INFLUENCE OF SERVICE DIVERSIFICATION STRATEGY ON GROWTH OF REGISTERED HOTELS IN KITUI TOWN

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A Research Project Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (Strategic Management Option) of South Eastern Kenya University

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DECLARATION

I understand that plagiarism is an offence and I, therefore, declare that this project is my original work and has not been presented to any other institution for any other award.

Signature.................................   **Date.......................................**

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This research project has been submitted for examination with my approval as the University supervisor.

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ABBREVIATIONS AND ACRONYMS

ANOVA	:	Analysis of Variance
BITS	:	Business Information Tracking Series
CARs	:	Cumulative Abnormal Returns
GDP	:	Gross Domestic Product
ID	:	International Diversification
KAHC	:	Kenya Association of Hotelkeepers and Caterers
MPT	:	Modern Portfolio Theory
NACOSTI	:	National Council of Science, Technology and Innovation
NSE	:	Nairobi Securities Exchange
ROA	:	Return on Assets
RPD	:	Related Product Diversification
SEKU	:	South Eastern Kenya University
SPSS	:	Statistical Package For Social Science
UK	:	United Kingdom
UPD	:	Unrelated Product Diversification
US	:	United States
VRIN	:	Valuable Rare Imitable Non-substitutable

DEFINITION OF TERMS

Concentric diversification: It is the addition of comparative items or services to the current business.

Diversification: It is a technique that reduces risk by allocating investments across various financial instruments, industries, and other categories.

Geographical diversification: It is the act of differentiating a speculation portfolio across various geographic districts to diminish the general danger and further develop returns.

Growth: This is the extension of the size of a firm after some time.

Hotel: A financially run foundation giving housing and as a rule dinners to visitors, and regularly contains a public bar.

Strategic fit: The degree to which an organization is matching its resources and capabilities with the opportunities in the external environment.

ABSTRACT

The purpose of this study is to examine the influence of service diversification strategy on growth of the registered hotels in Kitui Town Kenya. The research was guided by the following objectives; to examine the influence of concentric diversification on the growth of registered hotels in Kitui Town; to establish the influence of conglomerate diversification on the growth of registered hotels in Kitui Town, to determine the influence of horizontal diversification on the growth of registered hotels in Kitui Town and to establish the influence of geographical diversification on the growth of registered hotels in Kitui Town. The study was guided by the following theories: Porter's five forces Theory, Portfolio Diversification Theory and Resource-Based Theory. The study employed a descriptive research design with a target population of 385 employees working in 30 registered hotels in Kitui Town. Data was collected using questionnaires and an interview guide. Descriptive statistics including frequencies, means and standard deviations and inferential statistics like ANOVA were used in data analysis. The output was presented in percentages, tables and figures. The result shows that concentric, conglomerate, horizontal and geographic diversifications are significantly correlated with growth of Hotels. The study concluded that concentric, conglomerate, horizontal and geographical diversification positively affects organizational growth. The study recommends more research be done to evaluate how other strategies affect the organizational growth of hotels in Kenya. Further study can also be done on the diversification strategies adopted by the hotels in view of the new norm presented by Covid 19 pandemic.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Study

Globally, diversification has emerged as one of the most common business strategies adopted by companies in the last twenty years. In USA and Europe, the strategy was prevalent in the late 1960s to 1980s by big businesses seeking extension of their territories through acquirements and blends of various businesses. Notwithstanding its global popularity, scholars continue to debate and question its worth as a strategic option among businesses. According to Hitt and Hoskisson (2005), global current trends require firms to disinvest and focus on fundamental productions. Johnson and Scholes (2006) recommend that the current tendency in the direction of thinner expansion have been determined by an increasing inclination to tackle diversification through generating robust economic positions in some business areas compared to sprinkling commercial savings across numerous businesses.

This newest progress ascended mostly since several firms made tactical mistakes such as acquiring new fields- especially where there is no value addition to the performance of the group or their lack of working collaborations as specified by Claudino and Dos (2008). This occurrence subsequently extended to other countries even in developing countries. According to Zhou (2018), investing in various businesses and properties to reduce risk is termed diversification, which is a basic and famous concept for businesses and normal daily life. The diversification strategy offers organizations benefits ranging from a monetary perspective, including cost decrease, asset devaluation and reduction of risk. Strategic benefits comprise the growth of the firm, formation as well as upgrading of permanent strategic possessions.

In the tourism sector, the benefits range from working together, distribution of costs, lessening the risk as well as improvement of the brand. Additionally, permanent sustainability, as well as geographical growth, occurs because of resource diversification. A report by the superintendent of documents, United States (US) shows that the U.S. food makers regularly produce and sell a range of food items. Many have likewise ventured into related discount, transportation, and food administration businesses while keeping away from horticulture and food retailing (IBIS World, 2016). Fruitful enhancement regularly relies upon how promptly representatives 'abilities can be moved to new items. A significant part of the diversification in the food ventures has been

founded on customized item businesses and specialized abilities in commodity processing (Gathiri, 2012).

