

**EFFECT OF GROWTH STRATEGIES ON PERFORMANCE OF  
TELECOMMUNICATION FIRMS IN KENYA**

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**20/01804**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF  
BUSINESS ADMINISTRATION IN THE SCHOOL OF BUSINESS AND  
PUBLIC MANAGEMENT AT KCA UNIVERSITY**

**NOVEMBER, 2021**

## **DECLARATION**

I assert that this dissertation is my original work, which has never been written or submitted for an award of degree award elsewhere. I can also state that it does not contain any material written or published by others, with the exception of areas where their work has been properly cited and the writers have been recognized.



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## ABSTRACT

Despite presence of numerous empirical strategic management studies, the study on the correlation between growth strategies and performance of a firm has yet to draw a definitive conclusion on whether companies can stay oriented or diversify into various businesses. Therefore, the main objective of the current research was to assess the effect of growth strategies on telecommunication sector firm performance. The specific objectives were to; determine the effect of diversification strategy on performance of firms in the telecommunication industry in Kenya; analyze the impact of market penetration strategy on the performance of Kenyan telecommunications firms, determine the effect of product development strategy on the performance of Kenyan telecommunications firms, and determine the effect of market development strategy on the performance of Kenyan telecommunications firms.. The study adopted the Ansoff's market growth theory, resource based view as well as the agency theory. This research used a descriptive survey design. Population of the research were the 62 telecommunication firms in Kenya while the unit of observation was the marketing manager in each firm. This study used primary data obtained using questionnaires and administered via Google forms. Data was analysed using both descriptive statistics like mean as well as standard deviation and inferential statistics which included correlation and regression analysis. The research discovered a significant positive association between diversification strategy, product development strategy, market penetration strategy, market development strategy and performance of telecommunication firms in Kenya. Its regression analysis found that the collective usage of growth strategies was responsible for 45.6 percent of the variations in performance of these companies. Growth strategies are critical methods for organizations to adopt in their efforts to increase their performance levels, according to the result of this research. Based on the findings, diversification strategy had the largest impact on performance followed by market penetration while market development and product development strategy had the least influence on performance of telecommunication firms in Kenya. It is therefore, recommended that managers and shareholders of the firms that are yet to adopt growth strategies should adopt them to remain competitive and profitable in this turbulent business environment. It is also suggested that telecommunications company executives develop sound policies to guide them when pursuing growth strategies.

**Key words:** Growth strategies, firm performance, diversification strategies, product development strategies, market penetration strategies, market development strategies

## **ACKNOWLEDGEMENT**

I take this opportunity to thank the Almighty God for granting me the privilege to undertake my research study. Similarly, my acknowledgement goes to my supervisor Dr. Brigitte Okonga for her guidance throughout the research writing process and her commitment to see me through. Her positive criticism helped bring this document to the acceptable level. I would also like to appreciate KCA University for giving me a chance to undertake this course in the prestigious University and for the conducive environment they offered for learning and research. I am also deeply indebted to the other university lecturers who took me through the course work and molded me to be a better manager. I am also grateful to my family for their moral support and understanding when I was forced to be away from them for long periods of time to concentrate on my studies. To my friends and classmates, you played a role in this and I am thankful.

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## **DEDICATION**

This research dissertation is dedicated to three sets of people;

My Parents, the late Daniel Maithya Mbitha and Esther Syungo Maithya, for teaching me to believe in God and encouraging me to pursue education.

My wife, Lucia Mungai Sila, for her love, encouragement and prayers that enabled me to achieve this success and honor.

To my children, Judith, Andrew and Lawrence; my cheerleaders for holding my hand through this journey.

May God bless you all.

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## **ABBREVIATIONS AND ACRONYMS**

<b>ANOVA</b>	Analysis of Variance
<b>CA</b>	Communication Authority of Kenya
<b>CLRM</b>	Classical Linear Regression Model
<b>FGLS</b>	Feasible Generalized Least Square
<b>LR</b>	Likelihood Ratio
<b>NPD</b>	New Product Development
<b>NPI</b>	New Product Introduction
<b>NSE</b>	Nairobi Securities Exchange
<b>PD</b>	Product Development
<b>PM</b>	Profit Margin
<b>RBV</b>	Resource Based View
<b>ROA</b>	Return on Assets
<b>ROCE</b>	Return on Capital Employed
<b>ROI</b>	Return on Investments
<b>ROTA</b>	Return on Total Assets
<b>SMS</b>	Short Message Service
<b>SPSS</b>	Statistical Package for Social Sciences

## DEFINITION OF TERMS

**Growth strategies:** refer to a clear vision of where a company wants to go as well as how it plans to get there (Timmons & Spineli, 2014).

**Diversification strategies:** refer to the method of dividing an organization's resources into suitable portfolios that will ensure optimal gains (Berman & Hagan, 2016).

**Product development strategies:** these strategies concentrate on designing, releasing, and promoting new product additions to the product portfolio, as well as introducing new products into established markets (Kotler & Armstrong, 2016).

**Market penetration strategies:** is a strategy in which a company seeks to increase its market share by using its current product range in its current market. It involves adopting activities that increase the amount of sales and thus market share of a particular product, these activities can include advertisement and price reduction (Scott, 2015).

**Market development strategies:** these strategies involve taking existing goods into other or new market, as well as consequently concentrating actions of expanding or identifying potential market through new customer segment or new product uses (Koks & Kilika, 2016).

**Firm performance:** refer to organization's overall goals attainment as outlined in the strategic plan (Alchian & Demsetz, 2017).

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Researchers have been attempting to figure out why certain companies do better compared to others for several years. Organization's performance is influenced by a variety of factors, including the firm's strategy, structure, resource endowment , as well as skills (Krishnan, 2015). Organizational performance can be influenced by a variety of techniques, including growth strategies (Purkayastha, 2014). Influence of strategy and the market environment on performance has been hypothesized as well as empirically demonstrated (Neffke & Henning, 2013).

At the corporate level, there are fourteen (14) multiple strategies that consider different paths and types of corporate growth. Stability strategies, survival strategies, development strategies, as well as combination strategies are the four (4) broad categories in which they are categorized (Doaei, Anuar & Ismail, 2014). Growth strategies are intended to improve a company's efficiency. In reality, they are often used to reduce a company's business risks and improve its efficiency (Storey, 2016). Agnihotri (2014) defines strategy as "a sequence of activities as well as allocating resources aimed at achieving an organization's goals. As a result, Obonyo (2015) describes strategy as an organization's balance of behavior and choices in relation to its internal resources as well as external context. Formulating and implementing a strategy therefore mean that organization's management is committed to pursuing a particular set of actions to grow its revenue, customer base, market share and performance (Ongólo & Awino, 2017).

There are two growth strategies types which a firm may adopt. They include organic or internal growth strategies and inorganic or external growth strategies.

According to Agnihotri (2014), businesses that use organic strategies assess their performance not just in relation to financial indicators, but too in relation to consumer loyalty, in-house competencies, as well as product quality. Inorganic strategies also include acquiring new companies through mergers as well as acquisitions in order to increase production and scope.

Organic growth can be achieved by selling more goods to existing consumers (market penetration or concentration), sell of goods to new clients (market development), or introducing a modern good as well as selling it to the existing consumer base (market development). Organic growth dependent companies get the majority of their expansion from inside, by improving existing customer relationships and establishing new ones. Agostini (2016) argues that consumers seek different product benefits in different locations. As a result, as a company grows, one of its marketing entry strategies could be to use its product. The study carried out by Obonyo (2015) established that product innovation enhanced organization performance by attracting more customers through product differentiation and new product development. Different customers with different preferences were being served, thus allowing the company to offer products that meet consumer needs. The respondents suggested that Safaricom Limited could enhance product innovation by investing more in research and development.

Understanding the market environment is essential for huge performance, just as competition has a substantial impact on how good a firm's venture will be (Menguc, Auh & Shih, 2013). It is important to remember that consumer satisfaction is determined not only by delivering a good product or service that meets the customers' wants and needs, but also by how well the goods or services is presented to them. Therefore,

comprehensive research should be carried out so as to ensure that any strategies implemented originate from an informed point of view.

### **1.1.1 Marketing Growth Strategies**

Growth strategies are typically intended to gain a greater market share, even though it means sacrificing short-term earnings. According to Storey (2016), growth is a multi-faceted concept that is generally correlated with firm sustainability, achieving market goals and success, or scaling up operations. According to Strickland and Thompson (2015), growing a business will entail developing and implementing strategies that add value to the company, attract and satisfy the consumers, allow the company to compete effectively with other industry rivals, conduct operations while improving the company's financial as well as market performance. In relation to Ansoff's Matrix, there are four broad growth strategies. Diversification, product growth, market penetration, and market development strategies are examples of these strategies (Timmons & Spinelli, 2014).

Regionally, According to Agnihotri (2014), there seem to be two forms of growth strategies that a company can use. They include organic or internal growth strategies and inorganic or external growth strategies. Companies that use organic methods monitor not only financial metrics but also customer satisfaction, internal competencies, as well as product quality. Inorganic strategies also include acquiring new companies through mergers as well as acquisitions in order to increase production and scope. Organic growth can be achieved by sell of more goods to existing customers, a process known as market penetration or concentration, or by selling products to new clients, a process known as market development, or by introducing a modern product then selling it to existing

customers. Organic growth dependent firms get the majority of their expansion from inside, by improving existing consumer relationships and creating new one.

Locally, Wanjiru and George (2015) note that both internal and external growth strategies can be used simultaneously and that each has its own advantage and disadvantage. The opportunity to build synergies as well as market power is a benefit of an external development strategy. External growth strategies will devalue a company if managers re-invest the company's resources or free cash flows in ineffective projects that benefit them personally. The major advantages of organic growth include providing a more corporate control in an organization; encouraging internal free enterprise and protecting firms' culture for diverse motives. Management teams have a greater understanding of their own company and resources, as well as how internal investments can be better prepared. Companies investing internally will build long-term competitive advantages because their value-creation processes and roles are less likely to be copied or duplicated by competitors. Internal development strategies are confidential and less vulnerable to aggressive action from competitors. As a result, the stock market rewards you more.

### **1.1.2 Firm Performance**

The definition of firm performance has been described as the development of value in a corporation that may refer to a positive change in a company's financial state as a result of better Return on Investment (ROI). Better ROI can be due to better use of raw materials, labor, money, and efficient resource management (Alchian & Demsetz, 2017). Given the importance of a company's performance in investment decisions, investors must be able to apply reasonable standards in order to bring this definition of firm

performance into practice. Venkatraman and Ramanujam (2018) agree that there is no consensus about how to define firm performance. March and Sutton (2014), on the other hand, described firm performance as having to do with the efficiency with which a task is completed. Firm performance, on the other hand, is described by Armstrong (2016) as both behavior and results, which are the primary concerns of any business manager.

No consensus has been reached on the best or even the most sufficient measure of firm's performance. This is because; there are number views of what is considered desirable outcomes of the effectiveness of an organization. Determination of an organization's efficiency and effectiveness is done through its performance measurement. Performance measurement indicators act as proxies for organizational phenomena (Henri, 2017). Some use financial measures as a criterion to judge the success or fail of a decision or action.

Studies by Richard et al. (2019) proposed that organization performance encompasses three specific firm outcome areas: financial performance that is profits, volume of sales, return on assets, market share return on investment and shareholder return. There are, however, challenges in using these measures; for starters most managers are reluctant to share their financial records, leading to researchers relying on perceived results and not actual results. Other challenges to using financial measures include; savings are inconsistent from year to year, constantly changing environments make it more challenging to compare savings many years after outsourcing a contract against inside operations costs that had been earlier discontinued and some organizations outsource services from the onset hence providing no basis for comparison (Mustafa & Yaakub, 2018).

