PRODUCT DIVERSIFICATION STRATEGIES AS A DETERMINANT OF PERCEIVED FIRM PERFORMANCE AMONG REAL ESTATE COMPANIES IN NAIROBI CITY COUNTY, KENYA

BY

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DECLARATION

Declaration by Student

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DEDICATION

This thesis is dedicated to my mother Lilian Njeri Maina with love and eternal appreciation, who instilled in me the inspiration to set high goals and the confidence to achieve them. My Family, who have been very proud and supportive of my work and who have shared the many uncertainties, challenges and sacrifices for completing of this Thesis.

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ABSTRACT

The Real Estate industry has increasingly attracted the attention of investors in the recent past. The change in tastes and preferences of the target market has prompted the real estate service providers to significantly diversify its products to fulfill its role in provision of basic need of housing in Kenya and also to increase the performance of the Real Estate Companies. This has not fully been the case and thus this study sought to analyze product diversification strategies as a determinant of performance of Real estate companies in Nairobi City County in Kenya. The objectives of the study were; to determine the effects of concentric product diversification on firm performance; to assess the effects of horizontal product diversification on firm performance; to evaluate the effect of conglomerate product diversification on firm performance; to establish the effect of vertical product diversification strategy on firm performance. The study used Balance scorecard model to inform the study. Explanatory research design was used for it allows for explanations of the nature of certain relationships to be sought between the independent and dependent variable, in this case product diversification strategy and firm performance. The target population was 231 respondents. Structured questionnaires were used in data collection after which data was analyzed using SPSS. Descriptive analysis was employed to describe basic characteristics of the responses and displayed using tables. Factor analysis was used to test for validity of the research instrument. Further analysis using principal component analysis was used to extract variables with higher loading which were then used to develop composite values for further analysis using correlation and multiple linear regressions. Reliability was tested using Cronbach Alpha after which data was transformed to increase sensitivity of statistical tests. The result shows that some concentric and conglomerate diversifications were found to be significantly correlated with firm performance ($p=0.031$ and $p=0.034$ respectively). Horizontal and vertical diversifications were found not to be significantly correlated with firm performance ($p=0.454$ and $p=0.177$ respectively). The multiple linear regression model was also used for analysis. Results indicated that: Concentric product diversification had ($\beta = 0.123$, $p = 0.093$).Conglomerate product diversification had ($\beta = 0.146$, $p = 0.051$). Horizontal product diversification ($\beta = 0.052$, $p = 0.501$) and finally vertical product diversification ($\beta = -0.156$, $p = 0.041$). The null hypothesis HO_1 and HO_3 were accepted but HO_2 and HO_4 were rejected. The study concludes that concentric product diversification positively affects firm performance although not statistically significant, Conglomerate product diversification significantly affects firm performance, Horizontal product diversification has no significant effect on firm performance while Vertical product diversification has significant effect on firm performance. The study recommends that real estate companies should come up with good policies such as guidelines on per unit cost allocation of diversified product and risk management strategies to aid in better management of the risks involved in the whole diversification process.

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DEFINITION OF KEY TERMS

Firm performance: Refers to a business entity end results and the results may be financial or non financial (Ittner, 2008). This study focused on non financial end results.

Product diversification strategy: Refers to strategy used by organizations to move them into new products or into new markets (Johnson *et al.*, 2004).This study focused on diversification strategies on new products or new markets.

Concentric product diversification: Refers to when a new venture is strategically related to the existing lines of business (Gary, 2005). In this study it referred to when a business adds new products that are related to current products.

Horizontal product diversification: Refers to when a company adds new products that are technologically or commercially unrelated to current products (Thompson, 2005). In this study it referred to when a business adds products that are unrelated to current products.

Conglomerate product diversification: Refers to when the new and old businesses are Unrelated (Ticha & Hron, 2007). In this study it referred to when a business adds products which are technologically unrelated to current products.

Vertical product diversification: Refers to when the company goes back to previous Stages of its production cycle or moves forward to subsequent stages of the same cycle that is production of raw materials or distribution of the final product (Ansoff, 1957). In

this study it referred to when a business adds products which are complimentary to current products.

CHAPTER ONE: INTRODUCTION

1.1 Overview

This chapter covers background of the study, statement of the problem, objectives of the study, hypotheses of the study, justification of the study, scope of the study.

1.2 Background of the Study

The performance of Real estate companies in Kenya is affected by the risks associated with product diversification; uncertainties in the external environment were to some degree beyond the control of an individual firm in the economy (Asman, 2013). Risks are part and parcel of business undertaking as any decision undertaken has unknown uncertainties into the future (Benito, 2003). Firms around the globe aim at portfolio expansion to minimize the effect of risk on their operations. It called for strategic managers to equip themselves with quality product diversification strategies to allow real estate companies stand out and earn more profits. Real estate companies are facing stiff competition from individual investors in developing countries economies (Bartlett & Ghoshal, 2009).

The ever changing tastes and preferences of customers call for real estate companies to be strategic in order to withstand the changes in the market conditions. Real estate companies should adopt business growth strategies so as to ensure efficiencies in the whole process of business growth. According to Barnes & Carolyn (2009) growth strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business. The purpose of business growth is

to allow the company to enter lines of business that were different from current operations. Business growth strategies fall into different forms. Diversification strategy is one form and Johnson *et al* (2004) defines product diversification as a strategy used by organizations to move them into new products or into new markets.

Diversification is a growth strategy which real estate firms applies to extend their market dominance by opening new frontiers in business. These are Concentric, Horizontal, Conglomerate and Vertical product diversification strategies. In the concentric product diversification, a new venture is strategically related to the existing lines of business (Gary, 2005). Conglomerate product diversification occurs when there was no common thread of strategic fit or relationship between the new and old lines of business; the new and old businesses are unrelated. In the horizontal product diversification the organization adds new products that are technologically or commercially unrelated to current products, but which appeals to current customers. While Vertical diversification occurs when the company goes back to previous stages of its production cycle or moves forward to subsequent stages of the same cycle such as production of raw materials or distribution of the final product. All the above strategies are applied across the world in the real estate sector to ensure profits are earned.

A research on product diversification strategy and its effects on firm performance have been of great interest to researchers. Over decades, empirically specific evidence available from the research on product diversification shows that profitability increases with diversity but only up to the limit of complexity (Benito, 2003). Results from Bartlett & Ghoshal (2009) suggests that the management of the process of diversification is a more important influence on

performance than the type or mode of diversification itself. In Africa, while the diversification of real estate products is welcomed, it is taking place in an environment where real estate companies are not well informed about their clients and clients are not well informed about the products offered by real estate companies (Barnes & Carolyn, 2009).

The fast-growing real estate sector in Kenya is grappling with a rise in fake products mainly imported from China by dealers out to make quick money at the expense of house developers, buyers and tenants. Demand for housing units continues to outstrip the supply (Masika, 2010). Kenyan real estate property covers all property categories including single and multifamily residential dwellings, commercial and agricultural land, office space, go dawns and warehouses, retail outlets and shopping complexes (Masika, 2010).

Kenya has an estimated annual housing need of about 206,000 housing units. However, annual supply is about 50,000 housing units. About 40% of Kenya's housing needs are in urban areas (World Bank, 2011). The Kenyan government has adopted initiatives to lower the cost of mortgage financing for home buyers and construction of housing (Kenya Vision 2030, 2007).

The first attempt on a Kenya National Housing Policy was first captured in Sessional paper No. 5 of 1966/1967. After a couple of decades, a new policy was put in place that is the Kenya National Housing Policy of 2004. The policy addresses the deteriorating housing conditions in the country and how to bridge the shortfall in housing especially in urban areas (Nabutola, 2004). Some of the objectives of the housing policy include: to facilitate eventual right to adequate housing for every Kenyan, development and ownership of housing that is environmentally friendly and

ideal, identify land and develop public housing in urban areas, increase the proportion of the exchequer allocation for housing, to provide improved infrastructural facilities and living environment, to protect the environment of human settlement among others (National Housing Policy for Kenya, 2004). Nairobi City County has seventy seven registered Real Estate companies as listed by institute of Surveyors of Kenya (Institute of Surveyors Kenya, 2015). The concept of Product diversification strategies is assessed in detail across all the Registered Real Estate Companies in Nairobi City County in Kenya.

1.2 Statement of the Problem

Real estate company's providers face the challenge of managing the additional costs, institutional demands and risks of introducing new products. The aftermath of the challenge of managing the additional costs, institutional demands and risks of introducing new products, lack of tools to empower clients to make informed and strategic choices about the use of real estate products has been low profits that are below cash flow projections (Barnes & Carolyn, 2009).

Clients are faced with a growing number of choices that often tend to complicate rather than simplify their lives. Choosing among the growing number of real estate companies products and informal products too requires a lot of information and the skill to calculate costs, project cash flow needed to make repayments, and weigh alternatives. Some empirical studies found that related diversifiers outperform unrelated diversifiers (Beddowes, 2004) but other studies found the opposite (Collis, 2007). Thus, little agreement existed concerning the generalizability of the product diversification performance (Gary, 2005; Palich *et al.*, 2000). There existed a gap in knowledge on product diversification strategies in the real estate firms' which this

study sought to investigate and be part of the solution by the provision of necessary recommendations to address the identified knowledge gap.

1.4 Objectives of the Study

1.4.1 Overall objective of the study

The main objective of the study was to analyze product diversification strategies as a determinant of performance of real estate companies in Nairobi City County, Kenya.

1.4.2 Specific objectives of the study

i. To determine the effect of concentric product diversification on perceived firm performance
ii. To assess the effect of horizontal product diversification on perceived firm performance
iii. To evaluate the effect of conglomerate product diversification on perceived firm performance
iv. To establish the effect of vertical product diversification on perceived firm performance

1.5 Hypotheses of the Study

$H0_1$: Concentric product diversification has no significant effect on firm performance.

$H0_2$: Horizontal product diversification has no significant effect on firm performance.

$H0_3$: Conglomerate product diversification has no significant effect on firm performance.

$H0_4$: Vertical product diversification has no significant effect on firm performance.

1.6 Justification of the study

The study would help the financial policy makers to generate good policies for running all real estate companies without bias. These policies would ensure that the real estate companies remained relevant in the market without prejudice from individual fraudulent investors in the economy.

The study would help the management of real estate companies in analysis and subsequent adoption of efficient product diversification strategies that would ensure cost reduction and profit maximization which is the primary goal of any business venture. This would be achieved through the recommendations made in the study. The research would help scholars in the field of strategic management further their research on diversification strategies through the recommendations for future research proposed by the study.

1.7 Scope of the Study

The study was conducted on all the 77 registered real estate firms in Nairobi City County. The study covered horizontal product diversification, concentric product diversification, Conglomerate product diversification and finally vertical product diversification. The study was conducted between August 2014 and November 2015 in Nairobi City County only.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter covers concept of firm performance, review of models and theories, concept of Product diversification strategies, Product diversification strategies and firm performance and the conceptual framework of the study.

2.1 Concept of Firm Performance

Performance is best looked at in two ways namely; end results and a means to achieve the results. According to Ukko (2009) performance is the ability to distinguish the outcomes of organizational activities. Performance can either be financial and non-financial performance (Ittner, 2008). The non-financial performance can be measured using operational key performance indicators such as market share, innovation rate or customer satisfaction (Hyvonen, 2007).

Financial performance is a subjective measure of how well a firm can use its assets from its primary role of conduction of business and its subsequent generation of revenues. This term is also used as a general measure of a firm's overall financial status over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in totality.

According to (Masika, 2010) the fast-growing real estate sector in Kenya is grappling with a rise in fake products mainly imported from China by dealers out to make quick money at the expense of house developers, buyers and tenants this has resulted in unintentional harm to the real estate firms’ sound performance.

The cost of diversification in to new products is high necessitating the owners of the houses to raise the prices of the final products they offer to their clients therefore locking out potential clients due to the inability to meet the price. This in turn means that most housing products are unoccupied for as long as three years and hence the expenses are not paid in advance and upon occupation by clients the revenues generated are used in repayment of mortgage loan and thus limiting the profits of the firms.

There are two measurement techniques used in evaluation of the firm's financial performance namely; market measurement technique and accounting measurement technique. The two measurement techniques represent different perspectives on how to evaluate a firm's financial performance and subsequently have different theoretical implications (Ramaswamy, 2001). The financial performance is specifically measured using accounting key performance indicators such as return on assets, return on sales, or sales growth, net profit margin (Crabtree & DeBusk, 2008).

The advantage of these measurements is their general availability, since every profit oriented organization produces these figures for the yearly financial reporting (Chenhall *et al.*, 2007). This study assessed conclusively whether product diversification had increased or reduced cash inflows of the real estate sector in Kenya, therefore the study was interested much with qualitative firm performance measures such as employee motivation, customer retention, customer acquisition, employee empowerment, post-sale service, innovation rate, and employee alignment to evaluate firm performance of real estate firm in Nairobi City County, Kenya.

2.1.1 Employee Empowerment

Employee Empowerment is defined according to Bennis (1989) as an approach to leadership that empowers subordinates as a main constituent of managerial and organizational effectiveness. Moreover, employees are given authority and the freedom to make decisions, which encourages them to discover and use their full potential. Having more control over their own jobs is the main driving force of empowerment that encourages growth and better product diversification.

