect of internal diversification strategy on financial performance was 4.12 and standard deviation of 0.91. The aggregate mean value of 4.19 translates to 'agree' which implies that internal diversification strategy greatly affects financial performance. The product and services expansion causes little variation in the new market conquered (std deviation 0.91). These are in line with Luo (2009) who associates internal diversification strategy with lessened competition acquiring of immaterial assets and ability to overcome blockades making it easy to enter into new markets. The findings have however found gap – the number of new products/services introduced by the firm is not proportionate to the number of new markets conquered as result.

4.4.3 Concentric Diversification

The research required the participants to show the level to which concentric diversification strategy impacted the performance of the firm.

Table 3.4: Effect of concentric diversification strategy on performance

	N	Min	Max	Mean	Std. Dev
The potential association amongst strategic units of business in the firm can be recognized and the resource utility could be improved and therefore can be collectively utilized by all units to increase returns	135	4.00	5.00	4.13	0.34
Since the clients are already conversant with the goods created by the current strategic unit of business, the well-known company's brand value contributes certainly to our share of the market and return on investment	135	3.00	5.00	3.86	0.65
Products that are already existing that are matching can be used commonly to boost the sales growth and reduce cost.	135	2.00	5.00	4.01	0.74
Aggregated Mean				**4.00**	**0.58**

Source: Research data, (2020)

From the research findings, most respondents approved that the potential association amongst strategic units of business in the firm can be recognized and the resource utility could be improved to increase returns. Innovations have led to an increase in the firm's return on assets (Mean of 4.13). The expansion to new products caused a little variation in return on assets (Standard Deviation of 0.34) Products that are already existing that are matching can be used commonly to boost the sales growth and reduce cost. (M=4.01 SD =0.74). The aggregate mean for statements on the effect of concentric diversification strategy on financial performance recorded a mean of 4.00 a standard deviation of 0.58. The aggregate mean value of 4.00 indicates that concentric diversification strategy affects financial performance. Further std deviation (0.58) shows that the recorded participants views were clustered together with minimal dispersion. These results agree with assertions by Marangu et al., (2014) of existence of a statistically important helpful linear association among firm competitiveness and concentric diversification. Also, the results of this study are in line with others by Maina (2016) that shows that concentric diversifications are significantly correlated with financial performance.

4.4.4 Horizontal Diversification

Participants were requested to show the level to which the strategy of horizontal diversification affected the financial performance.

Table 3.5: Effect of horizontal diversification strategy on performance

	N	Min	Max	Mean	Std. Dev
Due to diversification, the firm's capability of access to new market, management of distribution channel and marketing research, has helped it get competitive advantage through the transfer of their brand name and their capabilities in marketing.	135	3.00	5.00	3.97	0.63
Diversification has helped in the sharing of management skills among the different products which has enhanced the firm customer base	135	3.00	5.00	4.22	0.53
Aggregated Mean				**4.10**	**0.58**

Source: Research data, (2020)

Descriptive research findings show that most respondents approved that diversification has helped in the sharing of skills of management amongst the diverse products which has enhanced the firm customer base (M=4.22 SD =0.53) and that due to diversification, the firm's capability of access to new market, management of distribution channel and marketing research, has helped it get competitive advantage from the transfer of their brand name and their abilities in marketing (M=3.97 SD =0.63). Majority of the respondents are agreeable that customer segmentation has led to an increase in market share (Mean of 4.22). However the variation in market share due to customer segmentation is low (standard deviation of 0.53). The aggregated mean for statements on the effect of horizontal diversification strategy on financial performance was 4.10 with standard deviation of 0.58. The aggregate mean value of 4.10 indicates that horizontal diversification strategy affects financial performance. Further the standard deviation (0.58) confirms the views from the respondents had minimal dispersion. These results contradict the results by Lins and Servaes (2002) that firms that are diversified are not as much of profitable as their single sector counterparts. The findings of this study showed that horizontal diversification strategies enable businesses to take advantage of internal economies of scale, such as bulk-buying, technological economies, and financial economies, resulting in cost savings from market rationalization. These findings support the study findings by Hermalin and Kutz (2004) that there exists a helpful correlation between in formativeness and diversification hence reduction of risk. From the results presented above, conglomerate diversification had aggregated mean score of 4.17, internal diversification had aggregated mean score of 4.12, concentric diversification had aggregated mean score of 4.00 and horizontal diversification had aggregated mean score of 4.10. Based on the aggregated means for each variable, conglomerate diversification was the most significant diversification strategy by Safaricom Public limited company.