The balanced scorecard produces performance metrics based on the mission, vision, as well as strategy of the company. It serves as a metric for assessing the organization's overall performance. It involves the financial aspect, which decides the financial consequences of the organization's various decisions. Customer satisfaction levels are another significant factor to consider. It emphasizes on the consumer and the industry, and it tracks important performance indicators that are specific to these groups. Internal processes are another important metric. It recognizes the organization's high-performing business processes. Finally, a balanced scorecard emphasizes learning and growth, both of which are critical for a company's long-term success (Kaplan & Norton, 1996). The balance scorecard will be used in this analysis since it is commonly recognized as a success indicator.

### **1.1.3 Telecommunication Industry in Kenya**

The telecommunications segment is among most dynamic in the sector and has been extremely growing in the last number of years witnessing a lot of dynamics in the sector and tough economic times due to global recession and rivalry from the key players. A lot of changes when it comes to service delivery, communication and service quality have been witnessed in the sector. Mobile money transfer, short message services (SMS), email and internet services, video conferencing, and voice services are all available via mobile service providers. Safaricom, Airtel Kenya, and Telkom Kenya are the three major players in Kenya's telecommunications industry, with Safaricom, Airtel Kenya, as well as Telkom Kenya trailing one another in regard to market share and domination. The dynamics in the sector has earned Kenya the moniker "Silicon Valley of East Africa," but it is also contributing to the nation's growth and development in line with the Kenyan National Government's Vision 2030 (CA, 2018).

Over the last few years, Kenya's telecommunications industry has flourished. With the increase in the mobile operator's number on the market, competition has risen dramatically. Prices have decreased by more than 70% during last four years because there are so many competitors on the market and the Communications Authority of Kenya is needed to level the playing field and regulate the market (CA, 2015).

The number of subscribers has increased as a result of technological advancements in the sector, like transfer of money via mobile phones as well as access to mobile internet. Because of the low cost of handsets, there has been an increase in demand for mobile phones. Safaricom, Airtel Kenya, as well as Telkom are the network mobile operators. They compete on the basis of goods and services, with the majority of them providing similar offers. Markets that were once independent, discrete, and vertical have merged across their old borders, resulting in substantial capital spending, most of it from private sector stakeholders.

The telecommunication firms have led to the penetration level of mobile telephones in Kenya to 80%, meaning that for every 10 Kenyans, eight of them own a mobile phone, thanks to the mobile telephone firms in Kenya (Business Sweden, 2016). In 2016, the mobile telephone firm sales in Kenya contributed to 6% of Kenya's Gross Domestic Product (GDP), which was equivalent of 4 billion sales (CA, 2018). It is therefore important to note the huge contribution of the telecommunication firms in the country and how they have contributed to the growth of the economy. The intention of this research is to determine the impact of growth strategies on company performance in Kenya's telecommunications industry.

Telecommunication firms in Kenya operate with a sole goal of meeting their operating overheads and generating a return on investments for the investors (Saini, 2016). It is expected that the returns realized from the firms should grow as the institution grows in business. Telecommunication firms have employed various tactics in their quest to ensure an increase in the return for the investors, despite the intensive rivalry between the companies. Whereas technology enhances new inventions in communication, the development of new features in communication gadgets has led to increase in demand for new advanced products and services, amongst the telecommunication firms (CA, 2018).

## **1.2 Statement of the Problem**

Kenya's telecommunications industry is experiencing intense competition (World Bank, 2015). Customers have become enlightened at the same time and expect better services than before, but at lower rates. Simultaneously, the regulator, CA, has made it worse for mobile operators by lowering interconnection fees and encouraging consumers to port their numbers. Many consumers are embracing the use of low-cost networking methods such as the internet as well as Voice over Internet Protocol as technology advances. In such a volatile environment, a company's executives must seek out new opportunities via new markets entry or extending existing ones into new locations. In the face of such fierce rivalry, growth strategies could be a safer course of action and this can be evidenced from firms such as Safaricom that have followed the path whereby its sales and income from MPESA, MSHWARI and internet has shown consistent growth.

The majority of current growth strategy research has been conducted in developing nations, and there is a scarcity of literature on the telecommunications sector. Local research, for example (Kyengo, Ombui & Iravo, 2016), have tended to concentrate on other areas affecting telecommunication industry efficiency, such as strategic

strategies, market intelligence systems as well as consumer relationship management (Munyoroku, 2016), capital structure (Ihiga, 2016), and financial innovation concerns (Magaju, 2017), rendering growth strategies unattended. Soi (2016) performed research on the effect of innovation strategies on the performance of Kenyan telecommunication firms, finding that product, sector, and technical developments all had a major impact on telecommunication firm performance. Neither of these local studies looked into the impact of growth strategies on telecommunications company performance.

Contextually, Insalaca (2017) investigated the influence of growth strategies on the performance of 28 major publicly traded Western companies from 2007 to 2015, and found that internal growth had positive differentiated effect on performance. Contrary, there is no discernible connection between external growth as well as performance. According to Boag (2018), there were few performance gaps between companies seeking product growth, business development, or market penetration strategies among technology-based manufacturing firms in Germany. In Kenya, Yeshe (2017) investigated the effects of growth strategies on SME performance and discovered that market penetration, product creation, and market development both had a positive impact on SME performance. The researches failed to consider the impact of growth strategies on the success of Kenya's telecommunications industry.

Methodologically, many studies on different contexts have adopted the descriptive research design. Ondari, Awino and Machuki (2016) used a descriptive survey and regression analysis. Mwangi (2015) used multiple regression and descriptive statistics. Soi (2016) took a descriptive and causal approach to his research. Munyoroku (2016) used multiple analysis, descriptive statistics, as well as correlation to come up with his findings. This research utilized descriptive research design as it has been used by the

above scholars but using the four variables of the study. From the foregoing, it is evident that competition in the telecommunication sector has been on the rise, this has led to telecommunication firms in Kenya adopting growth strategies to enhance their performance and remain in the market. There was therefore need to investigate if the adopted growth strategies have been effective in enhancing performance. As a result, this study aimed to fill a gap in the existing literature by addressing the research question: what effect do adopted growth strategies have on firm performance within the telecommunication industry in Kenya?

### **1.3 Objectives of the Study**

The general objective of this research was to determine the effect of adopted growth strategies on performance of firms in the telecommunication industry in Kenya.

The Specific objectives were to:

- i. Determine the effect of diversification strategy on performance of firms in the telecommunication industry in Kenya.
- ii. Establish the effect of market penetration strategy on performance of firms in the telecommunication industry in Kenya.
- iii. Establish the effect of product development strategy on performance of firms in the telecommunication industry in Kenya.
- iv. Determine the effect of market development strategy on performance of firms in the telecommunication industry in Kenya.

### **1.4 Research Hypotheses**

The study addressed the following research hypotheses:

H<sub>01</sub>: There is no significant effect for the diversification strategy on performance of firms within the telecommunication industry in Kenya

H<sub>02</sub>: There is no significant effect for the market penetration strategy on performance of firms within the telecommunication industry in Kenya

H<sub>03</sub>: There is no significant effect for the product development strategy on performance of firms within the telecommunication industry in Kenya

H<sub>04</sub>: There is no significant effect for the market development strategy on performance of firms within the telecommunication industry in Kenya.

### **1.5 Significance of the Study**

The study provides regulators as well as policymakers with information on growth strategies that will improve the sector's growth and operation, which will aid in the devising of regulations and policies. It would be possible to develop new regulations and revisit existing policies, resulting in telecommunications sector synergy.

The results of the research can be utilized by other academics, students, as well as researchers in the future as a foundation for conducting additional research in the same area. Researchers and academics will use the results to identify additional research areas on different subjects covering the same issue by doing a review of the current literature in order to ascertain research gaps.

This study was intended to strengthen management's perception of how to improve business and achieve excellent performance. The results of this research will assist administrators in focusing on essential success factors for organizational development, thereby improving their institutions' performance. Managers would need to

concentrate more on growth strategies if they want to increase their efficiency, as shown by the fact that they contribute more to performance.

### **1.6 Scope of the Study**

The thesis looked at the impact of growth strategies on telecommunications firm performance in Kenya, with a focus on the 62 telecommunications firms in the country (CA, 2020). The unit of observation was the marketing managers in these firms. Diversification, product development, market penetration, as well as market development are some of the growth strategies that were discussed. The independent variables were growth strategies, while the dependent variable was firm performance.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The aim of a literature review is to identify and evaluate the work of other scholars and researchers on the study variables. This analysis will include comprehensive knowledge of what has been studied and will serve as a foundation for interpreting the study results as well as overcoming the shortcomings of previous research. The subsection examines the literature on growth strategies, firm performance, as well as their relationship from a theoretical and empirical perspective. The chapter starts with a discussion of the theories that underpin these concepts, a conceptual context that shows the conceptualized relationship between the study variables, a review of empirical literature on the concepts that shows correlations and inconsistencies, existing literature critique, as well as research gaps discussion.

#### **2.2 Theoretical Review**

Several theories have been proposed to understand the impact of growth strategies on organizational performance. Ansoff's market growth theory, agency theory, as well as resource based view theory is combined in this study to attempt to synthesize the factors that affect organizational growth.

##### **2.2.1 Ansoff's Market Growth Theory**

This theory depicts four possible product/market combinations. The theory aids in determining the best course of action to take in light of present performance. Managers

may use the Ansoff (1957) Product-Market Growth model for marketing to discover new ways to expand their companies by combining current and modern products, as well as new as well as prevailing markets. The matrix is organized into four strategies: market penetration (existing products, existing markets); market penetration (existing goods, existing marketplaces); market penetration (existing products, existing markets); market penetration (existing products, existing markets); market penetration (This occurs when a corporation expands into new markets with existing items. The most effective way to accomplish this is to steal clients from competitors (part of their market share). Another way a corporation might do this is to attract new users of its product or persuade current customers to use the product/service more frequently through antagonistic promotions as well as advertising, as well as product development (prevailing markets introduction of new products).

Companies who already have a market share for their goods will focus on creating new offerings for the same market. Product development (sell of existing goods in a new market): Sometimes, a firm's production of new products will draw new buyers, so product development acts as a tactic for firms to expand business and battle off competition; market development (sell of existing goods in a new market): To increase sales, an existing product may be changed or sold to a consumer segments; diversification would allow the company to reach out to newer markets where it does not currently have a presence. Diversification necessitates the acquisition of new skills, equipment, and techniques. Diversification causes shifts in an organization's overall market structure that are different from previous business experiences (Peter & Richard, 2013).

The matrix also demonstrates that as the risk elements rise, the approach becomes less predictable in comparison to current goods and markets. As a result, product growth and market expansion are more risky than market penetration alone, and diversification

strategies are the most risky, because most advertising campaigns revolve around market penetration (Hande & Vedat, 2015). Despite its widespread use, the Ansoff Matrix, according to Aaker (2011), provides very minute value but does offer a range of viable options. Aaker (2011) points out that there is a suitable middle ground between strategies, and that many businesses have embraced this strategy, which has gradually grown to include major industry participants. According to Peter and Richard (2013), a company's ability to overcome "the problem of opposites" determines its effectiveness. The theory is pertinent to the current research since it discusses the four aspects of firm growth: product development, diversification, market penetration, and market development, all of which result in superior efficiency.

In order to expand and improve market profitability, companies tried to venture into component production as well as production of new goods that were unrelated to the current line. The theory informs the vertical integration as well as horizontal integration variables in the analysis. Ansoff has created a growth model, which shows four paths a company can follow in its search for expansion. Market penetration, market growth, product development, as well as diversification are the four paths.

When a company raises its sales quantity through selling in an established market, it is said to have attained market penetration (Hande & Vedat, 2015). This can be accomplished by promoting the commodity. When a company sells its existing products in new markets, it is referred to as market development, while when a company produces new products then sells them to its existing market; it is referred to as product development. This necessitates a company's ability to innovate. The scariest of all is diversification, which includes the development of new goods and their distribution to both new and established customers.

The form of diversification a company can pursue is determined by its goals. Vertical as well as horizontal integrations ought to be suitable for a company that is showing signs of success. Otherwise, an organization that is experiencing a decrease in volume of sales should avoid vertical integration because it will just postpone issues that will inevitably catch up with it. It was also mentioned that if a company's goal was stability attainment, it should engage in lateral diversification, which entails going outside the boundaries of the industry where the firm belongs. This theory relates the four growth strategies selected for this study with performance.