Therefore, the empowerment process focuses on solving the problems of the organizations by people. Furthermore, empowering makes workforce feel appreciated and that their feedback on performance is valuable for the organization. The contribution of the employees and their participation in designing the organization are essential for the well-being of the organization, as individuals should do efforts in the environment where they are responsible for their actions. Empowerment gives people responsibility and authority to act as if they are in control of their own destinies.

It is essential for Real estate Companies to recognize the quality and the results of the employees' work, as next time they will be even more efficient to get more recognition. Employee participation and empowerment is about the contributions of the employees in administration and decision-making regarding the policies, objectives and the strategies of the organization. Studies have shown that employees' perception of the goals and the norms of the organization are positively related to employee motivation. Taking into account that high levels of motivation can be achieved through empowerment, this process also leads to organizational growth.

Employee empowerment should not be overlooked as it increases commitment and understanding. Therefore, employees will be less likely to be resistant to changes and not only feel valued by the organization, but also come up with important information, as they are in direct contact with the customers or with the operational processes.

2.1.2 Innovation Rate

Innovation is the first commercialization of the idea for a new product or process. Schumpeter (1939) distinguished between five different types innovations; new products, new methods of production, new sources of supply, exploitation of new markets and new ways to organize business. The terms “product innovation” and “process innovation” have been used to characterize the occurrence of new or improved goods and services.

The introduction of new products is commonly assumed to have a clear positive effect on growth of income of Real estate companies; it has been argued that process innovation, due to its cost-cutting nature, may have more a more ambiguous effect (Edquist *et al*., 2001). The researcher has suggested dividing the category of process innovation into “technological process innovations” and “organizational process innovations”, the former related to new types of machinery, and the latter to new ways to organize work. However, organizational innovations are not limited to new ways to organize the process of product diversification within a given firm. Organizational innovation, in the sense used by Schumpeter (1939) also included arrangements across Real estate firms such as reorganization of entire industries.

2.1.3 Post Sale Service

Saccani *et al*. (2007) defines post sales services as a "set of activities taking place after the purchase of the product devoted to supporting customers in the usage and disposal of goods". Post sales service is often referred to as an intangible product component (Asugman *et al*., 1997). It is distinct as those activities in which a firm engages after the transaction of its product that minimize potential problems related to product use, and maximizes the value of the consumption experience. Real Estate Companies aim to provide product offers comprising post sales as it adds up and enhances the product value (Levitt, 1983).

According to Levitt (1983), the sale of a product is only the beginning of a seller-buyer relationship where the long-term bond between the two parties is the key for long-term profitability enhancing the fact that post sales services are crucial in a company to stay competitive and to collect profits. There are several classifications of activities within post sales services; to mention few: customer support, product support, technical support and service (Goffin & New, 2001).

Post sales have many times been classified as a business network process, due to the fact that it has a direct impact on the overall business performance and the competitive advantage (Earl & Kahn, 1994). The activities within a business can be provided through alternative channels and actors, or through multiple channels and actors concurrent. The services could be complementary, like field assistance and customer care, or they could be competing services, such as field assistance provided through repair centers or by authorized assistance networks.

Internet has also provided at post sales service channel which has made it possible for companies to have more touch points with its customer, therefore made it easier to perform the activity of customer care.

2.1.4 Employee Alignment

Employee alignment refers to the degree to which workers value and believes in the organization's goals and mission, and devotes time working toward organizational goals (Ware, 2012). In other words, actions taken by employees to achieve results are aligned with the business's mission and goals, with employees developing a sense of meaning and purpose in their work role and identifying themselves with their work (Kahn, 1990; May *et al*., 2004; Fairlie, 2011). For example, employees whose values are aligned with those of the organization would be highly motivated toward the mission of the organization and be passionate in their work role because of their perceptions that they are making a difference (Ware, 1999).

As with job resources, personal resources serve two motivational roles: intrinsic and extrinsic. Employee alignment might serve as an intrinsic motivational role because workers are likely to internalize the goals, mission, and vision of the organization, and their work and goal achievement is conducive to personal growth because it builds a sense of self-esteem and self-efficacy (Christian *et al*., 2011). Employee alignment is also like to serve as an extrinsic motivational role because employee alignment is likely to reduce role ambiguity. This is because organizational goals are explicitly delineated to employees that assimilate them into the role they play in accomplishing the organization's most critical goals (Lorente *et al*., 2008).

Employee alignment is the aligning of personal values and beliefs that stem from the employee's idea of "self" with the organizational goals, mission, and vision; thus, identifying their meaningful work role as an extension of their "ideal self" (Chalofsky & Krishna, 2009; May *et al*., 2004). The ideal self is described as a positive self-concept, the way a person views his or her self-image and/or the potential of which he or she may become, as well as the way a person consciously wishes to be perceived by others (Chalofsky & Krishna, 2009).

Kahn (1990, 1992) proposed when employees are able to use their preferred selves at work, they will become more engaged; as a result, they utilize the fullest of their capabilities and excel in the work role. Employee alignment may be considered an additional antecedent of work engagement because an employee who is aligned shares the vision and mission of the organization, and is clear regarding what is expected of his or her role as well as the way his or her role impacts the organization's bottom line, which creates a sense of meaningfulness in his or her work role, all of which contribute to work engagement.

Employees should be more likely to invest more of them into an organization when they believe and value the mission and vision of the senior leadership and the direction that the organization is going. In this sense, high levels of employee alignment measure employees' passion and drive towards accomplishing organizational goals because they have confidence in senior leadership and where the company is headed; as a result, they are driven to contribute to the cause.

Employee alignment is functional in achieving a company's mission because the workers know that their exertion of effort is focused in the right direction, which creates trust or confidence that they are aligned with company goals and there will be a return on investment of their exertion of personal energies. Employee alignment may show incremental validity and supportive leader behaviors due to increased perceptions of value congruence, fostering psychological safety due to reduced role ambiguity and confidence in the direction of the organization and its leaders, as well as a sense of meaningfulness.

2.1.5 Employee Motivation

Bartol & Martin (1998) consider motivation a powerful tool that reinforces behavior and triggers the tendency to continue. In other words, motivation is an internal drive to satisfy an unsatisfied need and to achieve a certain goal. It is also a procedure that begins through a physiological or psychological need that stimulates a performance set by an objective. Kalimullah (2010) suggested, a motivated employee has goals aligned with those of the organization and directs their efforts in that direction.

In addition, these organizations are more successful, as their employees continuously look for ways to improve their work. Getting the employees to reach their full potential at work under stressful conditions is a tough challenge, but this can be achieved by motivating them. Employees want to earn reasonable salaries, as money represents the most important incentive, when speaking of its influential value (Sara *et al*., 2004). Financial rewards have the capacity to maintain and motivate individuals towards higher performance, especially workers from Real estate companies, as individual may use the money to satisfy their needs.

Therefore, pay has a significant impact in establishing employees' diligence and commitment, being a key motivator for employees. Nevertheless, studies have shown that pay does not boost product diversification on the long term and money does not improve performance significantly (Whitley, 2002). Moreover, focusing only on this aspect might deteriorate employees' attitude, as they might pursue only financial gains. Fortunately, there are other non-financial factors that have a positive influence on motivation, such as rewards, social recognition and performance feedbacks.

Numerous researches have also pointed out that rewards lead to job satisfaction, which in turn influence directive and positively the performance of the employees. Moreover, rewards are one of the most efficient tools of management when trying to influence individual or group behavior, as to improve organization's effectiveness. The vast majority of companies use pay, promotion, bonuses and other types of rewards to motivate employees and to increase their performance.

In order to use salary as a motivator, managers have to develop salary structures, according to the importance of each job, individual performance and special allowances. Employees can also be motivated through proper leadership, as leadership is all about getting thing done the right way. In order to achieve these goals, the leader should gain the employees' trust and make them follow him. Nevertheless, in order to make them trust the managers and complete their tasks properly for the organization, the employees should be motivated (Baldoni, 2005).

2.1.6 Customer Retention

According to Thompson (2004), customer retention is about increasing the sales by endlessly satisfying and serving the customers so they will keep coming back. In order to ensure the customer retention to be successful, the quality of the service needs to be able to satisfy or go beyond the customer expectations (Zikmund, McLEOD & Gilbert, 2003). Moreover, this view has also been supported in the work of Storbacka & Lehtinen (2001), which said that considering what are the customers' needs for today is not enough. It is also vital to identify or predict the customers future needs.

Customer retention can be done in many ways, like for example by the use of customers' loyalty program. Another way to retained customers is by keep providing satisfying service or providing the service that beyond the customer expectations to maintain trust and satisfaction of the customers. Additionally, by opening an open feedback from customers to ensure that the company is providing the service that is still relevant and needed with the customers. Customer retention has been argued by Reichheld (1996), that it is less costly compared to customer acquisition, as customers that are satisfied and believe in certain services tend to increase the switching cost in terms of trust and convenience.

2.1.7 Customer Acquisition

According to Kotler & Armstrong (2009), finding the right customers that provides a profitable return can be defined as customer acquisition.

Customer acquisition is necessary for every company that starts creating a business, expanding their business, products and services, and it is effective in situation where the switching cost is relatively low and repeat purchases are rare. In acquiring customers it is essential for organizations to choose the right customers to serve before decide how they can best acquire them. This is particularly important as it is a fact that organization will not be able to serve all customers in every way. Hence, organizations nowadays decide to segment their customers and focus more on customers that they can acquire, satisfy best and bring profitability (Jobber, 2010).

After deciding which segment of customers to target, it is necessary for organization to understand the consumers first. According to Burton, Kotler & Keller (2009) because it is difficult to provide service with better value that lead to successful customer acquisition, if the organization itself does not know what are the customers' needs and wants which will not create strong demand.

This study adopted the use of qualitative performance indicators because of the short comings of quantitative performance indicators such as financial performance indicators presented below which according to the current researcher could direly affect product diversification strategies adopted by the management of various Real estate companies in Nairobi City County. First, linking rewards to financial performance may tempt managers to make decisions that will improve short-term financial performance but may have a negative impact on long-term profitability. For example, a manager may decide to delay investment in order to boost the short-term profits of their division.

Second, financial performance measures tend to have an internal focus. In order to compete successfully it is important that external factors such as customer satisfaction, post-sale service are also considered. Third, manipulation of results in order to achieve target financial performance, managers may be tempted to manipulate results. For example, costs recorded in the current year may be wrongly recorded in the next year's accounts in order to improve current year performance.

Fourth, financial performance does not convey the whole picture. The use of financial performance indicators has limited benefit to the company since they do not convey the full picture regarding the factors that drive long-term success and maximization of shareholder wealth, e.g. employee empowerment, customer acquisition, ability to innovate, customer acquisitions. Fifth, backward looking that is financial performance measures are traditionally backward looking. This is not suitable in today's dynamic business environment. Qualitative performance indicators reflect the long-term viability and health of the organization.

2.2 Review of models and theories

2.2.1 Balanced score card model

According to Kaplan (1992), the balanced scorecard provides a framework for managers to use in linking the different types of measurements together. Kaplan and Norton recommended looking at the business from four perspectives: the customer's perspective, an internal business perspective, an innovation and learning perspective, and the financial or shareholder's perspective.

2.2.1.1 Financial Perspective

An organization's financial objectives differ depending upon its business lifecycle strategy. Kaplan & Norton (1996) discuss the financial objectives of three typical lifecycle strategies: growth, sustain and harvest. Growth businesses commit resources to diversify into new products and services, construct and diversify production facilities, invest in systems and infrastructure, develop relationships, enter markets and nurture customers. They typically operate with negative cash flows and low current returns on invested capital.

Financial objectives measures percentage growth rates in revenues, sales growth by targeted markets, customer groups as a result of product diversification. With a sustained lifecycle strategy real estate firms were required to earn attractive returns on invested capital and to maintain or grow market share. Investment is channeled to process management and continuous improvement. Managers are asked to maximize income and operate profitably. Return on investment, return on capital employed and value added measures were used to evaluate financial performance.

With a harvest lifecycle strategy the real estate firms are mature and warrant little incremental investment. Emphasis is on maintaining operations profitably. Any investment is expected to yield short term returns. Financial performance was measured by reduction in working capital requirements and cash flow improvement. The scorecard helped executives to specify the metrics by which long term performance was evaluated by highlighting the variables associated with business lifecycle success.

2.2.1.2 Customer Perspective

Organizations identify value propositions and deliver to targeted customers and markets. In the Balanced Scorecard, success of the value propositions was determined through Market share, Customer profitability (Kaplan & Norton, 1996). Formulating product diversification strategy and performance measures from the customer perspective of the Balanced Scorecard required organizations to target customer and market segments; differentiate value propositions across the three value categories, product services attributes, customer relationships, image and reputation and focus marketing, operational logistics and product and service development efforts to achieve success as determined by the five core customer measures customer acquisition, customer satisfaction, customer retention, customer profitability and market share.

2.2.1.3 Internal Business Process Perspective

From the internal business process perspective, the Balanced Scorecard approach emphasized the measurement of integrated processes across an organization. Cost, quality, throughput and time measures should be defined for processes that span multiple departments, such as procurement, production planning and control, order fulfillment. Organizations should focus on cross organizational processes in there diversification strategies that are most critical for achieving customer and shareholder value.