4.5 Performance

To measure the performance of Safaricom Public limited company, this study used return on investment, return on assets, market share and cash flow. The associated data is presented in the subsequent subsections.

4.5.1 Return on Investment (ROI)

Return on investment is calculated by dividing net profit by total investment. The value of ROI was presented as a percentage.

$$ROI = \frac{\textbf{Net Profit}}{\textbf{Total Investment}} \times 100$$

Return on investment for the FY 2015 to FY2019 for Safaricom Plc. is presented on Table 3.6.

Table 3.6: Return on Investment for FY 2015 - FY 2019

	2015	2016	2017	2018	2019
Net Profit (Kshs.) (000)	31,871	38,104	48,444	53,814	61,966
Total Investment (Kshs.) (000)	104,277	116,739	108,113	123,064	144,842
ROI (%)	**30.6**	**32.6**	**44.8**	**43.7**	**42.8**

According to the Table 3.6, ROI for FY 2015 was 30.6% which then increased to 32.6% in FY 2016 and reached its summit for the period in FY2017 at 44.8%. ROI for FY 2018 was 43.7% and 42.8% in FY 2019. According to the data, Safaricom Plc has a good financial performance as indicated by the ROI for the 5 years period. A graphical representation is presented on the Figure 4.1.

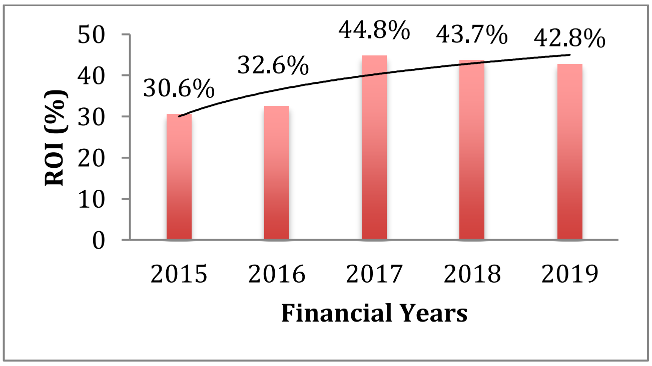

Figure 4.1: Return on Investment for FY 2015 - FY 2019

4.5.2 Return on Assets (ROA)

Return on assets is calculated by dividing net profit by total assets. The value of ROA was presented as a percentage.

$$ROA = \frac{\textbf{Net Profit}}{\textbf{Total Assets}} \times 100$$

Return on assets for the FY 2015 to FY 2019 for Safaricom Plc is presented on Table 3.7.

Table 3.7: Return on Assets for FY 2015 - FY 2019

	2015	2016	2017	2018	2019
Net Profit (Kshs.) (000)	31,871	38,104	48,444	53,814	61,966
Total Assets (Kshs.) (000)	156,957	159,182	162,345	166,233	191,171
ROA(%)	**20.3**	**23.9**	**29.8**	**32.4**	**32.4**

From the Table 3.7, ROA for FY 2015 was 20.3% which then increased to 23.9% in FY 2016 and then rose to 29.8 in FY2017. ROA for FY 2018 and FY 2019 was 32.4%. According to the data, Safaricom Plc ROA has been on the rise for the 5 year period indicating a good financial performance for the 5 years period. A graphical representation is presented on the Figure 4.2.