### **2.2.2 Agency Theory**

This theory discusses about the relationship that exists between one party referred to as the principal and another party referred to as an agent. This relationship is affected by conflicts of interest that may arise and therefore need to establish a monitoring mechanism. Jensen and Meckling (1976) formulated the theory, that states that when management as well as firm owners are separated, an agent-principal affiliation emerges that must be handled for better management (Pratt & Zeckhauser, 1985). Because of the differing perspectives of the firm's executives and its owners, the company can pursue different growth strategies for variety motives. Any agency expenses must be paid for a stable financial role in such organizations in expectations alignment of managers and shareholders. The impact of growth strategies on results, according to agency theory, is a product of the firm's management power and the efficacy of collective corporate governance. Managers' selfish motives, according to the theory, are the cause for firm development. It describes how information asymmetry makes it hard for investors to view, analyze, as well as understand all documents and data related to selfish administrative activity due to information asymmetry.

Risk-shifting was identified as an agency issue by Jensen and Meckling (1976). The owners want to invest in riskier ventures because it will raise their profits while the costs will be borne by the creditors. Creditors may shield themselves from this issue by requiring restrictive covenants to be included in the credit agreement. They can decline to do business with the company if they believe shareholders are taking advantage of them in unethical manner.

To cover for the risks of such future exploitations, creditors can often demand a much higher interest rates than normal. As Myers points out, under-investment is also an agency concern linked to debt (2001). When a company is partially credit financed, it may choose not to undertake projects having positive net present values which the owners would approve if the company were entirely equity funded. Although the returns on these investments may be adequate to produce them profitable, they are not enough in repaying the lenders.

The effect of the ventures on the company's financial condition should also be a source of concern for shareholders. Aggarwal and Samwick (2003) suggest that there are two reasons why top executives in a company would like to diversify, according to them. Some of the top executives may own stock in these companies; they may be exposed to return volatility, which can be mitigated by diversification. Senior executives can diversify for selfish motives as well. For example, because they will be running businesses with a variety of business activities, they may diversify in order to build a reputation. Some companies may have poor corporate governance structures, and their executives may take advantage of this by diversifying their businesses, even if they are not successful (Jiraporn et al., 2008).

In the absence of appropriate governance mechanisms, conflicts will occur due to

managers seeking personal benefit (agency cost) while shareholders seek to maximize profit. Shareholders, on the other hand, should put in place proper governance structures such as forming boards to prevent management from incurring excessive agency costs, excessively diversifying, and accumulating personal benefit. Shareholders can also press companies to use debt financing rather than equity to finance new ventures. According to Mole (2002), indicators such as size of business, liquidity, return on equity, as well as growth justify firm success decisions. This theory is crucial to this research since it presupposes a conflict of interest between management and stockholders, necessitating the need to control if managers' growth initiatives are in shareholders' best interests. The theory relates the four growth strategies selected for this study with performance and therefore was used to test all the four hypotheses of the current study.

### **2.2.3 Resource Based View Theory**

This theory recognizes that a firm can achieve competitiveness or competitive advantage over rivals by having rare, un-substitutable resources that cannot be easily imitated. Penrose (1959) introduced this theory, which is credited with being one of the first scientific arguments in favor of development. According to Thompson, Strickland, and Gamble (2007), a firm has some productive resources at any given time that can be utilized to leverage productive openings and enable the company to develop effectively. Scholars have discovered a number of tools that, when shared across companies, provide a significant competitive advantage. Goold and Campbell (2008), for example, discuss the advantages of exchanging technical expertise and tangible resources, coordinating tactics, vertical integration, as well as consolidating bargaining strength. By increasing the efficiency with which these services are used, a company may achieve economies of scale and reach (Contractor, Kundu & Hsu, 2009). As a result, a company should aim to

optimize leveraging resources from a resource-based perspective.

A company's capital can be divided into three categories: organizational physical as well as human organizational. To allow a company attain a justifiable competitive edge, these resources ought to be important, scarce, as well as non-substitutable (Barney, 1991). According to RBV's viewpoint, as expressed by Andreu, Claver, and Quer (2008), a company's growth necessitates a balance between leveraging existing resources and creating new ones. Since it focuses on utilization of the firm's unique advantages, RBV leans toward the firm's long-term competitive advantage.

Organization's internal resources are important key drivers of a firm's strategies and performance, according to this theory (Wernerfelt, 1984). Company's internal resources are described by Grant (2009) as all properties, skills, operational activities, firm characteristics, information, and knowledge that a firm control and that allow it to envision and execute strategies to improve operational efficiency. While a firm's physical resources are essential performance drivers, the RBV puts a greater focus on the firm's intangible capabilities as well as organizational resources (Collis, 2009). The firm's market-assets, such as consumer satisfaction and brand value, are examples of intangible capital.

The RBV firm theory is a common theoretical paradigm for recognizing how firms execute strategies as well as how the advantage can be maintained periodically (Teece, Pisano & Shuen, 2010). This perspective stresses business internal processes rather than the traditional focus on market structure and competitive positioning within that structure as the greatest predictors of strategy execution (Henderson & Cockburn, 2009). RBV holds that companies are collections of resources that are allocated differently between enterprises, and that resource disparities persist over time

(Amit & Schoemaker, 2011). Creating a set of unforeseen advantages through new product creation and poorly organized organizational methods is the aim of high-velocity business strategies.

According to Foss (1998), resource-based theory isn't immune to the issue of determining the right unit of study. To research competitive advantage, the majority of contributions in the RBV use the individual resource as the suitable analysis unit. Furthermore, according to Foss (1998), this option can only be justified if the related tools are adequately well-defined and self-contained. When, on the contrary, there are strong complementarity relationships amongst resources, the manner resources are assembled and how they intermingle and integrate into the system are crucial to understanding competitive advantage. The skills as well as key competencies, according to Foss (1998), are aimed at capturing this grouping and interactions. This issue is addressed by the conceptual structure, which links performance to strategy instead of individual assets. This theory relates the four growth strategies selected for this study with performance.

### **2.3 Empirical Review**

Empirical researches conducted before on the concepts of growth strategies and firm performance. The studies have however operationalized the concepts differently and have also considered different methodologies in arriving at their conclusions. Furthermore, previous research has concentrated on various situations, so its results lack generalization to the current context. In addition, the findings from these previous studies have been inconsistent. This segment examines these empirical studies in light of the study's goals.

### **2.3.1 Diversification Strategies and Firm Performance**

From a theoretical perspective, it is expected that a more diversified firm is likely to perform better due to diversification of risk but this is not always the case. Kamau (2019) wanted to know how growth strategies affected Safaricom Plc's performance financially. The research utilized a descriptive research design and a 100 people population, from which 88 people sample size was chosen via stratified sampling. To collect data, a formal questionnaire was used, and the results were analyzed using descriptive statistics like mean as well as standard deviation, as well as inferential statistics such as correlation and regression analysis. The data was analyzed using the Statistical Package for Social Sciences (SPSS) version 22. The research found that diversification strategies significantly influenced Safaricom Limited's performance financially.

Krivokapica, Njegomirb, and Dragan (2017) carried out research on the association between business lines diversification and performance for the insurance companies in the Serbia. The study was conducted for the period 2004–2014. The research too discovered positive substantial correlation between risk-adjusted returns and business line diversification and performance republic of Serbia insurance firms. Both ROE and ROA were used to measure the risk-adjusted returns while entropy measured the line of business diversification. This means that insurers that were more diversified performed better than the undiversified ones and therefore insurance companies should employ divergence as a business strategy to advance their performance as well as market positioning.

Chen-Ying Lee (2017) did a survey to assess business structure effects, product diversification, and company performance in Taiwanese property and liability insurance

companies. The study used panel data analysis as well as the OLS regression model, random and fixed effect models. The specific insurer's performance was measured via the ROE and ROA. The outcomes of the research demonstrated existence of a considerably negative correlation between product diversification and performance of property and liability insurance companies in Taiwan. The study also revealed that product ranks especially marine and fire insurances had a substantial effect on the performance of Taiwan property and liability insurers. Also, product diversification had a positive impression on the financial performance of large sized insurance companies. The research recommended that managers should have clear goals and should consider the company's assets critically when engaging with business structure and product differentiation

Between 2007- 2012, Phung and Mishra (2016) investigated the effect of corporate diversification on the performance of Vietnam listed companies. The research used fixed effect, Heckman selection model, and framework generalized method of moment's econometric statistical tools. Company diversification negatively impacted the firm's performance, according to the observations. Furthermore, the finding showed that an absence of an efficient corporate governance framework could enable firms to pursue diversification strategies that harm the firm's efficiency.

Ondari, Awino, and Machuki (2016) did a research at the NSE to assess diversification impact on non-financial organizational performance measures. They concluded diversification had a substantial impact on non-financial measures of organizational performance but was negligible on financial performance. The research was focused on transaction cost economic theory as well as RVB theory. The study's target population was all 59 publicly traded firms. Only 35 out of the 59 companies replied, indicating roughly 60% response rate. Diversification strategy influence on

nonfinancial organizational performance metrics was significantly positively correlated, whereas outcomes on financial performance were found to be statistically non-significant. The findings also show that diversification connectedness has a statistical substantial impact on organizational efficiency, whereas diversification entry style has no impact.

Elango and Ma (2016) did a research to research on the correlation between propertyliability insurers' product diversification in Illinois and their risk-adjusted return. They used time series and cross-section data for the period 1992 - 2000. The results of the study showed a non-linear connection between the magnitude of product diversification and risk-adjusted returns. The study concluded that the amount of diversification offsets the key benefit of diversification and therefore result in decreased financial performance. Conversely, they oppose that as companies expand further; extra benefits of diversification are attained, leading to a positive influence on financial earnings. Moreover, the study concluded that the link between the diversification of products and the performance of the company is influenced in a significant way by levels of geographic diversification.

### **2.3.2 Product Development Strategies and Firm Performance**

Development of new products can lead to a rise in performance as buyers have a high affinity for new products in the market. However, if the product does not meet the market needs, it is likely to adversely affect performance. According to Koks and Kilika (2016), the idea of product development strategy has evolved in India and is now frequently regarded as the primary tool for improving a company's performance. They go on to say that a product development strategy could include modifying an existing product or how it's delivered, or creating an entirely new product to meet a newly

identified consumer need or market niche. Product production policy has long been regarded as the lifeblood of multinational businesses.

Mahran (2017) holds that product development strategy permits businesses to attain a competitive edge, bring new clients, maintain existing customers, as well as reinforce relations with distribution systems in Sudan. Product development strategy entails creating new products or changing existing products to make them look new, and then marketing those products to existing or new customers. Product development strategy is seen as a strategic advantage that can help a company perform better. As a result, product marketing strategy is competitive tactics that can help a company succeed.

In Kenya, Wanyoike (2016) looked into the relationship between performance and product creation strategies in Kenyan Mombasa county-based logistics firms. The study based on both transaction cost economic theory and RVB theory. The research was focused on transaction cost economic theory as well as RVB theory. The study's target population was all 59 Mombasa based logistics firms. Only 35 of the 59 companies replied, indicating roughly 60% response rate. The study's conclusions reported statistical substantial outcomes on diversification strategy impact on nonfinancial organizational performance measures as well as statistical non-significant conclusions on profitability. The results also reveal that product development strategies in Mombasa County based logistic companies, affect product development, and product innovation being the most important strategy.

Kamakia (2017) conducted a study to assess the impact of product innovation on execution of business banks in Kenya. The results of the study demonstrated correspondence of product innovation to staff was, as it were, with most participants concurring product innovation affected organization performance. It was discovered that

a commercial bank needs fresh concepts to command a larger market share. Most of the participants firmly concurred organization strategy and objectives impacted innovation and to continued execution. According to the findings, product innovation has an impact on customer contentment, and a bank's reputation in the market helps it differentiate unique. A competitive bank is one that implements rapid innovations, and commercial banks require creative ideas to gain a larger market share.