Management and measurement of these processes should be addressed by looking at them as end to end value chains that started with customer need and ended with customer satisfaction. This resultant was a positive impact on the performance of the real estate firms.

According to Kaplan & Norton (1996) they believed that operations and post-sale services processes were important but were viewed generically in the Balanced Scorecard. To realize ambitious customer objectives, the Balanced Scorecard illustrated through several examples the need for organizations to develop internal business processes that capture a deep understanding of customer needs, requirements, challenges and desires; and the need to be recognized by the customer that this knowledge is sufficient and accurate. Lacking such processes and such knowledge could cause the customer to seek alternatives. Lacking such recognition could cause misunderstanding, confusion and frustration, potentially harming the relationship (Kaplan & Norton, 1996).

In any case, organizations must use their internal business processes and the employees closest to the customer to constantly build upon their knowledge of the customer and the market. Organizations must master customer solution development processes and analyze them to reveal new and unique processes that support a known need, or produce innovative value in the eyes of the customer. This level of effort propels organizations to outperform competitors and creates distinctive and sustainable competitive advantage.

2.2.1.4 Learning and Growth Perspective

In the learning and growth perspective of the Balanced Scorecard, resourceful and motivated employees drive achievement in the other three perspectives. The Balanced Scorecard stressed the importance of investing in the future. That includes investing in the capabilities, productivity and motivation of employees and measuring the outcome of these investments by determining the rates of employee (Kaplan & Norton, 1996): satisfaction, retention, productivity.

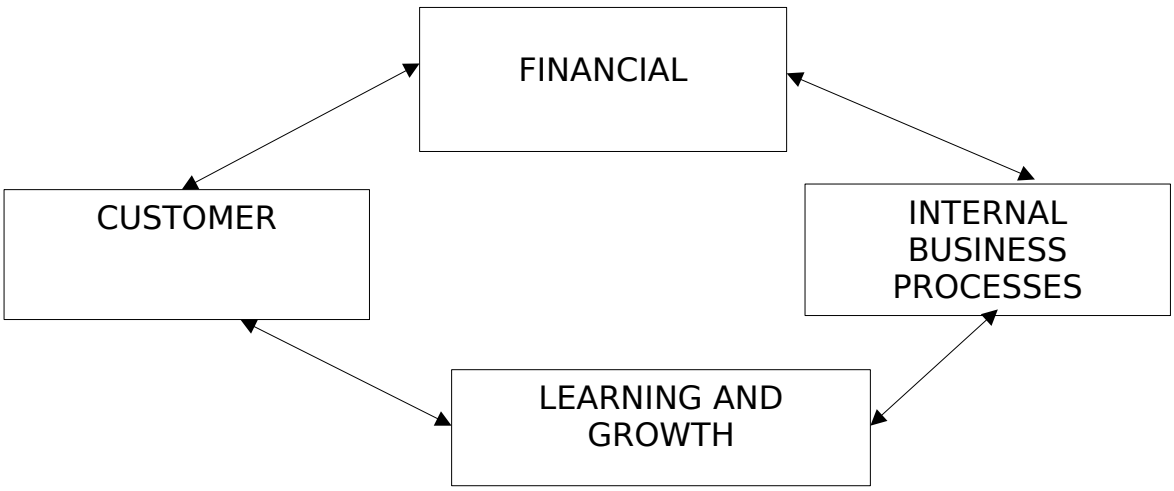
Real estate companies should proactively anticipate customer needs, and then market an expanded set of products and services to them. This may require realignment of the organization and its products. The Balanced Scorecard permits and enables all employees within an organization to understand its diversification strategy and showed how individual action influences financial, customer, business process and learning and growth perspectives. Reward systems then need to be established to motivate the behavior.

According to Kaplan & Norton (1992), the use of a Balanced Scorecard type system that included a balanced integration of financial and nonfinancial indicators was proposed to lead to improvement in real estate performance. Kaplan & Norton (1992) argued that a Balanced Scorecard performance measurement system includes financial measures and complements those financial measures with non-financial measures embracing three perspectives. The reliance on appropriate accounting information contributed to efficient management of the organization's diversified products and gradual improvement in organizational performance.

Baines & Langfield (2003) found that a change in management accounting information towards a greater reliance on non-financial performance measures reflects positively on organizational performance. The implementation of an appropriate Balanced Scorecard system can be sufficient to positively affect performance (Hoque & James, 2000). This arises because the Balance Scorecard presented significant opportunities for the organization to improve outcomes by developing, communicating, and implementing product diversification strategy.

The system enabled management to select measures that reflect their organization's short term financial, as well as their long term strategic objectives. Improving performance on these measures indicates business profitability and efficiency (Malina & Selto, 2001). Hence connecting measures of the four Balanced Scorecard perspectives to the organization diversification strategy facilitated the use of Balance Scorecard performance measurement as a tool for monitoring the value creation process. This study used the balanced scorecard to glue the relationship between product diversification strategies and firm performance because the financial perspective, customer, learning and growth, internal business processes were all relevant in product diversification process.

Fig 2.0: Balanced score card



Adopted: Kaplan and Norton (1992)

2.2.2 Ansoff's Matrix model

The Ansoff matrix was invented by (Ansoff, 1957); the Ansoff matrix entails four possible product or market combinations: Market penetration, product development, market development and diversification (Ansoff, 1957). The four strategies entailed in the matrix are:

Fig 2.1 Ansoff's matrix model

	Existing products	New products
Existing markets	MARKET PENETRATION	PRODUCT DEVELOPMENT
New markets	MARKET DEVELOPMENT	DIVERSIFICATION

Source:

(Adopted: Ansoff's, 1957)

Market penetration occurs when a company penetrates a market with its current products. This strategy is used by Real estate companies in order to increase sales without drifting from the original product - market strategy (Ansoff, 1957). This strategy is important for Real estate companies because retaining existing customers is cheaper than attracting new customers (Lynch, 2003).

Product development occurs when a company develops new products catering to the same market. Note that product development refers to significant new product developments and not minor changes in an existing product of the firm. The reasons that justify the use of this strategy in Real estate Companies include one or more of the following: to utilise of excess production capacity, counter competitive entry, maintain the company's reputation as a product innovator, exploit new technology, and to protect overall market share (Lynch, 2003). Often one such strategy moves the Real estate Company(s) into markets and towards customers that are currently not being catered for.

When a Real estate company follows the market development strategy, it moves beyond its immediate customer base towards attracting new customers for its existing products. This strategy often involves the sale of existing products in new international markets. This may entail exploration of new segments of a market, new uses for the company's products and services, or new geographical areas in order to entice new customers (Lynch, 2003).

Diversification strategy is distinct in the sense that when a Real estate company diversifies, it essentially moves out of its current products and markets into new areas. It is important to note that diversification may be into related and unrelated areas. Related diversification may be in the form of backward, forward, and horizontal diversification. Backward diversification takes place when the Real estate Company extends its activities towards its inputs such as suppliers of raw materials in the same business. Forward diversification differs from backward diversification, in that the Real estate Company extends its activities towards its outputs in the same business. Horizontal diversification takes place when a Real estate company moves into businesses that are related to its existing activities (Lynch, 2003; Macmillan *et al.*, 2000).

It is important to note that even unrelated diversification often has some synergy with the original business of the company. The risk of one such manoeuvre is that detailed knowledge of the key success factors may be limited to the company (Lynch, 2003). While diversified Real estate companies seem to grow faster in cases where diversification is unrelated, it is crucial to note that the track record of diversification remains poor as in many cases diversifications have been divested.

Scholars have argued that related diversification is generally more profitable (Macmillan *et al.*, 2000). Therefore, diversification is a high-risk strategy as it involves taking a step into a territory where the parameters are unknown to the Real estate Company. The risks of diversification can be minimized by moving into related markets.

2.2.3 Resource based theory

Carneiro, Cavalcanti & Silva (2007) indicated that the basic sources of the profitability of the company are some valuable, scarce, with no substitutes and of difficult imitation resources. Carneiro, Cavalcanti & Silva (2007) mentioned that the Resource Based theory suggested that the product diversification strategy was initiated by identifying existing resources and expertise in the firm, followed by the assessment of profitability that they could provide.

The resource-based view argues that firms possess resources, which enables a firm to achieve superior long-term performance. Resources that are valuable and rare can lead to the creation of profitability. The profits can be sustained over longer time periods to the extent that the firm is able to protect against resource imitation, transfer, or substitution as a result of product diversification. In general, empirical studies using the theory have strongly supported the resource-based view.

Considering the Resource Based theory, it can be said that a product diversification strategy centered on customer needs should take into account the synergy that the offer of solutions demanded have with the competencies of the company, being necessary for the solutions to be of possible application in a segment of expertise.

The resource based theory consists of dynamic capabilities and the core competencies approach (Williamson, 2004) all of which are key in the process of product diversification.

2.2.4 Transaction cost economics theory

According to (Oliver, 2004; Coase, 2003) a Transaction Cost Economics theory supplemented the resource based theory by informing the management of Real estate firms when the firms should organize for diversification of its products within the boundaries of the firm and how firms can benefit from product diversification across different businesses within their own firm boundaries.

This theoretical framework suggested that product diversification allowed firms to obtain greater market power by blocking out competitors and through vertical diversification. More specifically, diversified companies were able to cross-subsidize their businesses, and reduce prices, which helped in raising barriers for entry and squeezing competitors out of the market (Miller, 2006).

Vertical diversification allowed companies to avoid market costs, control product quality and prevents its technology from spilling over to suppliers, and other intermediaries and hence, from a transaction cost perspective firms should diversify whenever doing so increased their firms' performance (Penrose, 2004).

2.3 Concept of Product Diversification Strategy

Johnson *et al.*, (2004) described product diversification as a strategy used by organizations to move them into new products or into new markets. According to Jacquemin & Berry (2006), product diversity referred to the degree of relatedness among

various product segments. Product diversification is a growth strategy which firms apply to extend their market dominance by opening new frontiers in business. According to Silva (2005), product diversification was seen as a function of management decisions which were decisive for the future of the company, such as strategy. Diversification is a matter of degree of relatedness among the activities carried out by a firm. Product relatedness was defined as the extent to which a firm's different lines of business were linked by a common skill, market, purpose, or resource (Luo, 2002).

A research by Grossmann (2007) submitted that diversification was a means to extend the boundaries of a firm in the presence of internal coordination problems, which naturally arise in large firms. Multiproduct firms could increase their market power by cross subsidization activities such as market strength in one particular industry was used to sustain low price strategies in other markets. Therefore, considering that diversification is a strategic choice, it is necessary to discuss a modeling of diversification to ensure an effective choice of strategy, taking into account several aspects.

Initially, according to Porter (2004), it was necessary that this created a situation in which the company could operate with a unique group of activities difficult to be replicated by others. Product diversification also seeks to increase profitability of a firm through greater sales volume as a result of new markets and products introduced (Spaeth, 2014). More often than not, product diversification strategies are employed in businesses to expand the operations of these firms by expanding the market niche and increasing the product offering in the existing business (Randeniya, 2014).

A Production diversification strategy is pursued according to Chandler (2010), when firms have opportunities embedded in market structures and technology as well as opportunities for growth in the firm's basic business. This means that firms diversify into other businesses if after consolidating their positions in their base industry or market they still possess underutilized resources which can be applied in other sectors of low opportunity. Usually, firms diversify as long as they see the opportunity to consolidate their market power, which predicts a linearly positive relationship between diversification and profitability.

Diversification strategies undertaken by growth-oriented managers exploited the scope economies and at the same time increased firms' market power. According to Dibb (2007) firms diversify by extending the scope of their operations into multiple markets. The assumption was that diversification raised economic benefits through a more efficient utilization of organizational resources across multiple markets (Boyd *et al*., 2004).

As such, related product diversification could lead to higher corporate performance. According to Beddowes (2004), by pursuing a strategy of related product diversification, firms could focus on core organizational capabilities and exploit the interrelationships between business lines to achieve economies of scope by sharing physical business resources and economies of scale through increased coordination and the sharing of marketing, information and technological knowhow and capabilities across related industries all of which resulted in lower production, selling, servicing and distribution costs, better market coverage, stronger brand image and company reputation and lower order processing costs (Collis, 2007).

In turn, Rogers, Silva & de Paula (2008) indicated reasons for related diversification; the exploitation of scope economies; the transfer of core competencies; the increase in market power, among others. They also mentioned the reduction of exposure to an industry of low performance and reduction of financial risk. Riolfi (2007) investigated the relationship between diversification and performance and concluded that companies that diversified in related businesses had outperformed those that did not diversify their activities, or did so through business unrelated to their core business. The researcher argued contrary to Riolfi (2007), in that how best these strategies were implemented resulted into increased firm performance irrespective to whether the diversification was into product related or unrelated options.

2.3.1 Concentric Product Diversification and firm performance

Concentric product diversification refers to when a new product is strategically related to the existing lines of business (Gary, 2005). In concentric product diversification the organization adds new products which have technological or commercial synergies with current products and which will appeal to new customer groups. The objective of concentric product diversification is therefore to benefit from synergy effects due to the complementariness' of activities and subsequently, to expand the firm's market by attracting new groups of buyers (Palich *et al*., 2000).