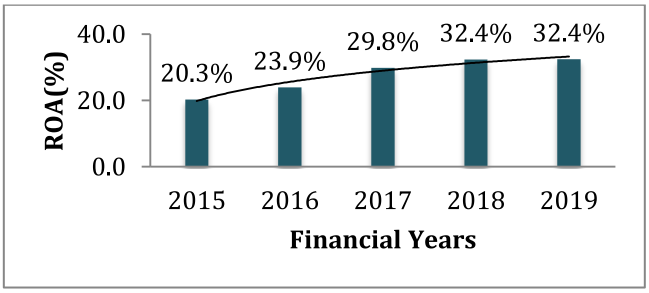

Figure 4.2: Return on Assets for FY 2015 - FY 2019

4.5.3 Market share

As a measure of performance at the Safaricom Plc, market share for the company was calculated to indicate the firms place in the market. The market share is gives as a percentage of the firm's sales to the total industrial revenue. Table 3.8 below presents the data finding.

Table 3.8: Market share for FY 2015 to FY 2019

	2015	2016	2017	2018	2019
Market share (%)	65.6	71.9	67.0	62.4	64.8

The results presented on the Table 3.8 indicate that the market share rose from FY 2015 at 65.6% to 71.9% in FY 2016 witnessing a 3.9% drop to 67.0% in FY 2017. In FY 2018, the Safaricom Plc.'s market share stood at 62.4% and then rose to 64.8% in FY 2019. From the findings, Safaricom Plc. commands a market share of more than 50% in an environment with multiple players. This therefore indicates that the company is a market leader in telecommunication industry. The graphical representation of the data is shown of Figure 4.3.

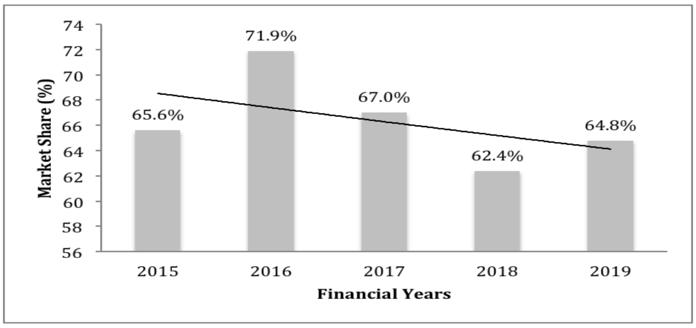

Figure 4.3: Market share for FY 2015 to FY 2019

4.5.4 Operating Cash Flow

The fourth measure of performance that this study employed was operating cash flow. This was computed by adding depreciation and change in working capital to operating income and then subtracting taxes. Table 3.9 presents the data findings.

Table 3.9: Operating Cash Flow from FY 2015 to FY 2019

	2015	2016	2017	2018	2019
Operating Income (Kshs.) (000)	31,871	38,104	48,444	53,814	61,966
Taxes (Kshs.) (000)	14,278	17,658	22,188	24,429	28,503
Depreciation (Kshs.) (000)	21,850	24,662	31,538	31,899	31,899
Change in Working Capital (Kshs.) (000)	-9,659	7,097	-17,178	12,662	19,351
Operating Cashflow (Kshs.) (000)	**29,784**	**52,205**	**40,616**	**73,946**	**84,713**

The data presented on Table 3.9 indicates that, operating cashflow has increased from Kshs. 29,784 in FY 2015 to Kshs. 84,713 in FY 2019. These results indicate that Safaricom Plc in the period under study has generated cash from its normal business operation. This therefore depicts that, Safaricom Plc. generates adequate positive cash flow to grow and maintain her operations therefore the company needs not look for external financing to expand its capital. A graph showing the growth is presented on Figure 4.4.