Gima and Li (2015) in a study to examine the impact of product innovation procedure on the execution of modern technology adventures in China discovered, the innovation execution interface was dependent upon both environmental elements, including natural disturbance and institutional help, and the correlation-based methodologies of the endeavors, for example, strategic unions for product improvement and political systems administration. Their outcomes proposed the requirement for concurrent thought of condition and relationship-based methodology factors as mediators in the dissertation on product innovation strategy amongst modern technology ventures.

Agyei-Mensah (2017) conducted a study to scrutinize innovative capabilities effect on banking sector performance. The study's particular aims were to explore UT Bank's innovative capabilities, assess customers' perceptions of UT Bank's innovative skills, and explore the association between innovative capability and UT Bank Ghana's performance. Product innovation, marketing innovation, and process innovation all exhibited a moderate link with organizational success, according to the conclusions. Organizational innovation and collaborations, on the other hand, have a shaky link to overall performance. As a result, it is suggested that banks take a more proactive approach to producing goods and services that add value to their clients. Banks ought to

too empower their frontline managers to become more customer-centric, as this provides an opportunity for customers to provide input into creative decision-making.

### **2.3.3 Market Penetration Strategies and Firm Performance**

Market penetration strategies can lead to a rise in performance if a firm chooses a market that is relatively unexploited and that is a right fit for the firm's products. In Germany, Charles (2017) argues that in penetration pricing, using a cheap price to capture a huge market share will result in a rise in performance. Furthermore, when a large market share is reached, economies of scale can be realized, allowing reduced costs and therefore cheap prices to be sustained in the long run. When a company lowers its prices, it hopes to increase volume of sales by raising the amount of purchased units and to make prices more attractive to customers when opposed to competitors. Other businesses can raise their prices in the hopes of increasing sales income per item sold. A greater market share gives a corporation a competitive advantage because it can provide an entry barrier for smaller and emerging businesses. These new and small businesses would have to suit what are uneconomically cheap prices to them.

Onotu and Yahaya (2016) investigated the impact of mergers and acquisitions on the financial performance of Nigerian Deposit Money Banks. One of the objectives of the study was to evaluate the impact of M&A on the market share of Nigerian Deposit Money Banks. The study used various market metrics of the chosen banks to analyze the market share of the banks prior to as well as after consolidation for the period 2002 to 2008. Using a purposive sample strategy, four Nigerian banks were chosen. The analysis relied on secondary data obtained from the banks' annual reports as well as accounts. The research data were analyzed using T-test statistics using SPSS. The findings revealed that the banks witnessed significant growth in their market share performance owing to

merger and acquisition. This in turn positively influenced their financial performance. The study thus concluded that M&A had a positive impact on the market share performance of Nigerian banks.

Eriksen and Kelly (2015) conducted research in Musoma district, Tanzania, on the association between marketing penetration strategies and the performance of saccos. The researchers used a descriptive research design to assess the impact of marketing strategies on SACCO efficiency. The chief executive officer, the marketing manager, and the credit officer made up the target population. For this report, a census population of 84 respondents was used. The study's results showed a causal association between SACCO success and marketing strategies. Many of these businesses employ tactics such as product differentiation and niche marketing in order to be seen as the most cost-effective in their markets.

Njoroge (2015) conducted research in Matuu metropolis, Machakos County, Kenya, on marketing penetration strategies and business efficiency. The study used a descriptive research design to accomplish the research objectives, and all SMEs in Matuu town served as the population of interest, Machakos County. Simple random and stratified sampling methods were used to assemble an 86 SMEs sample. According to the findings, advertising and new product marketing strategies have a minor positive impact on SMEs' performance in Matuu town, while creative marketing penetration strategies have a major negative impact on Matuu SMEs' performance.

Mulwa (2015) undertook an industry-wide research of the Kenyan oil sector in order to examine the impact of mergers and acquisitions on the financial performance of oil companies. The research was limited to a sample of Kenyan oil businesses that have merged or bought others between 2000 and 2014. Data was gathered from the selected

firms' annual statements of accounts and financial reports. The association between mergers and acquisitions and the financial performance of the merged/acquired oil businesses in Kenya was investigated using regression analysis. The mean of 5-years pre-merger/acquisition and 5-years post-merger/acquisition financial ratios were compared, with the year of merger/acquisition excluded. In general, the petroleum firms did poorly in the post-merger/acquisition era as compared to the pre-merger/acquisition era, according to the analysis and findings. The findings also revealed that mergers and acquisitions had no meaningful impact on the market share performance of the oil businesses studied. As a result, the study came to the conclusion that mergers and acquisitions had no statistical significance association with the financial success of Kenyan oil companies.

#### **2.3.4 Market Development Strategies and Firm Performance**

Market development can enhance the performance of a firm in a positive way if a firm employs the right strategies and the product is right. Business development strategy, according to Lorette (2017), generates growth by introducing existing products to new markets. He goes on to say that this tactic is used when a business has discovered previously unknown markets or wishes to extend its market scope. Turning to new and unexplored geographical regions, implementing new pricing policies to reach new target markets, and developing new distribution platforms can all be used to sell goods in innovative ways as well as to new buyers to join and grow a new market for existing products.

A study by Muturi, Mwau and Oloko, (2017) was done to establish the moderating effect of ownership structure on the association between the growth strategies

and the performance of Kenyan firms within the insurance industry. The research looked into how diversification strategies, market penetration strategies, market development strategies, product development strategies, and the moderating effect of ownership structure have influenced the performance of insurance companies. The study's target demographic was all 5,188 insurance players in Kenya in 2013. A descriptive research design was used in this study. The 125 respondents were chosen via random stratified sampling. Except for the market development strategy, the research indicated that growth strategies had a positive impact on the performance of insurance firms in Kenya's insurance industry. The ownership structure's moderating influence was also found to have a positive impact on the firm's performance.

Mwania (2017) investigated the affiliation between growth strategy and Kenyan commercial banks performance. The research main intention was to establish whether a connection between organizational growth and performance existed. The whole personnel of Kenyan commercial banks were the target of the study. The research found out that product development and diversification strategies positively and significant effect on the bank's performance. It concluded therefore that expansion strategies have a positive as well as substantial effect on the performance of commercial banks in Kenya.

Mohamed and Bustamam (2018) investigated external growth strategies and organizational performance in emerging markets: The mediating role of inter-organizational trust. The purpose of this paper was to identify and compare the effect of external growth strategies on the organizational performance of companies and to examine the mediating role of interorganizational trust between growth strategies and organizational performance in Malaysia. Data was collected from 240 senior managers from public listed companies (PLCs) in Malaysia and was analyzed using analysis of a

moment structures. The findings indicated that growth strategies have a significant effect on organizational performance. Strategic alliances and acquisitions were also found to have significant effects on organizational performance. Moreover, inter-organizational trust was found to fully mediate the effect of growth strategies on organizational performance.

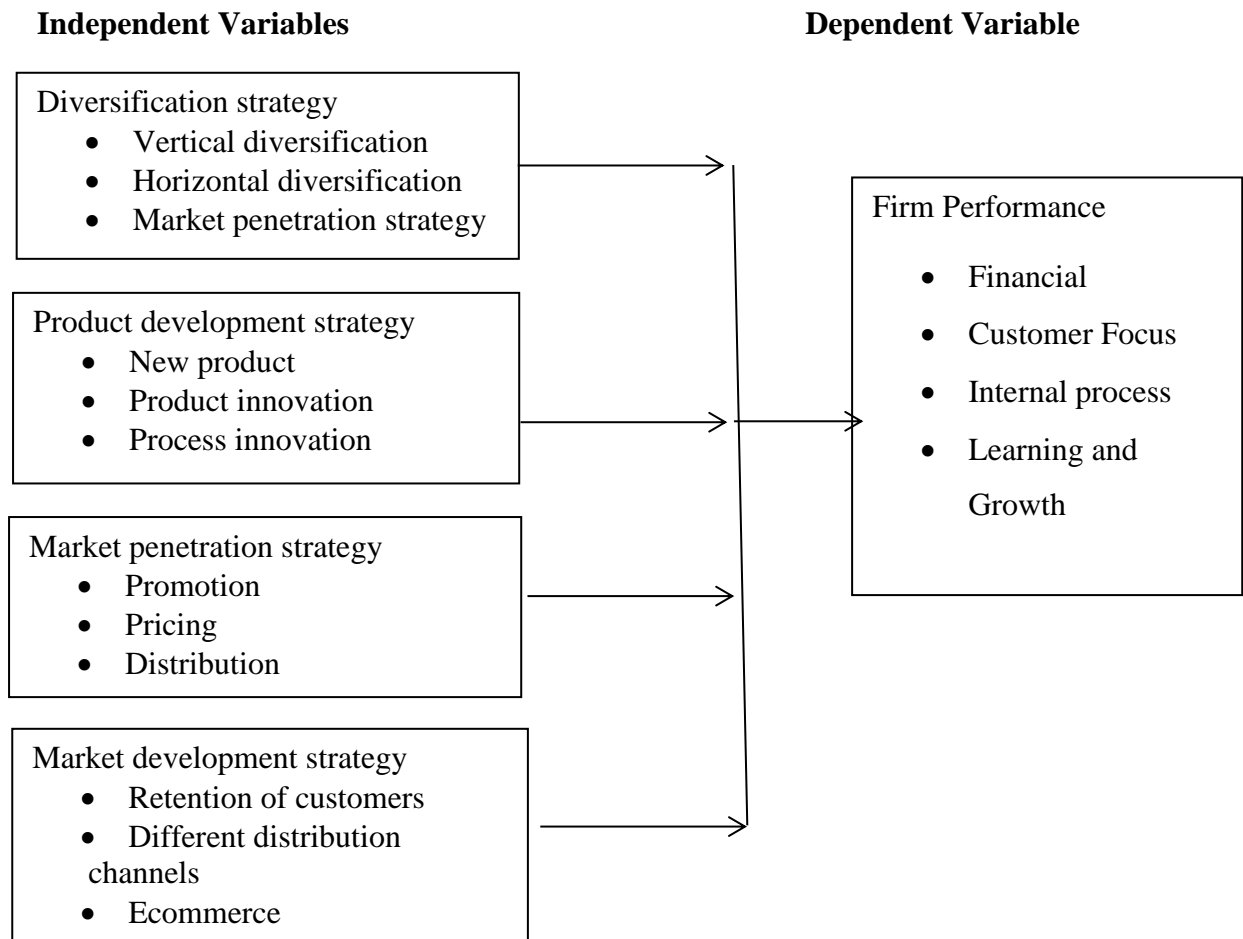
Ayedun et al. (2014) investigated the impact of marketing strategies on the success of land surveying and valuation firms in Nigeria's Kaduna town. The majority of businesses entry into a new market since an opening has been found, which means that there is a market gap that is presently unmet. Revenues will suffer if a business wants to drive a product or service into a new market where there is little demand for the service or product. According to the findings, there is a strong correlation between marketing techniques used and firm results.

An empirical study conducted in Kenya by Mbithi et al. (2015) on the impact of market development strategy on performance in the sugar industry found a connection between marketing development strategy with firm performance. They adopted two approaches to analyzing market development strategy. The approaches included developing new market segment and extending to new geographical region. Their research found that expanding into new consumer segments affected sales volume and overall turnover, but not statistically significant results, while expanding into new geographic regions impacted sales volume with statistically significant results. On the basis of their results, they drew the conclusion that expanding into new regions and creating new consumer segments did not lead to increased productivity, but rather lead to an increase market share, which would ultimately have a positive impact on profitability

## 2.4 Conceptual Framework

FIGURE 2.1

### The Conceptual Framework



## 2.5 Research Gaps

According to the numerous journals reviewed, there have been very few or minimal studies on the impact of growth strategies such as diversification, market penetration, market development, as well as product development on the performance of firms in the Kenyan telecommunications industry, resulting in a significant literature gap. The research is necessary because of the present literature gap. Various studies conducted by various researchers have placed a strong emphasis on other aspects affecting

telecommunication industry success, such as strategic strategies, business analytics systems, as well as management of customer relationship (Kyengo, Ombui, & Iravo, 2016; Tehrani, 2010). Capital structure (Ihiga, 2016) also financial innovation matters (Magaju, 2017), rendering growth strategies unaddressed. Soi (2016) conducted a study on the effect of innovation strategies on the performance of Kenyan telecommunication firms, finding that product, sector, and technical developments all had a major impact on telecommunication firm performance.