The related diversity was reached when a company has different business units which are related to each other in some ways. In this kind of diversity, the units are common or they are jointly used by related businesses in that company. Overall, there are tangible and intangible relationships among different business units. The related diversity leads to the reciprocal transfer of information between organization managers and department managers.

It causes organization managers in organizations with related diversity compared to organizations with unrelated one, to have more information about their department managers (Collis, 2007). The real estate sector in Kenya has adopted this strategy such as property management, sales and letting, real estate development. A study by Tanriverdi & Venkatraman (2005) found that concentric product diversification leads to achievement of superior performance. This study was in tandem with the findings of Tanriverdi & Venkatraman (2005) that investment in portfolio structures related to existing business lines earned profits for a company portfolio structures related to existing business lines earned profits for a company. There studies did not provide the factors of concentric product diversification that affect firm performance.

2.3.2 Horizontal Product Diversification and firm performance

Any companies' strategic emphasis is increasing sales volumes, boosting market share and cultivating a loyal clientele. Profits are then re invested to grow the business. Price, quality and promotion are tailored to meet customer needs. It's then that opportunities for geographical market expansion are pursued next. The natural sequence for geographical expansion was local to regional to national to international. The degree of penetration however differed from area to area depending on the profit potentials (Thompson & Strickland, 2005).

In the horizontal product diversification the organization adds new products that are technologically or commercially unrelated to current products, but which may appeal to current customers. In a competitive environment, this form of expansion is desirable if the present customers are loyal to the current products and if the new products are of good quality and are well promoted and priced.

Moreover, the new products are marketed to the same economic environment as the existing products, which may lead to rigidity and instability. In other words, this strategy increased firm's dependence on certain market segments (Fish & Rudolf, 2006). In the unrelated diversity, a company is diversified in the areas that have little similarities to each other. Overall, this kind of diversity caused companies to collect cash flows from departments and reallocate them to the departments (Qian, 2002).

In other words, the unrelated diversity strategy was the result of diversification among different industries, the difference between related and unrelated diversity was exactly connected to the sources of assets available to the company. Existence of special assets, especially assets which have tactic natures lead to the related diversification than the unrelated one. Several real estate firms have benefited in this type of diversification since it enabled the real estate firms to gather information on the market changes hence could introduce new products and services which suite the market demand (Qian, 2002).

In a Kenyan context for example real estate firms have embraced new construction technology more specifically from brick and mortar to new technology of glass building, fast drying cement and scaffolding floor. A study by Palich *et al.*, (2000) established that horizontal product diversification had a positive relationship with performance. The researcher did not provide factors related to horizontal product diversification and their effects on the performance of real estate companies. The researcher of this study held the opinion that horizontal product diversification could either increase or decrease profitability depending on how risks were managed in the whole process of product diversification strategy implementation.

2.3.3 Conglomerate Product Diversification and firm performance

Conglomerate product diversification occurs when there is no common thread of strategic fit or relationship between the new and old lines of business; the new and old businesses are unrelated. In the conglomerate expansion, the organization markets new products or services that have no technological or commercial synergies with current products, but which may appeal to new groups of customers. In the conglomerate diversification, the organization produces new products that are unrelated to current products (Ticha & Hron, 2007).

The new products or services do not have technological or commercial synergies with current products, but which may appeal to new groups of customers. In a Kenyan context for example Gimco valuers owns Parapet cleaning companies which offers cleaning services to organizations that contracts for their services. The main reasons of adopting such a strategy were to improve the profitability and the flexibility of the company and to get a better reception in capital markets as the company got bigger (Grant, 2003).

The conglomerate expansion has little relationship with the firm's current business. Therefore, the main reasons of adopting such a strategy were first to improve the profitability and the flexibility of the company, and second to get a better reception in capital markets as the company got bigger. Even if this strategy is very risky, it could also, if successful, provide increased growth and profitability (Kumar, 2008). The study argued that in situations where risk was properly managed conglomerate diversification lead to improved firm financial performance. Besides risk the researcher did not provide other factors related to conglomerate product diversification that affected the performance of real estate companies.

2.3.4 Vertical diversification and firm performance

Vertical diversification refers to a process where new products or services are added to existing ones which are complementary to the present product line or service. The purpose of vertical diversification is to improve economic and marketing ability of the firm. Vertical diversification includes backward integration, where the company expands its business activities in such a way that it moves backward of its present line of business. In forward integration, the company expands its activities in such a way that it moves ahead of its present line of business.

Vertical diversification can also be described as a situation when the company goes back to previous stages of its production cycle or moves forward to subsequent stages of the same cycle - production of raw materials or distribution of the final product (Ansoff, 1957). For example, if you have a company that does reconstruction of houses and offices and you start selling paints and other construction materials for use in this business. This kind of diversification may also guarantee a regular supply of materials with better quality and lower prices.

Lloyd Masika Valuation Company has adopted furnishing and interior design such as it owns Norfolk apartments which are already furnished, part of the funds raised from furnishing and interior design supplements the income of the firm. The firm also practices conveyancing that is getting titles and searches from lands office, land scarping. Asman (2013) found that vertical diversification strategy positively affected performance of real estate companies in Kenya. The study did not provide the factors related to vertical product diversification that affected the performance of real estate companies.

2.4 Product Diversification Strategy and Firm Performance

A study on diversification by Benito (2003) showed that profitability increased with diversity but only up to the limit of complexity. A research by Bartlett & Ghoshal (2009) on management of the process of diversification was a more important influence on performance than the type or mode of diversification. A research by Kumar (2008) found that conglomerate diversification strategy if successful, provided increased growth and profitability. The studies did not provide the effects of the four product diversification strategies on performance.

According to Palich *et al.*, (2000) the relationship between diversification and performance formed both linear and non-linear curves, meaning the impact of diversification strategy on organizational performance could either be positive or negative. Unrelated business strategy or focused strategy seemed to decrease variables measuring management effectiveness or profitability while related diversification strategies paid off better on financial efficiency (Riolfi, 2007).

Recent studies found that related diversification lead to achievement of superior performance than unrelated diversification (Tanriverdi & Venkatraman, 2005). Product diversification dynamics of the Japanese economy by Gemba & Kodama (2001) showed that profitability was generally lower in industries in which companies highly diversify in unrelated fields. In addition, Fish & Rudolph (2009) found that diversification conducted expanded into activities that utilized core technology contributed to increased profitability. The studies did not specifically state the effects of various types of product diversification strategies on firm performance.

2.5 Conceptual Framework

Product diversification strategies was the independent variable while concentric product diversification, horizontal product diversification, conglomerate product diversification, Vertical product diversification were the constructs for independent variable. Firm performance was the dependent variable. It was measured using employee empowerment, innovation rate, employee motivation, customer retention, customer acquisition, post-sale service, employee alignment. Product diversification strategies and its constructs are predictor variables of the dependent variable that is firm performance. The above interrelationship between the independent variable and the dependent variable together with their constructs were elucidated diagrammatically as shown below:

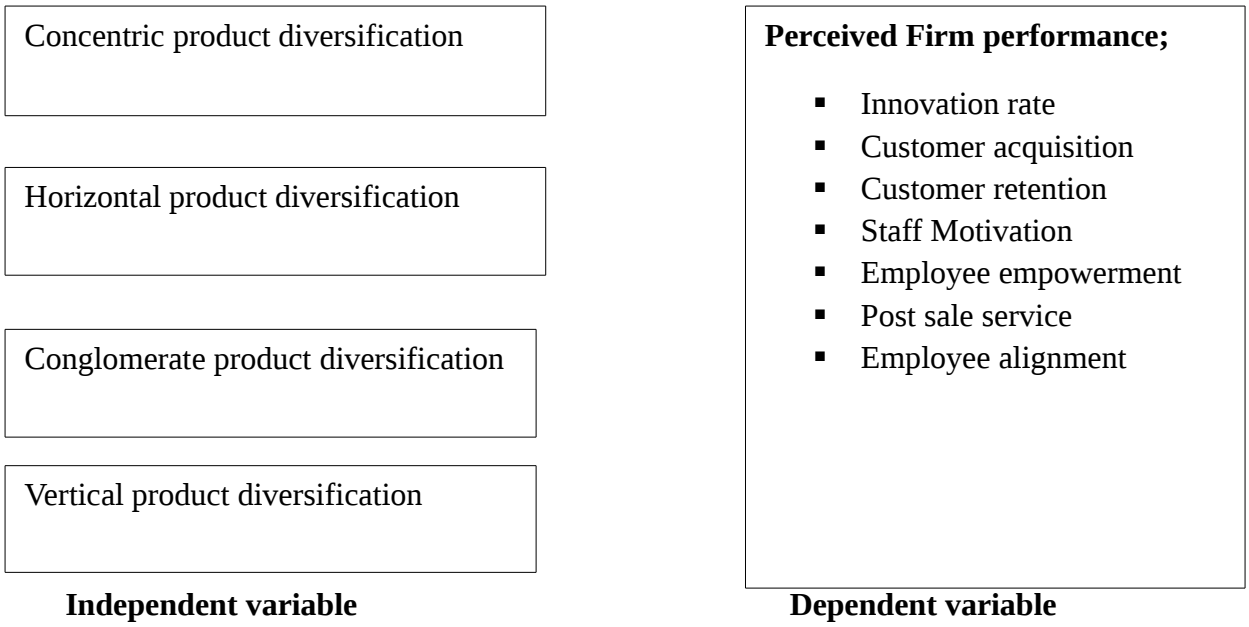


Fig 2.2: Conceptual Framework of Product diversification strategies and Perceived firm performance

(Source: Survey data, 2015).

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter covers the study area, research design, target population, Measures of variables, validity and reliability, proposed method of data analysis, Ethical Considerations.

3.1 Study Area

The study area was on product diversification strategies and the research was carried out on the real estate in Nairobi City County, Kenya. The real estate sector in Kenya is grappling with a rise in fake products mainly imported from China by dealers out to make quick money at the expense of house developers, buyers and tenants this has resulted in unintentional harm to the real estate firms' sound performance (Masika, 2010). This study is grounded on this analogy and sought to find if indeed poor performance existed across real estate companies in Nairobi City County, irrespective of product diversification strategies that the companies had adopted.

3.2 Research Design

This research used an explanatory research design for it allows for explanations of the nature of relationship to be sought between product diversification strategy and firm performance. Explanatory research is characterized by research hypotheses that specify the nature and direction of the relationships between or among variables being studied.

3.3 Target Population

Target population is the objects entities a researcher selects as respondents in the study and is vital in achieving the set objectives (Mugenda & Mugenda, 2003). The target population of this study was 231 respondents comprised of three top level managers that is; property officer, property manager and director across the 77 real estate firms in Nairobi. This research was a survey of all the 77 real estate companies in Nairobi City County, Kenya (Institute of Surveyors of Kenya, 2015).

3.4 Data Collection Instruments and Procedure

The study used primary data which was collected using both structured and unstructured questionnaires. These were pre-determined questions whereby respondents were served with questionnaire and given a chance to fill them. Questionnaires were hand delivered and collected after few days. Questionnaires were used for the reasons that data obtained by use of questionnaires is easy to arrange and analyze, questionnaire is cheap and easy to administer, and it provides the respondents with free and conducive atmosphere to fill the questionnaire.

In order to get the data information required; a pilot survey was carried out at Real Appraisal Company where questionnaires were administered to 30 respondents so that its flow could be identified and corrected. The questionnaires were made up of seven - point likert scale type of questions. The respondents were informed that they were participating in a pre-test. In addition to completing the questions as instructed, the respondents were required to give a critical analysis of all aspects of the questionnaires such as question wording, question order and missing questions that they found inadequate.

3.5 Measures of Variables

3.5.1 Measures of Product Diversification Strategy

Concentric, Horizontal, Conglomerate, Vertical Product diversification strategies were rated on a 5 point likert scale questionnaire ranging from 1 = “Very low extent” to 5 = “ very great extent”. The response of the respondents was calculated by correlating the extent levels of each attribute with the overall level of extent. Where there is a high correlation with an attribute, it was inferred that the attribute measured the specific construct of the independent variable.

3.5.2 Measures of Firm Performance

Firm performance was measured by key performance indicators with the help of the balanced score card. All the constructs of dependent variable were rated on a 5- point likert scale ranging from 1 = " Greatly decreased" to 5 = " Greatly improved" to determine the actual trend in real estate performance over a period of three years. Derived effect was calculated by correlating the effect levels of each attribute with the overall level of effect. Where there was a high correlation with an attribute, it was inferred that the attribute measured the specific construct of the independent variable.

3.6 Validity and Reliability

3.6.1 Reliability

According to Mugenda & Mugenda (2003) the reliability of an instrument is the measure of the degree to which a research instrument yields consistent results or data after repeated trials. In order to test the reliability of the instrument to be used in the study, the test- retest method was done at Real Appraisal Valuers. The questionnaire was administered twice at an interval of two weeks.

The outcome of the test retest method assisted in revising the questionnaire to make sure that it covered the objectives of the study (Fraenkel & Wallen, 2006). Reliability of the instrument was tested using Cronbach`s alpha coefficient.

3.6.2 Validity

According to Bryman & Bell (2005) validity refers to "a measure of how well a specific measurement of a concept, really gives an accurate picture of the concept". Factor analysis was performed to assess convergent validity. If all the individual loadings were above the minimum of 0.5 recommended by Hair *et al* (2007), then the instrument was good to be used. The pilot study was carried out at Real Appraisal real estate Company in Nairobi.