Organizational growth is the extent to which a business performs within a certain period, Penman (2017). Checking whether the business is progressing gives those who make decisions an opportunity to critic the outcomes of commercial approaches and actions in financial positions. As per Penman 2017, numerous methods exist to examine the performance of a firm in terms of growth at all actions must to be put in consideration. Some of the indicators of organization growth include increase in number of customers, increase in number of workers and capacity expansion. Petersen and Kumar (2015) established monetary markers of organizational growth as deals development, profit from the venture, return on deals and income per share.

1.1.1 Diversification

Diversification allocates investments to numerous monetary tools in the industry besides other sectors hence reducing risks (Liodius, 2018). Its focus is to ensure maximum returns through diverse investments that each would contrarily respond to similar occasions. The different types of diversification include horizontal diversification, that is production of new services that do not refer to the current business (Ticha & Hron, 2017); concentric diversification as well as conglomerate diversification (Zakrzewska, 2015). Geographic diversification occurs when the company moves to a new location from where it was previously located while concentric diversification entails the enlargement or creating review through additional new products with the objective of complete utilization of possible prevailing expertise and promotion arrangements (Kotler, 2015).

Conglomerate diversification is the stirring of new goods /facilities without a technical or marketable relationship with the recent goods, tools, and dissemination networks. This new goods/services may be appealing to fresh collections of clientele (Ticha & Hron, 2017). According to Dixon (2015), Diversification provides various advantages, including reducing the chances of loss if one venture underperforms for some time while other investments perform better for the same period, and limiting the danger of investment losses.
Secondly, diversifying can provide an effective path to fast growth because more products are sold to existing customers or established new markets (Zhou, 2018). While diversification can

help avoid the hazard of putting too many eggs under one basket, it is not without challenge. For instance, if the company seeks to expand in too many directions at once, both old and new sectors of the economy may suffer from a lack of attention (Najib, 2016). In addition, unrelated diversification may require new and very different skills that may not be available.

The general idea of diversification strategy is significant in determining the long-term success of any organization (Arslan, 2018). Developing an effective diversification strategy means that a business finds new and effective ways to add value to its services and goods. Consequently, depending on a firm's success, its value can be defined in different ways. Therefore, it is upon the managers to streamline the diversification strategy of their business or organizations with the strategies of smaller functional areas and also with the firm's overall business strategy (Magunga, 2015).

1.1.2 Service Diversification

Service diversification, which involves methods of reducing business risk through various services and business investments, has become a basic and popular phenomenon in the business world as well as in daily life, (Zhou, 2009). The key drive of service diversification is allowing organizational growth through a strategic rethinking of the business from the normal services to increase the variety that is evident by the firm. Various types of service diversification exist and they include Concentric, Conglomerate, Horizontal and geographical. Concentric diversification is where the organization adds new services, which technologically and commercially can be combined with the existing products and that will be more appealing to the first-hand class of customers (Machel, 2017).

Horizontal diversification is the place where creations of new administrations that don't allude to the current business movement yet are presented to the present client (Ticha and Hron 2007). In the conglomerate or mixed diversification, the association delivers new administrations that do not allude to the current business (Ticha and Hron 2007). Geographical diversification is the expansion of branches and administration outlets across a geological limit, frequently a nation or area. Uchenna et al., (2012) also defines it is the opening of new branches by a firm outside

the head office. Additionally. Goetz et al., (2013) defines geographical diversification as the spread of a company's resources across various topographical points.

1.1.3. Hotel Industry

According to Morgan (2018), America offers a dazzling array of choices. Instead of hotels, there are inns, all-suite hotels, extended stay properties, deluxe hotels, budget motels, business hotels, vacation villas, condominiums, and townhouses in both North America and South America. In Europe, diversification in the hotel industry is characterized by the development of fast food, the creation of fast-standardized chain hotels, and the rise of economic brands in accommodation and air transport (Wilfred, 2014). In Asia, beyond providing diversification in accommodation producers and players in the hospitality industry are now focusing on inventing or acquiring alternative products. This is to enhance the guest experience and offset the challenges posed by sharing economy (Baker, 2017).

Nigerian hotels have in recent times diversified into power generation, gas, and beverages production. The adoption of a diversification strategy by hotels has further widened their market share and is present inseveral industries (Arte and Larimo, 2022). According to Nabulenga (2018) in Kampala Uganda, advertisement is the major strategy that leads to improvement of marketing and organizational performance within hotels like holiday express, Sheraton and hotel Africana in Kampala. Provision of excellent service quality is also recognized as another strategy that expands the market base and increase on hotel's performance.

The Kenyan hotel industry is one of the leading sectors to the country's economy (Gok, 2015). With growing GDP, the hotel industry has also had a huge impact to it. The hotel industry has accounted for more than 72% of the GDP of most developed countries and 52% of the GDP of developing countries (Hill, 2006). Hotel grouping places key contemplation on numerous features affecting the whole principles such as the standard of hygiene, style of storing, grounding and provision of foodstuff and the diet worth (Gok, 2015).