Insalaca (2017) investigated the influence of growth strategies on the performance of 28 major publicly traded Western companies from 2007 to 2015, and found that internal growth had positive differentiated effect on performance. Contrary, there is no discernible connection between external growth as well as performance. According to Boag (2018), there were few performance gaps between companies seeking product growth, business development, or market penetration strategies among technology-based manufacturing firms in Germany. The studies did not consider the impact of growth strategies on the success of Kenya's telecommunications industry.

## 2.6 Operationalization of the Study Variables

**TABLE 2.1**

**Operationalization of the Study Variables**

<b>Variable</b>	<b>Measurement</b>	<b>Data Collection Tool</b>	<b>Data Analysis</b>	<b>Supporting Literature</b>
Diversification strategy	Likert scale	Questionnaire	<ul style="list-style-type: none"> <li>• Descriptive statistics</li> <li>• Correlation analysis</li> <li>• Regression analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Phung and Mishra (2016)</li> </ul>
Product development strategy	Likert scale	Questionnaire	<ul style="list-style-type: none"> <li>• Descriptive statistics</li> <li>• Correlation analysis</li> <li>• Regression analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Ulrich and Eppinger (2016)</li> </ul>
Market penetration strategy	Likert scale	Questionnaire	<ul style="list-style-type: none"> <li>• Descriptive statistics</li> <li>• Correlation analysis</li> <li>• Regression analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Gilmore (2015)</li> </ul>
Market development strategy	Likert scale	Questionnaire	<ul style="list-style-type: none"> <li>• Descriptive statistics</li> <li>• Correlation analysis</li> <li>• Regression analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Onsongo (2016)</li> </ul>
Firm performance	Likert scale	Questionnaire	<ul style="list-style-type: none"> <li>• Descriptive statistics</li> <li>• Correlation analysis</li> <li>• Regression analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Kaplan and Norton (1996)</li> </ul>

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The research methodology for this study was outlined in this chapter. It details the research design, the target population, sampling frame and the sample and sampling procedure. In addition, it outlines the instruments for data collection, methods for data collection, and a pilot study, data processing, analysis and data presentation methods.

#### **3.2 Research Design**

A research design, according to Cooper and Schindler (2008), is a strategy or system for data collection, analysis, and study, a plan or procedural outline that enables a researcher obtain answers to research questions. Krishnaswami and Satyaprasad (2010) on the other hand define a research design is a logical and structured strategy for guiding a research project that outlines the study's goals, methods, and techniques to be used to realize those objectives.

The study's research problem was achieved using a descriptive cross-sectional research design. A descriptive research attempts to determine what, when, or how a phenomenon occurs (Cooper & Schindler, 2008). This design was suitable because it enabled the researcher to use both quantitative as well as qualitative data to determine the impact of diversification strategy on Kenyan firms' telecommunication performance.

#### **3.3 Target Population**

The term target population refers to a group of people or items that have identical features or traits (Kothari, 2004). The characteristic is commonly shared by all population

members. This research study population comprised of a census of the 62 telecommunication firms in Kenya as at December 2020 (CA, 2020).

### **3.4 Sample Size and Sampling Procedure**

Sampling is defined as choosing units from a population. Sampling technique is the method that is used to select the sample (Trochim, 2014). Since the study population was relatively small, a census design was adopted. A census is a sampling technique that involves taking the entire population for study purposes. This study employed census of all the marketing managers or their representatives among the telecommunication firms in Kenya. This gave a total of 62 respondents. A census technique has been used before by Ihiga (2016).

### **3.5 Instrumentation and Data Collection**

Data collection is the systematic method of collecting and evaluating information on variables of interest in order to address specified research questions, hypothesis testing, and assess outcomes (Kombo & Tromps, 2002). The nature of information to be obtained determines the research instruments to be used. The respondents were asked to fill out a questionnaire in order to obtain primary data. The primary data was crucial in describing the real situation of the dependent and independent variables' relation. Questionnaire utilization was reasonable since it is a low-cost, reliable, and productive method of collecting data in a short period. Questions were designed to have closed ended. Closed-ended questions allowed the researcher to derive specific answers. The questionnaires were distributed to all employees selected in the sample.

Permission to collect data was sought from relevant authorities. The resource persons were deemed to be knowledgeable enough, and therefore designed questionnaire deemed useful in data collection. The researcher administered 172 copies of the questionnaire to the respondents for collection of both quantitative as well as qualitative data. The researcher dropped the questionnaire to selected telecommunication firm employees who were assumed to be well conversant with growth strategies. To guarantee that copies of the questionnaire sent to respondents were obtained, caution and monitoring was practiced. To do this, the researcher kept track of the number of copies of the questionnaire that were distributed and collected.

### **3.6 Validity and Reliability**

The capability of a tool to assess the construct as claimed is referred to as its validity (Cooper & Schindler, 2008). Construct validity is a test that determines if a variable's operational description accurately represents the concept's real theoretical sense. The questionnaire for this study was based on related prior research, with changes to address the study objectives.

The expert opinion was used to validate the content's validity. This comprises the supervisors, proposal defense panelists/discussants and seminar panelists whose diligence and expertise would guarantee that the questionnaire covers all of the study variables. The supervisors also double-checked the text to guarantee that the theoretical aspects are presented in the manner that they have been formulated.

The magnitude to which findings are error-free or a testing instrument produces reliable results is referred to as reliability (Cooper & Schindler, 2008). The internal accuracy of the data measuring tool is verified using a reliability test. The Cronbach alpha

will be used to determine the test instrument's reliability. Cronbach's Alpha is essential to a researcher because it allows them to determine if the tools can provide precise answers even if same questions are substituted. If a variable provides similar responses to a common set of questions, it is said to be stable.

Cronbach's Alpha is a true score of the 'base' or 'underlying' construct that suggests reliability (Khan, 2008). Cooper and Schindler (2008) describe a construct as a complex system or research subject. The true ranking, also known as 'Alpha,' has a 0 to 1 value range. It could also be utilized in expressing questionnaire reliability with nominal scale and questions with two potential responses (dichotomous questions). A top rating implies high reliability, with 0.7 being considered an acceptable coefficient of reliability or Alpha value (Khan, 2008).

### **3.7 Data Analysis and Presentation**

Data analysis is the procedure of refining and organizing that raw data into a clear systematic and scientific form in which it can easily be interpreted hence understood (Burns & Burns, 2008). According to Kothari (2009), it entails a series of closely linked operations aimed at summarizing as well as arranging gathered data in such a way that it addresses the research query. The researcher went through the questionnaires, counted how many they were and checked for completion and adequacy. The questionnaires were sorted based on adequacy. Unique codes were assigned to every question then score. The information was then entered into a computer for review and summarization in order to decide the intensity of emerging themes.

The mean, as a central tendency measure, as well as standard deviation, as a measure of dispersion were used to analyze the descriptive elements of the data while

correlation and regression were used to analyze existence of relationships between and among variables. These was run on the SPSS Version 25. The regression model below was used:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y = Firm performance

$\alpha$  = y regression intercept.

$\beta_1, \beta_2, \beta_3, \beta_4$  = Model coefficients

$X_1$  = Diversification strategy

$X_2$  = Product development strategy

$X_3$  = Market penetration strategy

$X_4$  = Market development strategy

$\varepsilon$  = error term

### **3.8 Diagnostic Tests**

Before continuing to the calculation of the equations, diagnostic tests are run to guarantee that no violations of the classical linear regression model principles have occurred. When the conventions of a classical regression model are violated, skewed as well as inefficient model parameters result. As a result, diagnostic checks were carried out to guarantee that the regression analysis conventions are not broken.

#### **3.8.1 Normality Test**

The presumption that the residuals of the response variables have normal distribution around the mean was tested using normality tests. The Shapiro-Wilk test or

the Kolmogorov-Smirnov test was done. Variables with a p value of more than 0.05 were considered to be normally distributed.

### **3.8.2 Multicollinearity Test**

Multicollinearity was determined in the analysis using a correlation matrix, with an optimal 0.8 multicollinearity threshold. (Cooper & Schindler, 2008). When multicollinearity is not taken into account, infinite standard errors and undetermined regression coefficients arise, resulting in high standard errors. This impacts the precision with which the null hypothesis is rejected or not rejected. The magnitude of the multicollenarity has an effect on the estimation process. As a result, a correlation coefficient of greater than 0.8 indicates extreme multicollinearity.

### **3.8.3 Heteroskedasticity**

If heteroskedasticity occurs, it must be checked and completely accounted for in the CLRM. The error term has a constant variance, according to the CLRM. If the error variance is not constant, the data is said to be homoscedastic. If a regression analysis is run before checking for heteroskedasticity, the estimated coefficients will be unbiased and the standard errors will be incorrect. In this study, panel level heteroskedasticity the Likelihood Ratio (LR) test invented by Khan (2008) was useful in heteroskedasticity magnitude panel evaluation. The null hypothesis for this test was presence of homoscedastic error variance. The presence of heteroskedasticity in the study data was accounted for by checking the FGLS model if the null hypothesis was rejected.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1 Introduction

This section presents the results from the study. The sections in this chapter include the general information section encompassing the response rate and demographic information. The chapter also outlines the descriptive as well as inference statistics in conjunction with the research objectives.

#### 4.2 Response Rate

The received responses number divided by the target participants number is the response rate in research study. The completion rate or return rate is another term for the response rate, which is commonly given as a percentage. Table 4.1 provides information on the rate of response for this study.

TABLE 4.1

#### Response Rate

<b>Response Rate</b>	<b>Frequency</b>	<b>Percent</b>
Returned	45	72.6
Unreturned	17	27.4
<b>Total</b>	<b>62</b>	<b>100</b>

According to Table 4.1, 62 questionnaires were sent to marketing managers at every one of Kenya's 62 telecommunication companies. According to the outcome of the research, only 45 of the 62 questionnaires sent to the target respondents received satisfactory responses and were returned, resulting in a 72.6 percent study response rate.

This agrees with Neil (2009), who claims that research with a response rate of 70% or more is adequate for analysis as well as drawing conclusions.

### 4.3 Demographic Characteristics

The first questionnaire segment sought to obtain data of the general information regarding the profile of the participants. The section covered gender, age, highest levels of education and number of years in the current position.

#### 4.3.1 Gender of the Respondents

The target respondents were requested to state their gender. The results are as shown in Table 4.2.

**TABLE 4.2**

**Gender Distribution**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	23	51.1
Female	22	49.9
<b>Total</b>	<b>45</b>	<b>100</b>

As per Table 4.2 results, male respondents made up 51.1 percent of the total, while female respondents made up 49.9 percent. This demonstrates telecommunication firms in Kenya commitment to gender diversity, as there was no huge variation in male as well as female employees' number amongst participants.

### 4.3.2 Age of the Respondents

The research wanted to establish the age of the participants involved in this research. Understanding the age of the respondents is important as someone's age can influence their response to the study. The outcomes are depicted in Table 4.3.

**TABLE 4.3**

#### **Respondents' Age Composition**

<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
18-24 years	0	0
25-35 years	3	6.7
36-45 years	11	24.4
46-55 years	22	48.9
Above 55 years	9	20.0
<b>Total</b>	<b>45</b>	<b>100</b>

Table 4.3 displays that the highest respondent number (48.9%) were between the ages of 46 and 55, 24.4 percent were between the ages of 36 and 45, 20 percent were above 55 years, 6.7 percent were between 25 and 35 years while there was no respondent below the age of 25 years. According to the findings, telecommunication firms in Kenya human resource personnel are relatively young. They are also mature enough to respond to the questions raised for this study.