3.7 Data Analysis

All questionnaire forms were collected and inspected to ensure that they are complete and consistent and then coded. Inferential statistics such as multiple linear regressions and correlation were used to establish the relationship between the selected variables and for hypothesis testing. The regression equation of y on x includes:

$$Y = \beta o + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + e$$

The assumptions of multiple linear regression models were: The model assumes Linearity and additivity of the relationship between dependent and independent variables: The expected value of dependent variable is a straight line function of each independent variable, holding the others fixed; The slope of that line does not depend on the values of the other variables; The effects of different independent variables on the expected value of the dependent variable are additive.

The model also assumes statistical independence of the errors in particular, no correlation between consecutive errors in the case of time series data; finally, the model assumes homoscedasticity or constant variance of the errors; versus time in the case of time series data, versus the predictions, versus any independent variable and normality of the error distribution. Where;

X_1 = Concentric product diversification; X_2 = Horizontal product Diversification;

X_3 = Conglomerate product diversification; X_4 = Vertical product diversification

Y is the dependent variable, e = error term; β0 = y intercept; β_1, $\beta 2_,$ $\beta_{3,}$ β_4 = coefficients of x_1, x_2.x_3, x_4 respectively. A confidence level of 95% was considered that is a 5% level of significance, if the P value is greater than 0.05 we fail to accept the null hypothesis and if it is less than 0.05 we accept the null hypothesis that there is no significant relationship between the constructs of independent variable and the constructs of the dependent variable, r square was used to assess whether all of the constructs of independent variable had an effect on the dependent variable.

3.8 Ethical Considerations

All ethical issues of research were upheld. According to Mugenda & Mugenda (2003) Respondents were informed the purpose of the study and their consent sought prior to their participation. Adequate measures were taken to protect the confidentiality of respondents. The identities of the respondents were protected by using numbers. In addition, authority was sought and obtained in advance from the respective real estate companies which were included in the study in order to authorize for undertaking of data collection. Ethics were upheld in the design and analysis of the data. The dissemination of the findings was done as per the laid down procedures.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents data analysis, interpretation and discussions on product diversification strategies as determinants of firm's performance among real estate companies in Nairobi City County.

The main objective of the study was to analyze product diversification strategies as a determinant of performance of real estate companies in Nairobi City County, Kenya.

4.2 Response Rate

Data was collected from top managers working at the headquarters of the seventy seven real estate firms in Nairobi City County, Kenya. The study focused particularly on top level management staff where three top level managers were considered who deals directly with day to day management of the companies since they were the ones conversant with the subject matter of the study. The study examined a total of 231 respondents, where 231 questionnaires were issued. Of the 231, 211 questionnaires were returned of which 15 were incomplete. This narrowed down to 196 completed questionnaires indicating a response rate of 85% as summarized in the table 4.1 below;

Table 4.1: Response rate

Questionnaire issued	Questionnaire returned	Incomplete Questionnaires	Complete Questionnaires	Response rate
231	211	15	196	85%

Source: Survey data, 2015

Primary data was collected through structured questionnaires of senior staffs from key personnel in four key departments namely Management, Valuation, Sales & Letting and Accounts in the firm. Additional information about the respondents is as elucidated below.

4.3 Background information of the respondents

Background information of the respondent serves a great purpose in giving a grim light as far as the sample population and the research topic is concerned. The following were the findings of the study as summarized in Table 4.2;

Out of the 196 respondents issued with questionnaire in the study, 167 were male while the remaining 29 were female. This accounted for 85.2% and 14.8% respectively.

All respondents were willing to disclose their ages without problems. One's age is always related to experience and understanding of a given issues of interest. Individuals of different age groups usually have different opinions of a given topic of study and this provides comprehensive data on the topic from all dimensions. Most of the respondent ages ranged between 36-40 years which comprised of 79 (40.3%), 57(29.1%) were aged between 41-45 years, 28(14.3%) were aged 31-35 years, 14(7.1%) were 26-30 years, 13(6.6%) were over 50 years while 5(2.6%) were 46-50 years.

Table 4.2: Descriptive analysis of bio data/background information of the respondents

Age	Frequency	Percent
26 – 30 years	14	7.1
31 – 35 years	28	14.3
36 – 40 years	79	40.3
41 – 45 years	57	29.1
46 – 50 years	5	2.6
Over 50 years	13	6.6
Total	196	100.0
Gender		
Male	167	85.2
Female	29	14.8
Total	196	100.0
Education		
Secondary	2	1.0
Diploma	72	36.7
Bachelor	101	51.5
Masters	21	10.7
Total	196	100.0
Period worked in the firm		
Less than a year	8	4.1
1 – 5 years	31	15.8
6 – 10 years	87	44.4
11 – 15 years	57	29.1
16 – 20 years	10	5.1
Over 21 years	3	1.5
Total	196	100.0
Position held in the organization		
Property Officer	62	31.6
Property Manager	70	35.7
Director	64	32.7
Total	196	100.0

Source: Survey data, 2015

Level of education was operationally defined using four intermediate variables mainly secondary, diploma, degree and master level. There was no problem in the statement of one's level of education therefore all respondents disclosed this vital information. Ones level of education provides a good picture of how one understands the topic of study. Furthermore education level can provide a clue on how individuals are willing to contribute to the development of research knowledge on a given area. Majority of

the respondents had a bachelor's degree level of education. This was ascertained by 101(51.5%) of the respondents. 72(36.7%) had a diploma, 21(10.7%) had a masters while 2(1.0%) had secondary level of education.

Another variable of interest sought to examine how long the respondents had worked in the organization they were in. Period spent in the organization is important as it helps explain the respondent's knowledge on important issues of the organization; in this case it helps explain employee's awareness on the firm's performance and product diversification strategies employed. Majority of the respondents, 44.4 % (87) had been in their organization for 6-10 years. 29.1% (57) had been there for 11-15 years, 15.8% (31) were in the organization for 1-5 years while 1.5% (3) had been in their organization for more than 21 years.

Respondent were also asked to indicate the position they held in the organization. The position is important as it helps depict the level of awareness of the respondents as junior staff could be less informed than senior staff especially on management issues while junior staff could be more informed than senior staff on factors affecting employees. Of the 196 respondents, 35.7% (70) were property managers, 32.7 % (64) were directors while 31.6% (62) were property officers.

4.4 Descriptive analysis for the study Variables

To establish the responses opinion on independent and dependent factors, the responses were tabulated descriptively where measures of central tendency were used to rank them as per the number of positive responses. The descriptive analysis and ranking is as below;

4.4.1 Descriptive analysis of firm performance

The study firstly sought to examine the response of the respondents on firm's performance. Firm Performance was operationalized into; customer acquisition, customer retention, innovation rate, employee empowerment, employee motivation, post-sale service and employee alignment. The mean which is a measure of central tendency was used with a mean closer to five ranked higher among the other components of firm performance. Results are as shown in table 4.3 below;

Customer acquisition had a mean of 4.28 being the most observed in comparison to others. Customer retention was ranked second with a mean of 4.24 while innovation rate was ranked third with a mean of 4.08. Others measures of firm performance like Post-sale service and employee alignment were ranked among the last with a mean of 3.92 and 3.76 respectively.

Table 4.3: Descriptive statistics for firm performance

DESCRIPTIVE STATISTICS FOR FIRM PERFORMANCE

N=196	Min	Max	Mean	Std.Dev	Skewness	Kurtosis
Customer acquisition	3	5	4.28	.543	.071	-.491
Customer retention	2	5	4.24	.565	-.362	1.482
Innovation rate	2	5	4.08	.664	-.298	.040
Employee empowerment	1	5	4.01	.816	-.704	.821
Employee motivation	1	5	3.94	.713	-.852	1.834
Post sale service	1	5	3.92	.871	-.792	.420
Employee alignment	2	5	3.76	.745	.055	-.564
Firm performance	7	24	13.77	2.824	.143	.742

Source: Survey data, 2015

The skewness for the composite variable firm performance was -1.43, which indicates a negative distribution with an asymmetric tail extending toward more negative values. The kurtosis value was 0.742 indicating a relatively peaked distribution.

4.4.2 Descriptive analysis of concentric products diversification on performance

The study further sought to evaluate to what extent the new products the firm adds to current products affect firm's performance. The results are as shown below;

The firms' customer base was seen to increase as a result of the new products it offered. This was highly preferred factor with a mean of 4.49. New products was also noted to improve performance and ranked second in term of preference with a mean of 4.44, new products also were found to attract new customers and ranked third with a mean of 4.42 while new products which were alike to current products offered by this firms was ranked fourth with a mean of 4.24. The firms' customer base was found not to have decreased as a result of the new products offered and hence ranked lowest with a mean of 2.42.

Table 4.4: Descriptive analysis of concentric diversification on performance

DESCRIPTIVE STATISTICS FOR CONCENTRIC PRODUCT DIVERSIFICATION						
N=196	Min	Max	Mean	Std. Dev	Skewness	Kurtosis
The firms' customer base has increased as a result of the new products it offers	2	5	4.49	.550	-.634	.468
The new products improves performance	2	5	4.44	.574	-.579	.343
The firms' offers new products that attract new customers	2	5	4.42	.545	-.365	.302
The firm' offers new products that are alike to current products	2	5	4.24	.695	-.835	1.128
The firm conducts consumer research each time it adds new products	2	5	4.18	.839	-.937	.432
The firm controls its costs better through the new products it offers	1	5	4.13	.928	-1.075	.631
The firm's customer base has decreased as a result of the new products it offers	1	5	2.42	1.505	.636	-1.112
Concentric composite values	3	9	4.643	1.2949	.161	-.762

Source: Survey data, 2015

The skewness value for the concentric product diversification was 0.161 indicating a positive distribution of values to the right. The kurtosis value for the same was -0.762 which indicating that the values are wider spread around the mean.

4.4.3 Descriptive analysis of conglomerate product diversification

It was also necessary to examine the effects of new products un-related to current products on performance. The results are as shown below;

Table 4.5: Descriptive analysis of conglomerate product diversification

DESCRIPTIVE STATISTICS FOR CONGLOMERATE PRODUCTS						
N=196	Min	Max	Mean	Std. Dev	Skewness	Kurtosis
The firm appeals to new group of customers each time it offers the new products	2	5	4.23	.667	-.823	1.565
The firm achieves better performance as a result of the new unrelated products it offers	1	5	4.21	.746	-1.185	2.898
The firms market share has increased	1	5	4.19	.751	-.692	.608
The firm offers new products unidentical to current products	2	5	4.13	.718	-.790	1.076
The firm manages properly the risk in the new products it offers	1	5	4.05	1.134	-1.286	.957
The firm targets only existing loyal customers	1	5	3.30	1.225	-.093	-1.157
Customers have decreased as a result of the new products the firm offers	1	5	2.62	1.475	.431	-1.279
Conglomerate composite values	5.00	15.00	12.5714	1.73353	-.769	1.381

Source: Survey data, 2015

The firms were found to appeals to new group of customers each time it offers the new products. This was highly preferred with a mean of 4.23. Firms were found to achieve better performance as a result of the new unrelated products it offered. This was ranked second with a mean of 4.21. Firms' market share was found to have increased as a result of the new products and ranked third. Other factors like firm proper management of risk in the new products it offered and the firm targets of only existing loyal customers were ranked among the last with the least ranking being that customers had decreased as a result of the new products the firm offers. The skewness value for the composite conglomerate product diversification variable was -0.769

indicating that extreme values below the mean are further away than the extreme values above the mean. The kurtosis value for the same was 1.381.

4.4.4 Descriptive analysis horizontal products diversification

The study further sought to establish the effects of new products that are technologically un-related to current products performance. Respondents were asked to rate the given statements on likert scale of five. The results were analyzed and displayed in the table below;

Table 4.6: Descriptive Statistics for horizontal product diversification

DESCRIPTIVE STATISTICS FOR HORIZONTAL PRODUCT DIVERSIFICATION						
N=196	Min	Max	Mean	Std. Dev	Skewness	Kurtosis
The firm's new products are of good quality	1	5	4.49	.603	-1.305	4.335
The firm favorably prices the new products it offers	2	5	4.37	.607	-.542	.161
Each time the firm offers new products, it appeals to current customers	1	5	4.29	.672	-1.025	2.774
The firm promotes well the new products it adds to current products	1	5	4.26	.764	-1.178	2.446
The firm appeals to current customers every time it adds new products	1	5	4.21	.727	-1.406	4.089
The firm offers new products that are unrelated to current products	1	5	3.89	.932	-1.155	1.362
The firm adds new products that do not appeal to current customers	1	5	2.73	1.425	.242	-1.385
Composite value for horizontal products	6.00	15.00	13.1224	1.54764	-1.129	2.425

Source: Survey data, 2015

The firm’s new products were found to be of good quality, second ranking was that the firm favorably prices the new products it offers while thirdly ranking was that each time the firm offers new products, it appealed to current customers. The means representing these were 4.49, 4.37 and 4.29 respectively. The firm good promotion of new products it added to current products and the firm appeals to current customers

every time it added new products were ranked 4th and 5thwith 4.26 and 4.21 means respectively. The lowest ranking was that the firm offers new products that are unrelated to current products and that the firm added new products that did not appeal to current customers with means of 3.89 and 2.73 respectively. The skewness value for the composite horizontal product diversification value was -1.129 this implies that the findings of composite horizontal product diversification were negatively skewed in that most response patterns were that it negatively affected firm performance, while the kurtosis value for the same was 2.425. The Kurtosis indicates a platykurtic distribution, i.e. flatter than a normal distribution with a wider peak. The probability for extreme values is less than for a normal distribution, and the values are wider spread around the mean.