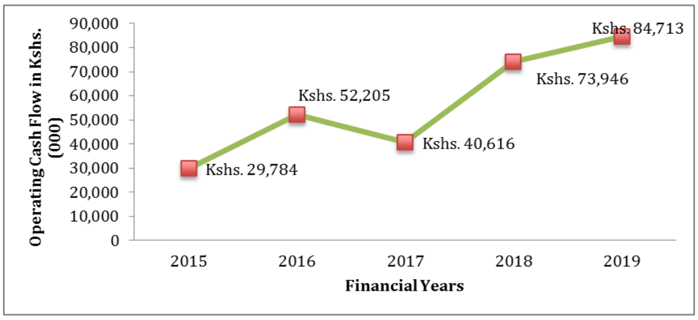

Figure 4.4: Operating Cash Flow from FY 2015 to FY 2019

4.6 Karl Pearson Moment Correlation Analysis

So as to explain the relationship between study variables and financial performances of the firm results are as shown in Table 3.10.

Table 3.10: Karl Pearson Moment Correlation Analysis

		Financial Performance Of The F Financial	Concentric Diversification X1	Conglomerate Diversification X2	Internal Diversification X3	Horizontal
Financial Performance Of The Firm Y	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	82				
Concentric Diversification X1	Pearson Correlation	.665**	1			
	Sig. (2-tailed)	.000				
	N	135	135			
Conglomerate Diversification X2	Pearson Correlation	.732**	.619**	1		
	Sig. (2-tailed)	.000	.000			
	N	135	135	135		
Internal Diversification X3	Pearson Correlation	.727**	.624**	.594**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	135	135	135	135	
Horizontal Diversification X4	Pearson Correlation	.704**	.436**	.614**	.684**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	135	135	135	135	135

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

There was a strong association between concentric diversification and the firm's financial results, as seen in Table 3.10. A correlation ratio of 0.665 reveals this. Since the p value was 0.00, which was less than 0.05, this fair relationship was considered to be statistically significant. These results support the contention by Marangu et al., (2014) of existence of a statistically important helpful linear association among firm competitiveness and concentric diversification.

The study also found a strong positive correlation between financial performance of the firm and conglomerate diversification as shown by correlation coefficient1of 0.732; the significant value was 0.00 which was less than 0.05. These results support the research findings that conform with Bain (1956) that conglomerate diversification is directly related to firm financial performance which is observed through increased profitability.

The study found a positive correlation between financial performance of the firm and internal diversification as shown by correlation coefficient of 0.727, the significant value was 0.000 which is less than 0.05. These findings support the conclusion by Kim (1993) when firms embrace internal diversification strategy, it is more likely to secure better distribution channels, accelerate contact to new market areas or product gain immediate market segment / increased marketplace power and ultimately gain saving of scale

The study also found a strong positive correlation between financial performances of the firm and horizontal diversification as shown by correlation coefficient1of 0.704; the significant value was 0.00 which was less than 0.05. These results support the research findings by Argyres and McGaha (2002) who established that horizontal diversification and lesser cost were related to profitability directly.

4.7 Regression Analysis

A multiple regression analysis was used in the study to determine the effect of predictor variables. For coding, entry and calculation of the multiple regressions dimensions, this analysis used the statistical kit for social sciences (SPSS V 23.0).

Table 3.11: Summary of One-Way ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.759	4	9.690	47.845	.000[b]
	Residual	26.328	130	.203		
	Total	65.087	134			

Source: Research data, (2020)

From the ANOVAs results the probability value of 0.000 was obtained which show that the model of regression was significant in forecasting the association between firm's financial performance and the predictor variables as it was less than α=0.05. Additionally, the research employed the coefficient table to choose the model of the study. The results are given in Table 3.12.