### 4.3.3 Highest Level of Education

The participants were implored to state their highest education level. Table 4.4 gives an illustration of the results.

**TABLE 4.4**

**Highest Level of Education**

<b>Education</b>	<b>Frequency</b>	<b>Percentage</b>
Diploma	3	6.7%
Graduate	28	62.2%
Postgraduate	14	31.1%
<b>Total</b>	<b>45</b>	<b>100%</b>

Results demonstrate that the largest proportion (62.2%) had bachelor's degrees while 31.1% had postgraduate degrees. Only 6.7 percent of those surveyed have a diploma as their highest level of education. The findings suggest that telecommunication companies are eager to attract well-educated employees. In most circumstances, a high level of education is related with competency as well as mastery of the necessary abilities to perform one's job tasks.

**4.3.4 Years of Experience with the Organization**

**The participants were asked to indicate how long they had been with their current employer. The length of time spent with an organization can be used to gauge their understanding of internal organizational processes, capabilities, as well as success.**

**TABLE 4.5**

**Years of Experience with Current Employer**

<b>No. of years</b>	<b>Frequency</b>	<b>Percentage</b>
0-1	4	8.9%
2-4	8	17.8%
5-7	11	24.4%
8-10	15	33.3%
Above 10	7	15.6%
<b>Total</b>	<b>45</b>	<b>100%</b>

The results shown in Table 4.5 designated that 33.3% had worked for their company for 8-10 years, 24.4% for 5-7 years, 17.8% for 2-4 years, 15.6% for above 10 years and only 8.9% had worked for 1 year or less. This indicates that the participants were better positioned to comprehend the questions raised in the questionnaire as they had spent a considerable time in the firm.

#### **4.4 Descriptive Statistics**

The subsection describes the descriptive findings for each of the variables under study, presented in terms of percentages, means and standard deviations.

##### **4.4.1 Diversification Strategy**

The mean as well as standard deviation for the precise attributes of diversification strategy are as presented in Table 4.6. The results show that telecommunication companies have implemented a diversification strategy to a large extent. This is backed up by the fact that the attributes related to diversification strategy mean scores were more than 3, with a 3.8 mean score and a 0.8 standard deviation on a five-point Likert scale. The participants approved that their firm has indulged in other ventures not related to the telecommunications industry as shown by a 4.3 mean. The respondents however disagreed with the statement that good diversification entail paths of growth that diverge from the organization's current markets and goods concurrently as shown by a 2.4 mean.

**TABLE 4.6**

**Descriptive Statistics for Diversification Strategy**

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
We have indulged in other ventures not related to the telecommunications industry.	45	4.3	0.5
Good diversification entails paths of growth that diverge from the organization's current markets and goods concurrently.	45	2.4	1.2
The company creates new goods that are tailored to the needs of its existing consumers	45	4.2	0.8
The firm acquires new products that are suitable to the current customers	45	4.1	0.6
The company offers new services that are tailored to the needs of its present clients	45	3.6	0.8
Our company has developed products and services that are commercially unique while also appealing to present clients	45	4.1	0.7
<b>Average</b>		<b>3.8</b>	<b>0.8</b>

The participants too concurred that their company creates new goods that are tailored to the needs of its existing consumers as shown by a 4.2 mean and that the firm acquires new products that are suitable to the current customers as shown by a 4.1 mean. Furthermore, the participants agreed that their company delivers new services that are suited for present customers, as evidenced by a 3.6 mean, and that their company has developed commercially unique products/services that appealed to existing clients, as evidenced by a 4.1 mean.

**4.4.2 Product Development Strategy**

The mean as well as standard deviation for the precise attributes of product development strategy are as displayed in Table 4.7.

**TABLE 4.7****Descriptive Statistics for Product Development Strategy**

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
To keep a high market position, our company's products must be modified and fully revamped.	45	4.2	0.7
In our business, new product creation entails a higher level of innovational challenge, with the ultimate goal of expanding our market share	45	4.0	0.7
Our firm consistently practices product repackaging	45	4.0	0.5
Our firm consistently practice product rebranding	45	4.4	0.5
<b>Average</b>		<b>4.2</b>	<b>0.4</b>

The findings in Table 4.7 show that telecommunication companies use product development approach to a large extent. This is reinforced by the observation that the mean scores for attributes linked to product development strategy were 4.2 on a five-point Likert scale, with a 0.4 standard deviation. The participants concurred with the assertion that to keep a high market position, their company's products must be modified and fully revamped as depicted by a 4.2 mean and that in their business, new product creation entails a higher level of innovational challenge, with the ultimate goal of expanding our market share as shown by a mean of 4.0. Further, the respondents agreed with the statements that their firm consistently practices product repackaging as shown by a mean of 4.0 and that their firm consistently practices product rebranding as shown by a mean of 4.4.

#### **4.4.3 Market Penetration Strategy**

The mean as well as standard deviation for the precise attributes of market penetration strategy are as presented in Table 4.8.

**TABLE 4.8****Descriptive Statistics for Market Penetration Strategy**

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
The firm advertises through internet, sponsoring programmes and exhibitions	45	4.2	0.6
To maximize sales and benefit, the company uses penetration pricing (charging different prices depending on the season/good).	45	4.2	0.7
The firm has joint operations with other firms to increase market share and revenues.	45	4.0	0.7
Our company is made up of two or more companies that collaborate to achieve the same manufacturing goals.	45	3.5	0.9
<b>Average</b>		<b>4.0</b>	<b>0.5</b>

The results from Table 4.8 show that telecommunication companies use a market penetration strategy to a large extent. This is backed by the reality that the mean scores for attributes related to market penetration strategy were 4.0 on a five-point Likert scale, with a 0.5 standard deviation. The participants concurred that their firm advertises via internet, sponsoring programmes as well as exhibitions as shown by a mean of 4.2 and that to maximize sales and benefit, the company uses penetration pricing (charging different prices depending on the season/good) as revealed by a 4.2 mean. Additionally, the participants concurred that their firm has joint operations with other firms to increase market share and revenues as shown by a mean of 4.0 and that their firm is a combination of two or more firms jointly working to realize the similar production goals as shown by a mean of 3.5.

#### **4.4.4 Market Development Strategy**

Table 4.9 shows the mean as well as standard deviation for the specific attributes of market development strategy. The findings show that telecommunication companies have adopted a market development strategy to a large degree. The reality that the mean

scores for attributes associated with market development strategy were 4.0 on a five - point Likert scale with a standard 0.4 deviation backs this up. Those surveyed concurred application of business growth techniques aids in the establishment of new operations in diverse geographic locations as a 4.0 mean depicts and that the firm has changed its target market as displayed by a 4.2 mean. Participants also concurred that their firm has been investing in market intelligence to enhance market expansion as shown by a mean of 3.8 and that the firms' market base has been growing and expanding as shown by a mean of 3.9. Finally, the participants too approved that their firm has developed new distribution channels as shown by a mean of 3.8.

**TABLE 4.9**

**Descriptive Statistics for Market development strategy**

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
The application of business growth techniques aids in the establishment of new operations in different geographic locations	45	4.0	0.5
Our firm has changed its target market	45	4.2	0.6
To help us expand our market, we have invested in market intelligence.	45	3.8	0.7
The firms market base has been growing and expanding	45	3.9	0.8
Our firm has developed new distribution channels	45	3.8	0.8
<b>Average</b>		<b>4.0</b>	<b>0.4</b>

**4.4.5 Firm Performance**

Table 4.10 shows the mean as well as standard deviation for the specific performance attributes of telecommunication firms.

**TABLE 4.10****Descriptive Statistics for Firm Performance**

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>
In the last three years, the firm's total revenues have increased.	45	3.9	0.6
For the last three years, the profitability of the company has increased.	45	3.6	0.7
During the last three years, the company return on investment has increased	45	3.8	0.6
Client satisfaction is reflected in increased referrals.	45	3.9	0.6
Consumer retention is critical to a company's growth.	45	3.9	0.8
Customer satisfaction continues to grow as a result of improved services	45	3.7	0.7
The company's service management has been effective.	4.5	4.1	0.5
The cost of management has decreased.	4.5	3.9	0.7
Over time, the company has released a number of unique and creative services.	4.5	4.0	0.6
<b>Average</b>		<b>3.9</b>	<b>0.5</b>

The results in Table 4.10 show that telecommunication companies' performance has greatly improved. The reality that the mean score for attributes related to company performance was 3.9 with a 0.5 standard deviation demonstrates this. The participants agreed that in the last three years, the firm's total revenues have increased as shown by a mean of 3.9 and that for the last three years, the profitability of the company has increased as demonstrated by a 3.6 mean. The participants too agreed that during the last three years, the company return on investment has increased as shown by a 3.8 mean. The respondents too agreed with the assertion that client satisfaction is reflected in increased referrals as shown by a 3.9 mean and that consumer retention is critical to a company's growth as shown by a mean of 3.9. The respondents also agreed with the statement that customer satisfaction continues to grow as a result of improved services as shown by a mean of 3.7. Further, the participants agreed with the assertion that the company's service management has been effective as shown by a mean of 4.1 and that the cost of

management has reduced as shown by a 3.9 mean. Finally, the respondents agreed that over time, their firm has released a number of unique and creative services as shown by a mean of 4.0.

#### 4.5 Correlation Analysis

The Pearson correlation was employed to find a link between the predictor factors and the performance of telecommunication companies. As seen in Table 4.11, this is the case.

**TABLE 4.11**  
**Correlation Results**

		Performance	Diversifica tion	Product developm ent	Market penetration	Market development
Performance	Pearson Correlation	1				
	Sig. (2-tailed)					
Diversification	Pearson Correlation	.534**	1			
	Sig. (2-tailed)	.000				
Product development	Pearson Correlation	.425**	.536**	1		
	Sig. (2-tailed)	.004	.000			
Market penetration	Pearson Correlation	.359*	.236	.066	1	
	Sig. (2-tailed)	.015	.119	.667		
Market development	Pearson Correlation	.576**	.374*	.296*	.364*	1
	Sig. (2-tailed)	.000	.011	.048	.014	

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
\* . Correlation is significant at the 0.05 level (2-tailed).  
c. Listwise N=45

The results in Table 4.11 shows the calculated r coefficient which helps in determining if the relationship is positive or negative and the p value which establishes the level of significance. As evidenced by a 0.534 Pearson correlation coefficient as well as a 0.000 P-value, the correlation results show a strong, positive, as well as significant relationship between diversification strategy and telecommunication firm performance. This is an indication that greater diversification leads to better corporate performance. A moderate, positive, as well as significant relationship exists between product development strategy and telecommunication firm performance, as evidenced by a 0.425 Pearson

correlation coefficient as well as a 0.004 P-value in the correlation results. This is a sign that a better product development strategy leads to better results for telecommunications companies.

Furthermore, as evidenced by a 0.359 Pearson correlation coefficient as well as a 0.015 P-value, the correlation results show a weak, positive, as well as significant relationship between market penetration strategy and performance of telecommunication firm. This is a sign that a higher level of market penetration strategy equates to better performance for telecommunication companies. Eventually, as indicated by a 0.576 Pearson correlation as well as a 0.000 P value, the correlation results showed the existence of a strong, positive, and significant relationship between market development and the performance of telecommunication firms. This is an indicator that rise in the extent of market penetration strategy translates to improved telecommunication firms' performance.

#### **4.6 Diagnostic Tests**

When carrying out statistical *modus operandi* utilizing correlations, regression, t-tests as well as variance analysis, they are founded on the presupposition that the data follows a normal distribution. These analyses have statistical errors and need to be checked. This study tested for normality, multicollinearity and heteroskedasticity to test for these statistical errors. This was done to see if the data set could be well modeled. Normality was tested by use of Shapiro-wilk's test. Multicollinearity was tested by variance inflation factors and tolerance. Heteroskedasticity was tested by Levene's test. This subsection displays the results of these statistical tests.