4.4.5 Descriptive analysis of vertical products diversification

The study also sought to examine the effects of new products that are complementary to existing products on firm performance. The results are as shown in table 4.7 below; Firms were found to add new products of high quality with a mean of 4.45. A similar higher preference was observed with the firm marketing ability which was found to have improved considerably and that the firm added new products which complements each other, each with a mean of 4.38. Thirdly ranked was that the firms performance had improved as a result of the new product it offered while ranked fourth was that firm added new products to current products at a lower price. These were represented with a mean of 4.31 and 4.11 respectively. Lowest ranked was that firm added new products to current products at a high price and that the firm added new products to current products that are of low quality with a mean of 3.43 and 2.96 respectively.

Table 4.7: Descriptive analysis of vertical products diversification

DESCRIPTIVE STATISTICS FOR VERTICAL PRODUCT DIVERSIFICATION						
N=196	Min	Max	Mean	Std. Dev	Skewness	Kurtosis
The firm adds new products of high quality	1	5	4.45	.618	-1.71	7.831
The firm marketing ability has improved considerably	1	5	4.38	.657	-1.46	5.51
The firm adds new products which complement each other	3	5	4.38	.527	.079	-1.09
The firms performance has improved as a result of the new product it offers	2	5	4.31	.606	-.545	.898
Firm adds new products to current products at a lower price	2	5	4.11	.685	-.727	1.257
Firm adds new products to current products at a high price	1	5	3.43	1.328	-.349	-1.17
The firm adds new products to current products that are of low quality	1	5	2.96	1.483	.138	-1.52
Vertical composite values	6.0	15	13.24	1.3957	-1.376	5.777

Source: Survey data, 2015

The skewness value for the composite vertical diversification variable was -1.376 while the kurtosis value was 5.777. The kurtosis value is greater than 3 indicating a Leptokurtic distribution that is sharper than a normal distribution, with values concentrated around the mean and thicker tails. This means high probability for extreme values was observed.

4.5 Factor Analysis of product diversification versus firm performance

Factor analysis was done on all main factors to describe variability among observed and correlated variables in terms of a potentially lower number of unobserved variables. Principal components analysis was used to reduce the number of components in each of type of diversification. The maximum likelihood estimation procedure was used to extract the factors from the variable data. Kaiser’s rule was

used to determine which factors were most eligible for interpretation because this rule requires that a given factor is capable of explaining at least the equivalent of one variable's variance. The relevant variables with the highest loading were retained. The variables retained were used to develop composite values which were used to develop regression model for analysis. This helped in achieving the research objectives and hypothesis. The result of the factor analysis is outlined below;

4.5.1 Sampling Adequacy

Joppe (2000) provides that the validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. Kaiser (1974) introduced a Measure of Sampling Adequacy (MSA) of factor analytic data matrices. This is just a function of the squared elements of the 'image' matrix compared to the squares of the original correlations. The overall MSA as well as estimates for each item are found. The index is known as the Kaiser-Meyer-Olkin (KMO) index. The results from Kaiser-Mayer-Olkin measures of sampling adequacy were found to be 0.755 which is middling as per StataCorp (2013). The Bartlett's Test of Sphericity was found to be significant indicating that the sample as adequate for the research.

Table 4.8: Kaiser-Mayer-Olkin measures of sampling adequacy

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.755
Bartlett's Test of Sphericity	Approx. Chi-Square	1604.574
	Df	378
	Sig.	.000

Source: Survey data, 2015

4.5.2 Factor analysis on product diversification

Four group-wise measures of product diversification consisting of seven measures in each group were used. These included concentric, horizontal, conglomerate and

vertical product diversifications. Principal component analysis was done on each measure with a requested retention of several components in each and the results interpreted in the table 4.9 below;

Table 4.9: Total variance explained

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Var.	Cum%	Total	% of Var.	Cum %	Total	% of Var	Cum%
1	5.335	19.054	19.054	5.335	19.054	19.054	4.145	14.804	14.804
2	2.779	9.927	28.980	2.779	9.927	28.980	2.695	9.606	24.410
3	1.989	7.102	36.083	1.989	7.102	36.083	2.680	9.589	33.999
4	1.642	5.865	41.948	1.642	5.865	41.948	2.226	7.949	41.948
5	1.482	5.317	47.265						
6	1.349	4.800	52.065						
7	1.244	4.448	56.513						
8	1.105	3.937	60.450						
9	1.029	3.676	64.127						
	Extraction Method: Principal Component Analysis.								

Source: Survey data, 2015

In Extraction Sums of Squared Loadings, the number of rows in this panel of the table corresponds to the number of factors retained while Rotation Sums of Squared Loadings values represent the distribution of the variance after the Varimax rotation. Varimax rotation tries to maximize the variance of each of the factors, so the total amount of variance accounted for is redistributed over the extracted factors. The

cumulative percent column under Rotation Sums of Squared Loadings contains the cumulative percentage of variance accounted for by the current and all preceding factors. For example, the fourth row shows a value of 41.948. This means that the first four factors together account for 41.948% of the total variance. Further, the rotated component matrix is as shown below;

Table 4.10: Factor matrix on product diversification products

Rotated Component Matrix[a]				
	Component			
	1	2	3	4
The firm targets only existing loyal customers	.710			
Firm adds new products to current products at a high price	.689			
The firm manages properly the risk in the new products it offers	.643			
The firm adds new products to current products that are of low quality	.605			
The firms market share has increased	.580			
The firm adds new products that do not appeal to current customers	.574			
The firm conducts consumer research each time it adds new products	.558			
Customers have decreased as a result of the new products the firm offers	.546			
The firm's customer base has decreased as a result of the new products it offers	.528			
The firm favorably prices the new products it offers				
The firm controls its costs better through the new products it offers				
Firm adds new products to current products at a lower price				
The firm offers new products un-identical to current products		.781		
The firm achieves better performance as a result of the new unrelated products it offers		.680		
The firm appeals to new group of customers each time it offers the new products		.643		
Each time the firm offers new products, it appeals to current customers		.535		
The firm offers new products that are unrelated to current products				
The firm' offers new products that are alike to current products				
The firm adds new products of high quality			.812	
The firm marketing ability has improved considerably			.709	
The firm's new products are of good quality			.600	
The firm promotes well the new products it adds to current products			.542	
The firm adds new products which complement each other			.526	
The firms performance has improved as a result of the new product it offer				
The firms' offers new products that attract new customers				.813
The firms' customer base has increased as a result of the new products it offers				.734
The new products improves performance				.608
The firm appeals to current customers every time it adds new products				
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 5 iterations.				
Cronbach reliability Alpha		0.70	0.72	0.79
0.797		0	3	7

Source: Survey data, 2015

In the rotated component analysis, the variables with higher factor loading were extracted in each type of product diversification. These variables had values above

0.50 whereas those below this mark were dropped. Varimax with Kaiser Normalization was used as it simplifies the factors where it normalizes factor loadings before rotating them, and then de-normalizing them after rotation. This helps to increase the reliability and validity of the scale. The selected components were used to develop composite values which were used for further correlation and regression analysis.

4.6 Data transformation

Data transformation was achieved through retention of factors in each independent variable rotation matric to obtain composite values in each category. These factors were indexed as per the loading where factors with higher loading were selected in each group i.e. concentric, conglomerate, horizontal and vertical products diversification. The idea of data transformation is essential in achieving higher factors reliability and achieving normality for further data analysis. Data transformation was also done to increase the sensitivity of the statistical tests. Before transformation, the data was highly skewed but after transformation, normality was achieved. To achieve this, the factors with a loading of more than 0.5 for each of the variables were considered for transformation, after which, correlation and multiple regressions were carried out with the transformed data.

4.7 Reliability Analysis for the Study Variables

Confirmatory factor analysis was first conducted on the data to check reliability of the research instruments to ensure they were consistent with the study. The study established that the variables were highly consistent with study. The Cronbach coefficients alpha was at 0.806(80.6%) which was above the minimum required value

of 0.7(70%). This ascertained that the research tools were reliable and hence further analysis could be done.

Table 4.11: Reliability analysis of each variable

Item	Cronbach's alpha	No. of items
Firm performance	0.648	7
Concentric product diversification	0.669	3
Conglomerate product diversification	0.700	4
Horizontal product diversification	0.723	5
Vertical product diversification	0.797	9
Composite	0.806	28

Source: Survey data, 2015

4.8 Descriptive statistics for composite variables

From the rotated table, the variables (i.e. concentric, conglomerate, horizontal and vertical product diversification) were transformed. The idea of the data transformation was to convert the data so that it could assume the normality and use parametric tests. To achieve this, the factors with a loading of more than 0.5 for each of the variables were considered for transformation. Descriptive statistics for the rotated composite variables was done with mean and standard deviation used to display the results as shown in the table 4.12 below;

Table 4.12: Descriptive statistics for the composite variables

N=196	Min	Max	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
Vertical_pdiversification	13.00	44.00	29.8878	7.04620	-.165	-.633
Firm_performance	18.00	35.00	28.2296	2.82359	-.143	.742
Horizontal pdiversification	8.00	25.00	21.9541	2.19859	-1.848	8.718
Conglomerate_pdiversification	8.00	20.00	16.8571	2.03558	-.843	1.507
Cocentric pdiversification	9.00	15.00	13.3571	1.29496	-.161	-.762
Valid N (listwise)						

Source: Survey data, 2015

Vertical product diversification had the highest mean while concentric product diversification had the lowest mean represented by 29.8878 and 13.3571 respectively. Firm performance was also highly ranked with a mean of 28.2296 while horizontal and conglomerate product diversification had mean of 21.9541 and 16.8571 respectively.

4.9 Correlation analysis of firm performance versus product diversifications

Correlation analysis of variable under study was conducted to establish where there was any significant relation between dependent and independent variables under study. Correlation is a powerful tool to measure presence of a relationship between two or more variables. It tries to establish whether there is positive or negative relationship between variable and using statistical correlation coefficient determine the strength of this relationship. This was then tested for significance at 5%. The result of the analysis is tabulated in table 4.13 below;

Firm performance was found to have some relationship with product diversifications in real estate sector. More specifically, concentric and conglomerate product diversification was found to have significant relationship with firm performance with p value of 0.031 and 0.034 respectively. On the other hand horizontal and vertical product diversification were found not to have significant relationship with firm performance in real estate firms investigated with a p value of 0.454 and 0.177 respectively.

Table 4.13: Correlations between firm performance and product diversifications

Correlations N=196						
		Firm perf.	Conc Div	congl div	horiz div	Verti Div
Firm performance	Pearson Correlation	1				
	Sig. (2-tailed)					
Concentric Diversification	Pearson Correlation	.154*	1			
	Sig. (2-tailed)	.031				
Conglomerate Diversification	Pearson Correlation	.151*	.220**	1		
	Sig. (2-tailed)	.034	.002			
Horizontal diversification	Pearson Correlation	.054	.197**	.236**	1	
	Sig. (2-tailed)	.454	.006	.001		
Vertical diversification	Pearson Correlation	-.097	.071	.218**	.364**	1
	Sig. (2-tailed)	.177	.325	.002	.000	

*. Correlation is significant at the 0.05 level (2-tailed).

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

Source: Survey data, 2015

4.10 Multiple regression analysis

Multiple regression analysis is a powerful technique used for predicting the unknown value of a variable from the known value of two or more variables- also called the predictors. In this case, multiple regression analysis will help predict firm performance from concentric, conglomerate, horizontal and vertical product diversification.

4.10.1 Model summary

The results from multiple regression analysis are as displayed below;

Table 4.14: Model summary

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.243[a]	.059	.039	2.76759	1.786

a. Predictors: (Constant), vertical_pdiversification, concentric_pdiversification, conglomerate_pdiversification, horizontal_pdiversification
b. Dependent Variable: firm_performance

Source: Survey data, 2015

From the table above, the value of R-square is 0.059 which indicates that the model explains 6% of firm performance from the predictor variables (i.e. concentric, horizontal, conglomerate and vertical product diversification). The Durbin-Watson's d tests the null hypothesis that the residuals are not linearly auto-correlated. The value of Durbin-Watson was at 1.786 which indicates no autocorrelation among the variables.

4.10.2 Analysis of variance

Analysis of variance was employed to measure the differences in means between firm performance and its predictor variables. The results are shown in the table 4.15 below;

Table 4.15: ANOVA

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	91.689	4	22.922	2.993	.020[b]
	Residual	1462.980	191	7.660		
	Total	1554.668	195			

a. Dependent Variable: firm_performance
b. Predictors: (Constant), vertical_pdiversification, concentric_pdiversification, conglomerate_pdiversification, horizontal_pdiversification

Source: Survey data, 2015

The F-ratio was 2.993 at 1 degree of freedom which is the variable factor. This represented the effect size of the regression model and the model is significant at 95%

confidence level (p=0.020) indicating that firm performance can be predicted from the aforementioned independent variables.