Table 3.12: Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-1.549	.361		4.291	.000
	Concentric Diversification	.392	.098	.237	3.987	.000
	Conglomerate Diversification	.795	.112	.439	7.102	.000
	Internal Diversification	.501	.111	.291	4.530	.000
	Horizontal Diversification	.283	.101	.163	2.783	.006

Source: Research data, (2020)

As per the SPSS generated output as presented in table above, the equation ($\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon}$) becomes:

$Y= - 1.549+ 0.392X_1+ 0.795X_2 + .501X_3+ 0.283X_4$

From the above regression model, all other factors held constant, the firm's monetary performance would be 1.549. A unit change in concentric diversification strategy other factors held constant could lead to positive variation in financial performance of the firm by 0.392; a unit change in conglomerate diversification other factors held constant could change the by 0.795 factor, a unit change in internal diversification strategy other factors held constant would change the financial performance of the firm by a 0.501 factor while a unit change in horizontal diversification other factors held constant could change the financial performance of the firm by 0.283. This implied that concentric diversification, conglomerate diversification, internal diversification and horizontal diversification promoted financial performance of the firm. The findings conform to Bain (1956) that conglomerate diversification is directly related to firm financial performance which is observed through increased profitability. The findings concur with Argyres and McGaha (2002) who established that horizontal diversification and lesser cost were related to profitability directly. The investigation was performed at 5% level of significance. The obtained likelihood value was compared to 0.05 as a criterion for determining if the forecaster variables were significant in the model. The predictor variable was meaningful if the likelihood value was less than α; otherwise, it was not. Since their likelihood values were less than 0.05, all of the predictor variables were important in the model.

5. SUMMARY

5.1 Summary

Assessment on association between diversification strategies and the Kenyan mobile telecommunication industry financial performance showed that most of the mobile telecommunication firms in Kenya developed a new product or service in the last one year, most of the organizations got in a new business line in the last one year and that most of the Kenyan mobile telecommunication firms did tremendous improvement on market operation lines as well as acquisition and penetration of new markets.

5.1.1 Horizontal Diversification and Financial Performance

The study found a strong positive correlation between financial performances of the firm and horizontal diversification as shown by correlation coefficient of 0.704; the significant value was 0.00 which was less than 0.05. Outcomes of this research exposed that horizontal diversification strategies enable many firms to exploit internal economies of scale including bulk-buying, technical economies, financial economies; this led to saving cost from business rationalization. Statistical findings also revealed that diversification has helped the firm's capability of promotion research, management of distribution channel, and access to new market has given it viable advantage by transfer of their name and their capabilities in marketing. This creates opportunities for a larger company to profit from scope economies, other advantages noted include reduced rivalry by eliminating key competitors, increased market segment and long-run power of pricing and that firms used horizontal diversification to raise penetration barriers into a market for future competitors, resulting in higher monopoly earnings. These findings support the study findings by Hermalin and Kutz (2004) that there is an optimistic relation amongst diversification and informativeness hence risk reduction. Horizontal diversification therefore positively influenced financial performance of the firm.

5.1.2 Internal Diversification and Financial Performance

The study found a positive correlation between financial performance of the firm and internal diversification. Kim (1993), when firms embrace internal diversification strategy, it is more likely to secure better distribution channels, accelerate contact to new market areas or product gain immediate market segment / increased marketplace power and ultimately gain saving of scale. The study established some activities like public relations, firm's case security, investment decisions, internal audit and legal services could be centrally performed at firm level for every strategic business elements despite being diversified and such measures act as a cost savings move and that the firm spreads due to effect of co-insurance with an optimistic effect on the debt of the firm due to reduced volatility of the profits and revenues of the company. These results agree with Luo, (2009) who associates internal diversification strategy with reduced competition, acquiring of immaterial assets and ability to overcome blockades making it easy to enter into marked new markets. These findings agree with findings by Kim (1993) when firms embrace internal diversification strategy, it is more likely to secure better distribution channels, accelerate contact to new market areas or product gain immediate market segment / increased marketplace power and ultimately gain saving of scale. Therefore the findings revealed that internal diversification strategies had a significant direct effect on financial performance.