#### 4.6.1 Tests of Normality

To check for normality, the Shapiro-Wilk test was utilized. This test determines the degree of data normalcy by detecting the presence of skewness, kurtosis, or both. The Shapiro-Wilk statistic ranges from 0 to 1, with values greater than 0.05 suggesting normal data. When it is less than 0.05, the data substantially deviates from the normal distribution. The Shapiro-Wilk test was used to confirm data normality, and the findings showed that all variables had a p-value greater than 0.05 ( $p > 0.05$ ). The term "normality" refers to the assumption that the mean's sampling distribution is normal. Table 4.12 displays the normality test results.

**TABLE 4.12**

#### **Test of Normality**

Study variables	Statistic	Shapiro-Wilk Df	Sig.
Diversification	.881	45	.723
Product development	.892	45	.784
Market penetration	.901	45	.815
Market development	.918	45	.822
Firm performance	.874	45	.812

The results in Table 4.12 reveal that all the p values are greater than the cutoff limit of 0.05 and therefore the hypothesis that the data was taken from a normally distributed population is confirmed.

#### 4.6.2 Tests of Multicollinearity

When there is a significant degree of correlation between independent variables, this is known as multicollinearity. The variance inflation factor (VIF) is used to test multicollinearity. The VIF measures the factor by which the variance of estimated coefficient is inflated over the case of no correlation among the independent variables. All

VIFs will be 1 if no two independent variables are correlated. VIF of 5 indicate there is multicollinearity and 10 show serious multicollinearity. The results show the variance inflation factor (VIF) which was used to test for multicollinearity for this study. Tolerance measures the influence of one independent variable on all other independent variables, and is an inverse of VIF. The test results are shown in Table 4.13

**TABLE 4.13**  
**Test of Multicollinearity**

<b>Variable</b>	<b>VIF</b>	<b>Tolerance</b>
Diversification	1.30	0.771
Product development	1.27	0.785
Market penetration	1.36	0.735
Market development	1.02	0.978
Mean VIF	1.24	

The outcomes in Table 4.13 reveal that all the variables had a VIF of between 1.02 and 1.36 while tolerance values were between 0.735 and 0.978. This indicated that the independent variables did not have any multicollinearity.

#### **4.6.3 Tests of Heteroscedasticity**

Heteroscedasticity occurs when the variance of the dependent variable's errors is not uniform throughout the data. It arises when the variance of mistakes varies depending on the independent variables' values. In regression analysis, heteroscedasticity is a systematic shift in the spread of the residuals over the range of measured values. The assumption in ordinary least squares regression is that residuals are drawn from a population with a constant variance. When heteroscedasticity is high in this regression, it can cause substantial distortions in the results and weaken the analysis, raising the risk of a type 1 mistake. Breusch-Pagan / Cook-Weisberg test for heteroscedasticity was used to

determine homogeneity in this research. If the Breusch-Pagan/Cook-Weisberg test for heteroscedasticity is statistically significant  $\alpha = 0.05$ , the variances between groups are uneven. It is a test to see if the dispersion of the scores in the variables is roughly the same. The results are as shown in Table 4.14.

**TABLE 4.14**

**Test of Heteroscedasticity**

<b>Breusch-Pagan / Cook-Weisberg test for heteroscedasticity</b>		
Ho: Constant variance		
Variable: fitted values		
chi2(1)	=	0.7003
Prob > chi2	=	0.6429

The null hypothesis of Homoskedastic error terms is not rejected, according to Table 4.14, as evidenced by a 0.6429 p-value.

**4.7 Regression Analysis**

The regression analysis encompasses the model fitness, the Analysis of Variance (ANOVA) and the regression coefficients. This is as demonstrated in below.

**TABLE 4.15**

**Model Fitness**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.682 <sup>a</sup>	.465	.412	.395070

a. Predictors: (Constant), Market development, Product development, Market penetration, Diversification

Diversification strategy, product development strategy, market penetration strategy and market development strategy were considered satisfactory in explaining telecommunication firms' performance as Table 4.15 depicts. This is as reflected by an R square of 0.465. As a result, diversification strategy, product development strategy, market penetration strategy, and market development strategy account for 46.5 percent of the variance in telecommunication firm performance, with the remainder explained by factors beyond the context of the research. The other assumption is that the model that connects the variables is adequate. The 0.682R value implies that there exists a strong correlation between the predictor variables (diversification strategy, product development strategy, market penetration strategy and market development strategy) and performance of telecommunication companies.

**TABLE 4.16**

**Analysis of Variance**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.432	4	1.358	8.701	.000 <sup>b</sup>
	Residual	6.243	40	.156		
	Total	11.675	44			

a. Dependent Variable: Performance  
b. Predictors: (Constant), Market development, Product development, Market penetration, Diversification

Table 4.16 shows that the model is significant, as evidenced by a 8.701 F statistic as well as a 0.000 p value. This shows that diversification strategy, product development strategy, market penetration strategy and market development strategy are good predictors of telecommunication firms' performance. The regression analysis helped to demonstrate the magnitude of influence diversification strategy, product development strategy, market penetration strategy and market development strategy have on telecommunication firms' performance.

Results demonstrated a positively significant relationship between diversification strategy and telecommunication firms' performance ( $\beta$  0.274, P 0.000). This demonstrate that rise in diversification strategy by a unit would cause an enhancement on telecommunication firms' performance by 0.274 units. Outcomes also portrayed a positively significant correlation between product development strategy and telecommunication firms' performance ( $\beta$  0.179, P 0.019).

**TABLE 4.17**

**Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.266	.382		3.357	.000
	Diversification	.274	.075	.330	3.646	.000
	Product development	.179	.075	.204	2.376	.019
	Market penetration	.252	.116	.178	2.181	.031
	Market development	.199	.085	.192	2.346	.021

a. Dependent Variable: Performance

This point out that increase in product development strategy by one unit would cause an improvement on telecommunication firms' performance by 0.179 units. Additionally, outcomes demonstrated a positive significant correlation between market penetration strategy and telecommunication firms' performance ( $\beta$  0.252, P 0.031). This illustrates that increase in the degree of market penetration strategy by one unit would cause an improvement on telecommunication firms' performance by 0.252 units. Finally, findings demonstrated a positive as well as significant association between market development strategy and telecommunication firms' performance ( $\beta$  0.199, P 0.021). This illustrates that increase in the level of market penetration strategy by a unit would cause an enhancement on telecommunication firms' performance by 0.199 units.

The following is the regression model that resulted:

$$Y = 0.266 + 0.274X_1 + 0.179X_2 + 0.252X_3 + 0.199X_4$$

Where

Y = Firm performance,

X<sub>1</sub> – Diversification strategy,

X<sub>2</sub> – Product development strategy,

X<sub>3</sub> – Market penetration strategy,

X<sub>4</sub> – Market development strategy

#### **4.8 Hypothesis Testing**

The hypotheses were tested using multiple linear regressions. Table 4.17 shows multiple regression results. The acceptance/rejection criteria was that, if the p value is greater than 0.05, the H<sub>01</sub> is not rejected but if it's less than 0.05, the H<sub>01</sub> is rejected.

##### **4.8.1 Diversification Strategy and Firm Performance**

The first null hypothesis, H<sub>01</sub>, stated that: diversification strategy has no substantial effect on performance of Kenyan telecommunication firms. Table 4.13 results show that the p-value was 0.000 < 0.05. This indicates that the null hypothesis is rejected hence there is a significant effect of diversification strategy on performance of telecommunication firms in Kenya. Diversification strategy positively as well as significantly related with performance of telecommunication firms in Kenya ( $\beta=0.274$ ,  $p=0.000$ ). The study results show that diversification strategy is a significant factor affecting firm performance.

#### **4.8.2 Product Development Strategy and Firm Performance**

The second null hypothesis,  $H_{02}$ , stated that: product development strategy has no significant effect on performance of telecommunication firms in Kenya. Results in Table 4.13 show that the p-value was  $0.019 < 0.05$ . This indicates that the null hypothesis is rejected hence there is a significant effect of product development strategy on performance of telecommunication firms in Kenya. Product development strategy was positively as well as significantly correlated with performance of telecommunication firms in Kenya ( $\beta=0.179$ ,  $p=0.019$ ). The study results show that product development strategy is a significant factor affecting firm performance.

#### **4.8.3 Market Penetration Strategy and Firm Performance**

The third null hypothesis,  $H_{03}$ , stated that: market penetration strategy has no significant effect on performance of telecommunication firms in Kenya. Results in Table 4.13 show that the p-value was  $0.031 < 0.05$ . This indicates that the null hypothesis is rejected hence there is a significant effect of market penetration strategy on performance of telecommunication firms in Kenya. Market penetration strategy was positively and significantly related with performance of telecommunication firms in Kenya ( $\beta=0.252$ ,  $p=0.000$ ). The study results show that market penetration strategy is a significant factor affecting firm performance.

#### **4.8.4 Market Development Strategy and Firm Performance**

The fourth null hypothesis,  $H_{04}$ , stated that: market development strategy has no significant effect on performance of telecommunication firms in Kenya. Results in Table 4.13 show that the p-value was  $0.021 < 0.05$ . This indicates that the null hypothesis is

rejected hence there is a significant effect of market development strategy on performance of telecommunication firms in Kenya. Market development strategy was positively and significantly related with performance of telecommunication firms in Kenya ( $\beta=0.199$ ,  $p=0.021$ ). The study results show that market development strategy is a significant factor affecting firm performance.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents a summary, conclusion, and recommendations. The summary, conclusion, recommendations for improvements for the research are presented in conjunction with the objectives of the study research. This chapter also includes recommendations for future research.

#### **5.2 Summary**

The research's main objective was to establish the influence of growth strategies on telecommunication firms' performance. The research was anchored on Ansoff's market growth theory, agency theory, and resource based view theory. The dependent variable was firm performance. The independent variables were diversification strategy, product development strategy, market penetration strategy as well as market development strategy. Descriptive survey design was utilized in the survey as its research design. All 62 telecommunication firms in Kenya served as the target population. Because the population was so small, a census technique was used. Collection of primary data was done using Google forms where structured questionnaire sent to 62 marketing managers from Kenyan telecommunications companies. 45 questionnaires were collected as a result of the researcher's follow-up, resulting in a 72 percent response rate. To analyze the data, descriptive statistics, correlation, and regression analyses were used. The perceived significance of each independent variable in impacting business performance was determined using a multivariate linear regression model and the t-statistic. This section outlines the research outcome.

### **5.2.1 Diversification Strategy and Firm Performance**

The research's first objective was to assess diversification strategy influence on performance of Kenyan telecommunication firms. The goal of the correlation analysis was to see if there was a link between diversification strategy and firm performance. These results revealed a significant positive association between diversification strategy and firm performance. According to the regression results, a unit change in diversification strategy resulted in a 0.274 variation in firm performance. This also confirmed that diversification approach had a significant positive impact on the performance of Kenyan telecommunications companies.

The findings of the study agree with research by Palich et al. (2018) who established that horizontal product diversification had a positive relationship with performance. The results are also consistent with those of Ranka, Vladimir, and Dragan (2017), who desired to offer empirical evidence on the relationship between line-of-business diversification and performance for insurance companies operating in Serbia from 2004 to 2014, concluding that horizontal diversification has a positive impact on firm performance. The outcomes of the research are similarly consistent with those of Oloda (2017), who investigated the impact of vertical integration on organizational survival in a sample of Nigerian manufacturing enterprises. The research's results revealed a positive and significant link between organizational survival and vertical integration (both forward and backward) dimensions.

### **5.2.2 Product Development Strategy and Firm Performance**

The research's second objective was to evaluate the influence of product development strategy on the telecommunication firms' performance. The findings of a

correlation analysis conducted to determine the strength of the relationship between product development strategy and telecommunication firm performance in Kenya revealed a positive and relatively significant relationship between the two variables. The results also suggested that improving product development strategy will improve firm performance. The findings also revealed that a unit change in product development strategy might lead in a 0.179 unit change in telecommunication firm performance in Kenya. This supported the notion that product development strategy has a major impact on firm performance. The null hypothesis was rejected, and it was determined that product development strategy had a significant impact on telecommunication firm performance.