4.10.3 Coefficient analysis

Coefficient analysis from multiple regression analysis are as shown below;

Table 4.16: Coefficient analysis

Coefficients[a]

Model	Unstandardized Coefficients		Stand. Coeff.	T	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero order	Partial	Part	Tol.	VIF
(Constant)	21.640	2.765		7.826	.000	16.186	27.094					
Conc. Div	.268	.159	.123	1.687	.093	-.045	.581	.154	.121	.118	.929	1.077
Cong. Div	.202	.103	.146	1.965	.051	-.001	.406	.151	.141	.138	.893	1.120
Hori. Div	.067	.099	.052	.674	.501	-.129	.263	.054	.049	.047	.822	1.217
Verti. Div	-.063	.031	-.156	-2.052	.041	-.123	-.002	-.097	-.147	-.144	.848	1.179

a. Dependent Variable: firm_performance

Source: Survey data, 2015

As aforementioned, the model was found to be statistically significant. Further, the regression model can be outlined as follows;

Firm performance= (21.640) $+X_1(.123) +X_2(.146) +X_3(.052) +X_4(-.156)$ + 2.765

4.11 Hypotheses Testing

The study was guided by four hypotheses which are discussed systematically below. The results are summarized in the table below;

Table 4.17: Summary of variables significance

Hypotheses	Coefficient Result	P - value	Interpretation
HO_1:Concentric product diversification has no significant effect on firm performance	.123	.093	Non significant effect
HO_2:Conglomerate product diversification has no significant effect on firm performance	.146	.051	Significant effect
HO_3: Horizontal product diversification has no significant effect on firm performance	.052	.501	Non significant effect
HO_4:Vertical product diversification has no significant effect on firm performance	-.156	.041	Significant effect

Source: Survey data, 2015

Hypothesis 1 ($H0_1$) predicted that concentric product diversification has no significant effect on firm performance.

The results in table 4.17 indicate that concentric product diversification has no significant effect on firm performance at $p > 0.05$. Thus we accept the null hypothesis that concentric product diversification has no significant effect on firm performance.

Hypothesis 2 ($H0_2$) predicted that conglomerate product diversification has no significant effect on firm performance.

The results in table 4.17 indicate that conglomerate product diversification has a significant effect on firm performance ($p<0.05$) implying that the null hypothesis is rejected and the alternative hypothesis that conglomerate product diversification has a significant effect on firm performance is accepted.

Hypothesis 3 ($H0_3$) predicted that horizontal product diversification has no significant effect on firm performance.

Table 4.17 indicates that horizontal product diversification has no significant effect on firm performance ($p>0.05$) implying that the null hypothesis is accepted that horizontal product diversification does not significantly affect firm performance.

Hypothesis 4 ($H0_4$) predicted that vertical product diversification has no significant effect on firm performance.

The results in table 4.17 indicate that vertical product diversification has a significant effect on firm performance ($p< 0.05$) implying that the null hypothesis that vertical product diversification has no significant effect on firm performance is rejected.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Overview

This chapter contains a summary of the findings as per the research objectives together with a conclusion and the necessary recommendations on the study.

5.1 Summary of findings

The first objective was to assess the effects of concentric product diversification on firm performance. On analysis the findings were ($\beta = 0.123$, $p>0.05$). This implies that concentric product diversification had a non significant effect on firm performance and it explained 12.3% change in the firms' performance. The null hypothesis $H0_1$: concentric product diversification has no significant effect on firm performance was rejected since it had $p> 0.05$.

The second objective was to determine the effects of Conglomerate product diversification on firm performance. The results were ($\beta=.146$, $p=0.05$) that is conglomerate product diversification explained 14.6% change in firm performance. The null hypothesis $H0_2$: conglomerate product diversification has no significant effect on firm performance was accepted as it had a $p < 0.05$.

The third objective was to establish whether Horizontal product diversification affected performance and the results were (β=.052, p>0.05) which implies that Horizontal product diversification did not significantly affect firm performance. The study found that Horizontal product diversification explained 5.2% change in firm performance. The null hypothesis $H0_3$: Horizontal product diversification has no significant effect on firm performance was rejected as the p>0.05.

The fourth objective was to determine the effects of vertical product diversification on firm performance and the results were ((β = -.156, p<0.05). The study found that vertical product diversification explained negative 15.6% change in firm performance. The null hypothesis $H0_4$: vertical product diversification has no significant effect on firm performance was accepted as from the findings the p value was less than 0.05 and it was concluded that vertical product diversification has a significant effect on firm performance.

5.2 Discussion of findings

5.2.1Demographic Characteristics of the Respondents

The results showed that out of all the respondents used in the study 167 were male while the remaining 29 were female, majority of the respondents had bachelors level of education with only a small percentage having only secondary level of education. The study also established that of the sampled respondents, majority had worked in their organizations for 6-10 years with only a small percentage having worked for more than 21 years in their organization. Respondent were also asked to indicate the position they held in the organization. The position is important as it helps depict the level of awareness of matters in the organization. Majority of the respondents were property managers with significant numbers being property officers and directors.

5.2.1 Effect of concentric product diversification on firm performance

The study had proposed the null hypothesis $H0_1$: Concentric product diversification has no significant relationship with firm performance. The relationship was found to be significant ($p<0.05$). The hypothesis was therefore rejected implying there is significant relationship between concentric product diversification and firm performance. The beta coefficient of 0.123 implies that concentric product diversification explained 12.3% change in firms' performance. The firm's customer base was found to have increased as a result of the new products it offered which affected the firm performance positively. Similarly, the firm's performance was found to be positively affected when the firm offers new products that attracted new customers. Introduction of new products was also found to significantly improve performance of real estate firms in Kenya.

This concurred with Cameron & Whetton (2009) who found that concentric products diversification expands the firms market by attracting new group of buyers. Further study by Tanriverdi & Venkatraman (2005) who found that concentric product diversification leads to achievement of superior performance. According to Lister (2015), concentric diversification is a type of business strategy where a company acquires or creates new products or services to reach more consumers. Concentric product diversification leads to improved product development and increased market share. These new products and services usually are closely related to the company's existing products and services.

A company uses concentric diversification as a means of entering new consumer markets and driving sales in those new markets. This in turn improves firm performance in general.

5.2.2 Effect of conglomerate product diversification on firm performance.

The study had proposed the null hypothesis $H0_2$: Conglomerate product diversification has no significant relationship with firm performance. The relationship was found to be significant ($p<0.05$).This null hypothesis was therefore rejected implying that there is a significant relationship between firm performance and conglomerate product diversification. The beta coefficient of 0.146 implies that conglomerate product diversification explained 14.6% change in firm performance. The Firms offering of new products that were alike to the current products though un-identical to current products contributed significantly to firm performance. Firm also appealed to new group of customers each time it offered new products. Further, performance was seen to be affected when the firm offered new products that were unrelated to current products.

The results concur with those of Smith (2012) who found that conglomerate product diversification might give a company the opportunity of increasing the strength of the economy of different markets, and to develop competencies that can be shared between different markets and products. This in turn improves firm performance. Smith further asserts that with conglomerate product diversification, the firm will be very feasible to diverse into different markets that will potentially increase parent company profits. Further, company profitability is somewhat more stable because hard times in one industry may be partially offset by good time in another.

According to Desmond (2007), conglomerate diversification ensures that firms create value for its shareholders through the synergetic integration of a new business, often without marketing or technological links, thereby increasing its competitive advantage. The results also agree with Kotler (2006) who indicates that conglomerate product diversification strategy occurs where a company seeks new products that

could appeal to its current customers even though the new products are technologically unrelated.

5.2.3 Effect of horizontal product diversification on firm performance.

The null hypothesis as per this study was that $H0_3$: Horizontal product diversification has no significant relationship with firm performance. The relationship was found to be insignificant ($p>0.05$).This null hypothesis was accepted implying that there is no significant relationship between horizontal product diversification and firm performance. The beta coefficient of 0.052 implies that horizontal product diversification explained 5.2% change in a firms ‘performance although not statistically significant. There was no effect on firm performance despite real estate firms promoting well the new products it added to current products which were of good quality.

The firm performance was found to be not affected when the firm added new products that complement each other. Further, the improvement in the firm’s marketing ability was not brought by diversification and the performance of the firm was not affected when the firm added new products of high quality. The results disapprove those of Strategy (2010) who states that horizontal product diversification entails acquiring or developing new products or offering new services that could appeal to the company´s current customer groups. In this case the company relies on sales and technological relations to the existing product lines.

5.2.4 Effect of vertical product diversification on firm performance

The study had proposed null hypothesis that $H0_4$: Vertical product diversification has no significant relationship with firm performance. This relationship was found to be insignificant ($p > 0.05$).The hypothesis was therefore accepted implying that there was no significant relationship between vertical product diversification and firm performance. The beta coefficient -.156 implies that vertical product diversification explained negative 15.6% change in firm performance though not statistically significant. The more real estate firms used vertical product diversification its performance decreased. More specifically, performance was seen not to be affected when the firm adds new products to current products at a high price but low quality. Firm's addition of new products that did not appeal to current customers which targeted only existing loyal customers and increases in its market share were not due to diversification. Despite the firm managing properly the risk in the new products it offered, customers were seen to decrease as a result of the new products it offered and thus performance was not affected. The results disagree with McGraw (2014) who found that in building new product potential, the firm in turn increases the profit margins on the market, thus increasing shareholder confidence.

5.3 Conclusion

From the foregoing discussions, the following conclusions were drawn from the study.

Concentric product diversification positively affects firm performance as the firm increases the proportion of its investment in concentric product diversification subsequently the firms' performance improves. The introduction of new products significantly improves performance of real estate firms in Kenya. The performance of

real estate firms' is positively affected when the firm offers new products that attracts new customers.

Conglomerate product diversification positively affects firm performance, the more a firm invests in new products unrelated to current products it achieves better performance. Each time a firm offers new products that are unrelated to current products it appeals to new group of customers which subsequently improves the performance of the real state firms. The study also concludes that the market share of real estate firms increases each time firms diversify into unrelated products.

Both Vertical product diversification and Horizontal product diversification have no significant effect on firm performance. The proportion of a firms' investment in both vertical product diversification and Horizontal product diversification does not significantly affect a firm's performance. The performance of firms is not affected when a firm adds new products that complement each other and when it adds new products that are of high quality. The performance of real estate firms is also not affected with the new products a firm adds to current products at a high price but of low quality. To wrap it all the performance of real estate firms in Kenya is therefore not significantly affected by the use of both vertical product diversification and Horizontal product diversification.

5.4 Limitations of the Study

Most respondents had busy schedules therefore they complained of lack of considerable time to fill the questionnaires, the researcher extended the prescribed time of collecting back most questionnaires from the respondents to between three to four weeks.

The aspects of product diversification were kept simple and may therefore not take into account unique features and exceptions that exist in different real estate companies. Although at some point, the order of business for real estate companies may be the same, there are still different aspects in operations within these companies.

5.5 Recommendations

5.5.1 Policy Recommendation

Based on the findings and conclusions from the study, the researcher came up with the following recommendations: The study recommends that real estate companies should come up with good policies such as guidelines on per unit cost allocation of diversified product and risk management strategies to aid in better management of the risks involved in the whole diversification process. The above mentioned policies will govern the implementation of all the product diversification strategies and hence better performance.

5.5.2 Theoretical implications

True to the form of an explanatory study this study utilized the balance scorecard model to inform the study. The cronbach's alpha showed that the reliability of the indicators of the dependent variable was above the minimum as suggested by Hair et al. Balance scorecard provides many indicators of a firms performance but it does not gives the sequence in terms of which indicators are more profound in determining the performance of firms. One of the major implications of this study is that customer acquisition, customer retention, innovation rate, and employee empowerment can be relied on most in explaining the performance of firms because they recorded the highest means in that order. Based on the findings of the study, real estate firms should improve most on customer's acquisitions, customer retention, innovation rate

and employee empowerment as ingredients for better performance. Literature review on product diversification strategy and firm performance, development of conceptual framework and measurement of variables.

5.5.2 Recommendation for Further Research

Based on the findings of this study horizontal product diversification seemed not to have any significant relationship or effect on firm performance. The study used a target population of 231 respondents. This study therefore recommends a further research should be conducted to evaluate the effects of product diversification strategy on firm performance of all registered real estate firms in Kenya. This will lead to an increase the number of the respondents and hence the sample size to be used in the study.

From the findings of this study product diversification strategies that is Concentric, Conglomerate, Horizontal and Vertical explained only 3.9% change in firm performance. This implies that there are many other factors that account for the remaining 96.1% change in firm performance. This study recommends a further research to be conducted to evaluate the effects of other growth strategies on performance of all the registered real estate firms in Kenya.

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APPENDICES

APPENDIX I: INFORMED CONSENT

Dear Respondent,

RE: REQUEST FOR YOUR PARTICIPATION

I am a student at Moi University in the School of Business and economics and I am conducting a research entitled **Product Diversification Strategies as a Determinant of Perceived Firm Performance among Real Estate Companies in Nairobi City County, Kenya.** The research is part of the fulfillment of my postgraduate course. This is to give you information in the hope that you will participate in the study for the research which is for academic purpose only. Participation in this study is entirely voluntary. The information you provide is confidential and your name will not be exposed anywhere. The Information you provide will be treated only as a source of background research, alongside books and other research carried earlier. There are no known or anticipated risks to you as a participant in this study. If you have any questions regarding this study or would like additional information please ask me before, during, or after the exercise. I can assure you that this study has been reviewed and approved by the Postgraduate Committee of the University.