5.1.3 Concentric Diversification and Financial Performance

The study's third objective was to determine the effect of concentric diversification on financial performance. The study found positive association between company's financial performance and concentric diversification; test regression results show that unit change in concentric diversification strategy other factors held constant, could lead to positive variation in financial performance of the firm by 0.392. The findings revealed that potential association amongst strategic units of business in the firm can be recognized and the resource utility could be improved and therefore can be collectively utilized by all units to increase returns. Products that are already existing that are matching can be used commonly to boost the sales growth and reduce cost. From the results of this study, concentric diversification strategies had a significant effect on financial performance of the firm.

5.1.4 Conglomerate Diversification and Financial Performance

The study's fourth objective was to establish the influence of conglomerate strategies on financial performance. Inferential statistics revealed a positive correlation between concentric diversification and financial performance of the firm (Correlation factor = 0.665 significant value was 0.00) test regression results also show that a unit change in conglomerate diversification other factors held constant could change by the 0.795 factor. The research found a positive association between conglomerate strategy of diversification and financial performance of telecommunication companies. Results of this research show that unrelated strategic business units being considered as a profit center help the top managers to screen every strategic unit extra effectively by access of data and help in overall costs reduction. These findings go hand in hand with Marangu (2014) established that conglomerate diversification strategy on firm's competitiveness, found a comprehensive positive linear association between financial performance and concentric diversification.

5.2 Conclusions

The study concludes that various mobile telecommunication companies had embraced conglomerate diversification which helped to create an entity balance during hard times; conglomerate diversification assists telecom firms to use the possibly underutilized resources maximumly, conglomerate diversification allowed the company to contact a new customers pool, thus expanding its client base and that conglomerate diversification enables companies to overcome risks associated with the vulnerable market.

The study concludes that mobile telecommunication companies embraced internal diversification. Through this initiative financial interaction could be attained by merging a company with huge monetary resources but restricted opportunities to grow with a firm with big market possibilities but frail monetary capitals.

The study concludes that telecommunication companies embraced concentric diversification strategy through modification of the existing distribution channels to sell new goods; telecommunication companies often changed goods lines to take in new things that seems to possess great market potential and selling new and dissimilar goods to new marketplaces.

The study concludes that most of the mobile telecom companies were aggressively undertaking horizontal diversification strategies. Horizontal diversification strategies enable a large number of businesses to benefit from internal economies of scale, such as bulk purchasing, technological economies, and financial economies; this led to saving costs from the business rationalization and that horizontal diversification had the potential to secure revenue synergies.

5.3 Recommendations

Base on the study findings, this research makes this recommendation.

Given that diversification strategies were found to improve firm's financial performance, Mobile telecommunication should adopt diversification strategies adoption like the new business entry cost, the future changes in technology and consumer preferences changes.

Mobile telecommunication industry must consider other issues in these aspects would have an effect in the telecommunication industry which is dynamic.

The research recommends that mobile telecommunication companies' managers must invest in viability studies meant to analyse factors influencing strategies of diversification. This will help mangers to articulate appropriate actions which will make sure that diversification plans objectives are implemented successfully.

The research also endorses that mobile telecommunication firms must conduct steady evaluation and monitoring envisioned to gauge the efficiency of the diversification strategies adopted. This is essential because Mobile Telecommunication firms function in a business environment that is dynamic which is impacted by a variation of factors. Mobile Telecommunication industry in Kenya needs to continually reinvigorate itself to remain relevant in the telecom industry which over the years has proved to be dynamic, complex and turbulent.

5.4 Suggestions for Further Studies

This research aims at establishing the association among financial performance and diversification strategies of the Kenyan sector of mobile telecommunication. The study variable only accounted for 58.3% of the variations in firm's financial performance; therefore other factors accounting for 41.7% need to be established and their effects assessed as well. Further studies should be undertaken on measures that Telecommunication companies took to enhance diversification effectiveness.

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