The findings of this study concurs with Wanyoike (2016) who looked into the relationship between performance and product creation strategies in Kenyan Mombasa county-based logistics firms. The results reveal that product development strategies in Mombasa County based logistic companies, affect product development, and product innovation being the most important strategy. The study findings are also in line with Mahran (2017) who finds that product development strategy permits businesses to attain a competitive edge, bring new clients, maintain existing customers, as well as reinforce relations with distribution systems in Sudan.

### **5.2.3 Market Penetration Strategy and Firm Performance**

The research's third objective was to determine influence of market penetration strategy on telecommunication firms' performance. According to the findings of the correlation research, market penetration strategy showed a positive and significant relationship with performance. According to the correlation results, a positive rise in

market penetration strategy will result in a positive improvement in firm performance. The regression results revealed that market penetration strategy and firm performance have a positive and significant link. The findings suggested that a shift in market penetration approach will boost telecommunications providers' performance in Kenya. The null hypothesis was rejected, and conclusion made that market penetration strategy influences performance of telecommunication firms.

This study is in agreement with Eriksen and Kelly (2015) who focused on the association between marketing penetration strategies and the performance of savings and credit societies in Tanzania. The study's results showed a causal association between SACCO success and marketing strategies. Many of these businesses employ tactics such as product differentiation and niche marketing in order to be seen as the most cost-effective in their markets. The study also concurs with Njoroge (2015) who conducted a research in Matuu metropolis, Machakos County, Kenya, on marketing penetration strategies and business efficiency. According to the findings, advertising and new product marketing strategies have a minor positive impact on SMEs' performance in Matuu town, while creative marketing penetration strategies have a major negative impact on Matuu SMEs' performance.

#### **5.2.4 Market Development Strategy and Firm Performance**

The research's fourth objective was to determine influence of market development strategy on telecommunication firms' performance. According to the findings of the correlation research, market development strategy showed a positive as well as significant relationship with performance. According to the correlation data, a positive increase in market development strategy corresponded to a positive improvement in

firm performance. The regression results revealed that market development strategy and firm performance have a positive and significant link. The conclusions implying that a change in market development strategy would result to an increase in performance of telecommunication firms in Kenya. The null hypothesis was rejected and conclusion made that market development strategy had a significant influence on performance of telecommunication firms.

This research concurs with Ayedun et al. (2014) who investigated the impact of marketing strategies on the success of land surveying and valuation firms in Nigeria's Kaduna town. The majority of businesses entry into a new market since an opening has been found, which means that there is a market gap that is presently unmet. Revenues will suffer if a business wants to drive a product or service into a new market where there is little demand for the service or product. According to the findings, there is a strong connection between marketing techniques used and firm results. The study also agrees with an empirical study conducted in Kenya by Mbithi et al. (2015) on the impact of market development strategy on performance in the sugar industry that found a connection between marketing development strategy with firm performance. On the basis of their results, they drew the conclusion that expanding into new regions and creating new consumer segments did not lead to improved productivity, but rather lead to an increase market share, which would ultimately have a positive impact on profitability.

### **5.3 Conclusions**

This section presents the conclusions drawn from the research results for each of the research objectives.

### **5.3.1 Diversification Strategy and Firm Performance**

This research shows that telecommunication companies have implemented a diversification strategy to a large extent. This is backed up by the fact that the attributes related to diversification strategy mean scores were more than three. The participants approved that their firm has indulged in other ventures not related to the telecommunications industry. The respondents however disagreed with the statement that good diversification entail paths of growth that diverge from the organization's current markets and goods concurrently.

The research also found out that telecommunication companies creates new goods that are tailored to the needs of its existing consumers and that the firm acquires new products that are suitable to the current customers. Furthermore, the participants agreed that their company delivers new services that are suited for present customers and that their company has developed commercially unique products/services that appealed to existing clients.

The research found that diversification strategy had a positive impact on the performance of telecommunication companies. The regression and correlation results back up the findings, as there was a significant positive association between diversification strategy and the success of telecommunication companies. The survey went on to say that in the telecommunications business, diversification strategies have been used to a large extent.

### **5.3.2 Product Development Strategy and Firm Performance**

The findings show that telecommunication companies use product development approach to a large extent. The participants concurred with the assertion that to keep a

high market position, their company's products must be modified and fully revamped and that in their business, new product creation entails a higher level of innovational challenge, with the ultimate goal of expanding our market share. Further, the respondents agreed with the statements that their firm consistently practices product repackaging and that their firm consistently practices product rebranding.

The research concluded that product development strategy positively influenced telecommunication firms' performance. The regression and correlation results back up the findings, indicating that there was a positive and substantial association between product development strategy and the success of telecommunication companies. A company that uses the product development approach has a better chance of outperforming its opponents.

### **5.3.3 Market Penetration Strategy and Firm Performance**

The results show that telecommunication companies use a market penetration strategy to a large extent. The participants concurred that their firm advertises via internet, sponsoring programmes as well as exhibitions and that to maximize sales and benefit, the company uses penetration pricing (charging different prices depending on the season/good). Additionally, the participants concurred that their firm has joint operations with other firms to increase market share and revenues and that their firm is a combination of two or more firms jointly working to realize the similar production goals.

Market penetration growth strategies are critical strategies for firms to apply in broadening the market and improving firm performance, according to the result of this research. This study also concludes that telecommunication companies have adopted

market penetration strategies to a great magnitude market penetration strategy can result in economies of scale that might improve performance of a firm in overall.

#### **5.3.4 Market Development Strategy and Firm Performance**

The findings show that telecommunication companies have adopted a market development strategy to a large degree. Those surveyed concurred application of business growth techniques aids in the establishment of new operations in diverse geographic locations and that the firm has changed its target market. Participants also concurred that their firm has been investing in market intelligence to enhance market expansion and that the firms' market base has been growing and expanding. Finally, the participants too approved that their firm has developed new distribution channels.

Market development growth strategies are critical techniques for enterprises to apply in broadening the market and improving firm performance, according to the findings of this research. The most commonly used market development growth strategies in Kenya are development of new distribution channels and application of market intelligence to enlarge the market base.

#### **5.4 Recommendations of the Study**

The study revealed that diversification strategy influenced telecommunication firms' performance positively. The research suggests that telecommunication firms' management ought to articulate as well as implement pertinent diversification growth strategies that guarantee the anticipated firm performance as well as reduce competitiveness. Likewise, the researcher suggests that regulatory authorities evaluate the suitability of current investment regulations for telecommunications companies to ensure that they are adequately protected by law when trying to pursue diversification strategies.

Government agencies should develop policies to guide businesses and protect consumers as they diversify.

The study revealed that product development strategy influenced telecommunication firms' performance positively. As a result, the research suggests that firms that have not yet adopted a product development strategy establish internal organizational policies and cultures to encourage product development strategy adoption. These companies can use the product development strategy as a competitive tool to improve technical efficiency improvements in production process coordination, monitoring, as well as enforcement, lower transaction costs, as well as boost market power, all of which will improve the firm's performance.

The study revealed that market penetration strategy influenced telecommunication firms' performance positively. The research concluded that managers and shareholders of companies that have yet to implement this strategy should do so in order to stay competitive and profitable in today's volatile business environment. These businesses can broaden into similar markets, resulting in lower costs and a greater number of goods on the market.

According to the findings, market development strategy has a positive impact on the performance of telecommunication companies. As a result, the research suggests that telecommunications corporations merge or develop strategic partnerships with other organizations in less competitive environments to minimize competition and improve firm performance. The net consequence of such a move is increased performance, which will help shareholders maximize their wealth.

### **5.5 Research Areas for Further Studies**

The research results revealed that diversification strategy, product development strategy, market penetration strategy and market development strategy, accounting for 46.5% of the disparity in the telecommunication firms' performance. Future research ought to focus on determining other factors which account for the remaining 53.5 percent, according to the report. Further research could focus on a comparison of organizations that have implemented growth strategies with those that have not, in order to clearly show the differences in performance. More research into the influence of top management in the adoption of growth strategies is needed.

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## **APPENDICES**

### **Appendix I: Introduction Letter**

April 2021

James Maithya

Masters Student- MBA

KCA University

#### **RE: REQUEST FOR RESEARCH DATA**

I am a student at KCA University where I am undertaking a degree in Masters of Business Administration. As part of my course work, I am expected to submit a research paper on **“The effect of adopted growth strategies on performance of firms in the telecommunication industry in Kenya”**.

To accomplish this, your company has been chosen to collect the data needed for this report. Your name will not be included in the study, and this information will be used solely for academic purposes. The study's findings will be made available to you on demand. Looking forward to your positive response.

Kind regards.

**James Maithya**

**Masters Student – Researcher**

**KCA University**

## **Appendix II: Questionnaire**

The information gathered in this survey is purely for academic purpose, and it will be used in partial fulfillment of a Masters Research project to explore into the impact of growth strategies on the performance of firms in Kenya's telecommunications industry. All information collected will be treated with the utmost discretion. There are six parts in total.

### **Section One: General Information**

**Please tick the most appropriate**

#### **1. Gender**

Male [ ]

Female

#### **2. Age**

18-24 [ ]

25-35 [ ]

36-45 [ ]

46-55 [ ]

Above 55 [ ]

#### **3. Highest level of education (tick one)**

Diploma [ ]

Graduate [ ]

Postgraduate [ ]

Others (Please specify) \_\_\_\_\_

#### **4. Years of experience in the organization**

0-1 year [ ]

2 - 4 years [ ]

5 – 7 years [ ]

8 – 10 years [ ]

Above 10 years [ ]

## Section Two: Diversification Strategy

To what degree do you concur with the following statements regarding diversification strategy in your firm? Use the following scale: **1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5- Strongly Agree.**

STATEMENT	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
We have indulged in other ventures not related to the telecommunications industry.					
Good diversification entails paths of growth that diverge from the organization's current markets and goods concurrently.					
The company creates new goods that are tailored to the needs of its existing consumers					
The firm acquires new products that are suitable to the current customers					
The firm offers new services that are suitable to the current customers					
Our firm has come up with products/services that are commercially different but appeal to current customers.					

## Section Three: Product Development Strategy

To what degree do you concur with the statements concerning product development in your firm? Use the following scale: **1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5- Strongly Agree.**

STATEMENT	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
To keep a high market position, our company's products must be modified and fully revamped.					
In our business, new product creation entails a higher level of innovational challenge, with the ultimate goal of expanding our market share					
Our firm consistently practices product repackaging					
Our firm consistently practice product rebranding					

#### Section Four: Market Penetration Strategy

To what degree do you concur with the statements below concerning market penetration strategy in your firm? Use the following scale: **1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5- Strongly Agree.**

STATEMENT	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The firm advertises through internet, sponsoring programmes and exhibitions					
To maximize sales and benefit, the company uses penetration pricing (charging different prices depending on the season/good).					
The firm has joint operations with other firms to increase market share and revenues.					
Our firm is a combination of two or more firms working together to realize the same production goals					

#### Section Five: Market Development Strategy

To what range do you concur with the statements below concerning market development in your firm? Use the following scale: **1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5- Strongly Agree.**

STATEMENT	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The application of business growth techniques aids in the establishment of new operations in different geographic locations					
Our firm has changed its target market					
Our firm has been investing in market intelligence to enhance market expansion					
The firms market base has been growing and expanding					

Our firm has developed new distribution channels					
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**Section Six: Organization Performance**

To what degree do you concur with the statements below pertaining performance in your firm? Use the following scale: **1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.**

<b>Financial</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
In the last three years, the firm's total revenues have increased.					
For the last three years, the profitability of the company has increased.					
During the last three years, the company return on investment has increased					
<b>Customer</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Client satisfaction is reflected in increased referrals.					
Consumer retention is critical to a company's growth.					
Customer satisfaction continues to grow as a result of improved services					
<b>Internal Process</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The company's service management has been effective.					
The cost of management has decreased.					
Over time, the company has released a number of unique and creative services.					

**Thank you very much**