Thank you for your assistance.

Yours faithfully,

Miriam Wanjiru Maina
SBE/PGM/088/13
0723353616

APPENDIX II: QUESTIONNAIRE FOR REAL ESTATE EMPLOYEES

Questionnaire for the Study

Dear Respondent,

I am a student at Moi University pursuing a Masters of Business management - strategic management Option. I would like to conduct a research project to analyze **product diversification strategies as a determinant of Perceived Firm performance among real estate companies in Nairobi City County, Kenya**. I am therefore kindly asking you to complete the attached questionnaire with as accurate information as possible to assist in undertaking the study. The information you shall provide will be used entirely for this research and will be treated with utmost confidentiality. Your assistance is highly valued. Thank you in advance.

Yours faithfully,

Miriam Wanjiru Maina
Phone NO: 0723-353616

SECTION A: INTRODUCTION

✓ **Tick as appropriate**

1. What is your age bracket?

Below 25 [ ] 26-30 years [ ] 31-35 years [ ] 36-40 years [ ] 41-45 years [ ] 46-50 years [ ] Over 50 [ ]

2. What is your gender? Male [ ] Female [ ]

3. What is the highest educational qualification attained?

Primary [ ] Secondary [ ] Diploma [ ] Bachelor [ ] Masters [ ] PHD [ ]

4. For how long have you been working for your organization?

Less than a year [ ] 1-5 years [ ] 6-10 years [ ] 11-15 years [ ] 16-20 years [ ] Over 21 years [ ]

5. Position held in the organization?

……

SECTION B: GENERAL INFORMATION

Firm Performance/ Balance Scorecard Measurement Instrument

On the five-point scale, rate your firm's performance on the following performance measurements indicating your position on the 5-point scale ranging from 1 = “Greatly decreased" to 5 = “Greatly improved":

PART A: How do you rate the performance of your firm?

- ✓ **Tick as appropriate**

	Greatly decreased	**Decreasing**	**Neutral**	**Improved**	**Greatly improved**
Customer retention	1	2	3	4	5
Customer acquisition	1	2	3	4	5
Employee Motivation	1	2	3	4	5
Innovation rate	1	2	3	4	5
Employee alignment	1	2	3	4	5
Post-sale service	1	2	3	4	5
Employee empowerment	1	2	3	4	5

PART B: Effects of new products related to current products on performance

To what extend does the new products the firm adds to current products affect firm performance? Please rate your perceptions by indicating your position on the 5-point scale.

Very low extent= 1, Low extent=2, Neutral = 3, Great extent = 4, Very great extent = 5

- ✓ **Tick as appropriate**

	Very low extent	**Low extent**	**Neutral**	**Great extent**	**Very great extent**
1. The firms’ customer base has increased as a result of the new products it offers.	1	2	3	4	5
2. The firm’ offers new products that attract new customers.	1	2	3	4	5
3. The new products improves performance	1	2	3	4	5
4. The firm controls its costs better through the new products it offers	1	2	3	4	5
5. The firm’ offers new products that are alike to current products.	1	2	3	4	5
6. The firm conducts consumer research each time it adds new products.	1	2	3	4	5
7. The firms’ customer base has decreased as a result of the new products it offers.	1	2	3	4	5

PART C: Effects of new products unrelated to current products on performance

To what extend does new products unrelated to current products affect firm performance? Please rate your perceptions by indicating your position on the 5-point scale. **Very low extent= 1, Low extent=2, Neutral = 3, Great extent = 4, Very great extent = 5**

✓ **Tick as appropriate**

	Very great extent	**Low extent**	**Neutral**	**Great extent**	**Very great extent**
1. The firm achieves better performance as a result of the new unrelated products it offers	1	2	3	4	5
2 The firm offers new products un identical to current products.	1	2	3	4	5
3. The firm appeals to new group of customers each time it offers the new products	1	2	3	4	5
4. The firm targets only existing loyal Customers.	1	2	3	4	5
5. The firms market share has increased	1	2	3	4	5
6. The firm manages properly the risk in the new products it offers.	1	2	3	4	5
7. Customers have decreased as a result of the new products the firm offers.	1	2	3	4	5

PART D: Effects of new products that are technologically unrelated to current products on performance

To what extend does new products that are technologically unrelated to current products affect firm performance? Please rate your perceptions by indicating your position on the 5-point scale. **Very low extent= 1, Low extent=2, Neutral = 3, Great extent = 4, Very great extent = 5**

✓ **Tick as appropriate**

	Very low extent	**Low extent**	**Neutral**	**Great extent**	**Very Great extent**
1. The firm appeals to current customers every time it adds new products	1	2	3	4	5
2. The firm adds new products that do not appeal to current customers.	1	2	3	4	5
3. The firm offers new products that are un related to current products.	1	2	3	4	5
4. Each time the firm offers new products, it appeals to current customers.	1	2	3	4	5
5. The firm favorably prices the new products it offers.	1	2	3	4	5

6. The firm promotes well the new products it adds to current products	1	2	3	4	5
7. The firm's new products are of good quality.	1	2	3	4	5

PART E. Effect of new products that are complimentary to existing product on firm performance

To what extend does new products that are complimentary to existing product affect firm performance? Please rate your perceptions by indicating your position on the 5-point scale.

Very low extent= 1, Low extent=2, Neutral = 3, Great extent = 4, Very great extent = 5

✓ **Tick as appropriate**

	Very low extent	**Low extent**	**Neutral**	**Great extent**	**Very great extent**
1. Firm adds new products to current products at a high price.	1	2	3	4	5
2. The firm adds new products to current products that are of low quality.	1	2	3	4	5
3. Firm adds new products to current products at a lower price.	1	2	3	4	5
4. The firms' performance has improved as a result of the new products it offers.	1	2	3	4	5
5.The firm adds new products which complement each other	1	2	3	4	5
6. The firm marketing ability has improved considerably.	1	2	3	4	5
7. The firm adds new products of high quality.	1	2	3	4	5

Thank you for your cooperation and please check if there is any quiz that you forgot to answer.

…… END ……

APPENDIX III: LIST OF REGISTERED PROPERTY AND REAL ESTATE COMPANIES IN NAIROBI CITY COUNTY, KENYA

1. Fairland Agencies - Nanak House, Kimathi Street 3rd floor Room 305.
2. Ark Consultants Ltd – Suite 16 NAS Apartments,Milimani Road.
3. British American Asset Managers - Britak Centre, 8th Floor Junction of Mara and Ragati Roads, Upper Hill.
4. Canaan Properties – South B, South Gate Centre, 2nd Floor, Room 11.
5. Capital City Limited - Libra House, Opposite Sameer Africa, Mombasa Road, Nairobi.
6. CB Richard Ellis - Rahimtulla Tower, Upper Hill Road.
7. Colburns Holdings Ltd - Marakwet House, ElgeyoMarakwet Rd, Off ArgwingsKodhek Road.
8. Country Homes and Properties- Agip House, 3rd Floor.
9. Crown Homes Management - Unipen Apartments, Apt Hurlingham (Above Barclays Bank).
10. Crystal Valuers Limited - Bruce House 4th Floor.
11. Daykio Plantations Limited - Hughes Building, MuindiMbingu St. & Kenyatta Avenue, Junction, 4thFloor, Banda St. Wing.
12. Double K Information Agents -Njengi House, 3rdFloor,TomMboya Street.
13. Dream Properties - Hokma House, Kirichwa Lane off Ngong Road.
14. Dunhlill Consulting Ltd - Block A3, Havea Court (15) Eldama Ravine Road.
15. East Gate Apartments Limited – Junction of Kangundo and outerring road.
16. ArdhiworthRealtors -Maendeleo House off university way.
17. Acumen valuers - Nacico Chambers, Moi Avenue.
18. Eastwood Consulting Ltd - Avocado Centre.
19. Ebony Estates Limited -Hughes Bulding, 2ndFloor,Room 240.
20. Elgeyo Gardens Limited - Kilimani Area Next to Hurlingham.
21. Fairway Realtors And Precision Valuers - NUMA Hse, 1st floor suite A8, Kikuyu.
22. Gimco Limited - Gimco Centre Upper Hill, Kiambere Road.
23. Greenspan Housing - Donholm Phase 5.
24. Halifax Estate Agency Ltd. - Crossway, opposite shummons Gate no. 8,Westlands.
25. HassConsult - 1st floor, ABC Place, Waiyaki Way.

26. Hewton Limited - WaiyakiWay.
27. Homes and lifestyles - 7th Floor Commonwealth Building,Moi Avenue.
28. Jacent Properties Limited- Embassy House,Harambee Avenue.
29. Jimly Properties Ltd - Contrust House, 4th Floor, Moi Avenue.
30. Jogoo Road Properties–Jogoo Road close to city stadium.
31. Josekinyaga Enterprises Ltd- Oldukunyi House, Kitengela.
32. Josmarg Agencies - Shankaedass House, New wing, 3rd Floor, Moi Avenue.
33. Karengata Property Managers-Karen Riding School, No.47, Murula Lane, Karen.
34. Kenya Prime Properties Ltd - **S**hukrani House, 1st Floor, Room B2,Outering Road Next to JKIA Airport.
35. Kenya Property Point - Rehani House Kenyatta Avenue / Koinange Street.
36. Kiragu& Mwangi Limited-Bandari Plaza, 2nd Floor, Woodvale Grove, Westlands.
37. Kitengela Properties Limited–Kitengela, oldukunyi house, Near KCB Bank.
38. Knight Frank Limited - Lion Place Ground Floor,WaiyakiWay, Westlands.
39. KusyombunguoLukenya - China Centre, 2nd floor, Ngong Road.
40. Langata Link Ltd - Langata Link Complex, Langata South Road.
41. Lloyd Masika Limited- Norfolk Towers, Kijabe Street.
42. MamukaValuers (M) Ltd - Ruprani House, 1st Floor, MoktahDaddah Street.
43. Mark Properties Ltd. - Othaya Road, Off Gitanga Road, Lavington.
44. Market Power Limited - Eden Square, Ground Floor, Chiromo Road.
45. Mentor Group Ltd- New Rehema House, 6th Floor; Rhapta Road, Westlands.
46. Metrocosmo Ltd- Hughes Building, 7th floor, Kenyatta Avenue.
47. Monako Investment Ltd -Divyim Apartments, End of Cedar Road, Off Lantana Road.
48. Muigai Commercial Agencies Ltd. - 7th floor Posta Sacco Plaza, Junction Uhuru Highway.
49. MySpace Properties (K) Ltd. - Mombasa Trade Center, 5th Floor.
50. N W Realite Ltd - Jumuia Place 11,1st floor, Lenana road.
51. Nairobi Real Estates - Norwich Union, 6th Floor.
52. Neptune Shelters Ltd - Mpaka Plaza, Mpaka Road, Westlands.
53. Oloip Properties- OngataRongai off Magadi Road, Macjo Arcade.
54. Palace Projects Limited – At 22 Milimani Flats, Milimani Road.

55. Property zote.com - House 354, Diamond Park, Mombasa Rd Estate, Nairobi.
56. Raju Estate Agency Limited (REAL) - 5th Floor, Twiga Towers Murang'a Road.
57. Tysons Limited - Jubilee Insurance House, Wabera Street.
58. Urban Properties Consultants & Developers Ltd - Kimathi house, Kimathi Street 2nd floor Nairobi Kenya.
59. Dayton Valuers – Corner House, Kimathi Street, City Centre.
60. Regent Management Ltd - Regent Hse, Upper Hill Rd, Next To Citibank, Nairobi.
61. Kenya Valuers and Estate Agents - third floor of Museum Hill Centre and the other at the Village Market Shopping Mall.
62. Ryden International - The Green House (4th Floor, Suite 14), Ngong Road.
63. Pavida property Consultant - Transnational Plaza 3rd Floor Suite 331 City Hall Way.
64. NjehiaMuoka Rashid Co. ltd – Hughes Building, Kenyatta Avenue.
65. Suraya - Shanzu Link off Lower Kabete Road.
66. Barloworld Logistics (Kenya) Ltd.
67. Nairobi Homes – Rehema house, Westlands.
68. Betterdayz Estates – Cianda House, Koinange Street.
69. Oldman Properties Ltd - Kitengela Next to Family bank.
70. Property Investment Network - Kifaru House.
71. Merlik Agencies - Ruiru, Kenya.
72. Real Management Services – Twiga Towers, 5th Flr Murang'a Road
73. Legend Management Ltd - NHIF Building, 3rd Floor.
74. FAPCL Valuers Ltd – Arbor House, Arboretum Drive
75. Langata Link Estate Agents - Karen, Langata South road Off Ushirika road, opposite Kenya School of Law.
76. Economic Housing Group - Conomic Housing Group Ltd Off Lusaka Road Next to CMC Motors.
77. FriYads Real Estate – Hughes Building, 3rd floor

SOURCE: INSTITUTE OF SURVEYORS OF KENYA (2015)

APPENDIX IV: MAP OF NAIROBI COUNTY