The ordering is prepared in such a way that the more advanced the stars, the better these standards as well as the arrangements and facilities (Baum, 2002). In Kenya, most of the

organizations in the hospitality industry are rated below three stars (Kyule, 2010). Characterization relies upon offices, area, conveniences and the lodging framework. This course of action gives classifications like; 5star,4star, 3star, 2star and 1star, endorsed with a steady instrument on the worth of offices offered (Kingi, Mukulu and Oloko, 2013).

In Kenya, the hotel and hospitality business has developed exponentially since 2001 motivated by factors such as increased tourist attractions and leisure activities (Klopper, 2005). While this growth is encouraging to the industry, it has also posed a threat to the existing hotel businesses. These concerns have seen managers and hotel operators seek efficient ways to keep their businesses afloat through diversification (Wachira, 2021). This study looked at hotels in Kitui Town that are registered under the Kenya Association of Hotelkeepers and Caterers (KAHC) with a view to investigating the role of service diversification strategies in the organization growth of these hotels. Most of the hotels in Kitui town can be termed as below 3star hotels (Kyule, 2015).

1.2 Statement of the Problem

As way of growing the promotion strategies of a firm, diversification seeks to raise productivity through more trade capacity gotten from first-hand products and new marketplaces. As noted by Wan and Hoskisson (2003) as well as Wan (2005), extraordinary levels of diversification help to advance the performance of a firm despite the inadequate development of a nation's institutional environment. Firms have to continually review their strategies to cope with the changing environment and enhance performance and at the same time continue being competitive.

The hotel industry in Kitui Town is very competitive. Consequently, financiers are strategizing and finding advanced methods that are attractive to the marketplace. Major investments viewed in the business have additionally value-added the level of service delivery in Kitui Town, with the main element of business being service diversification. Deprived of good client services, realizing accomplishments within hotel business is a difficult assignment for hoteliers.

Despite having outstanding amenities, customers may avoid the business if diverse services are not provided. Kitui Town has undergone massive transformation through the devolved system

of government, the hotel business has benefited directly. The 2010 constitution established devolved governments led by county governors to bring services closer to the people. Sectors such as the hotel industry have reaped the benefits of counties that are now operational, where many hotels have come up in Kitui Town (Africa.com, 2019). The increased competition in the hospitality industry is one of the factors that have made it very difficult for hotels in Kitui town to grow (Aranga, 2014). Sometimes, these hotels are forced to reduce their profit margin to remain competitive and relevant in the industry, which has resulted in poor organization growth by most hotels.

Preceding research done in Kenya has ignored the role of service diversification of hotels, for example, Maina (2013) concentrated on diversification in microfinance. Institutions Mutua (2018) majored on diversification strategies,environment and growth of food processing companies in Nairobi county Kenya.ondari, E,N, Awino and machuki V.N concentrated on the effect of diversification strategy on performance of companies listed in the Nairobi stock Exchange It is from this observation that the current research sought to find out the influence of service diversification strategies and organization growth in the hotel industry with a focus on registered hotels in Kitui Town Kenya.

1.3 Objectives of the Study
The study was guided by overall general objective and four specific objectives as outlined below;

1.3.1 General Objective of the Study
To establish the influence of service diversification strategy on growth of registered hotels in Kitui town.

1.3.2 Specific Objectives

i) To establish the influence of concentric diversification on registered hotels in Kitui Town

ii) To establish the influence of conglomerate diversification on registered hotels in Kitui Town

iii) To determine the influence of horizontal diversification on growth of registered hotels in Kitui Town.

iv) To establish the influence of geographical diversification on growth of registered hotels in Kitui Town.

1.4 Research Questions

i) What is the influence of concentric diversification on growth of registered hotels in Kitui Town?

ii) What is the influence of conglomerate diversification influence growth of registered hotels in Kitui Town?

iii) What is the influence of horizontal diversification on growth of registered hotels in Kitui Town?

iv) To what extent does geographical diversification affect o growth of registered hotels in Kitui Town?

1.5 Significance of the Study

This study would be significant to various stakeholders including hotel managers, policymakers and academicians as discussed below.

1.5.1 Practice

For hotel owners and managers, the study gives knowledge concerning diversification's effect on performance and they would then obtain guidance from this study concerning the design of guidelines to the hotels that are planning for successful diversification or are already in the process.

1.5.2 Policy Makers

The results from this study are also significant to the policy makers at both county and national levels since it will enable value-added service delivery that ultimately leads to efficiency and viable processes that attract investors in the hotel industry. It will also help the policy makers so recognize the significance of the numerous approaches in their processes of encouraging investments in the hospitality industry.

1.5.3 Academia

Theoretically, this research would be significant since it will enrich the existing literature related to diversification. The study will also bring out contradictions associated with the theories and in the process exemplify the gaps in the theories. Academically also, the study will be relevant because the results generated would be key for enhancing the understanding of the subject of the study and open up new areas for further academic research to the academic fraternity.

1.6 Scope of the Study

This study focused on the influence of diversification strategy interventions on the organization growth of registered hotels in Kitui Town, in Kitui County. Further, the study targeted 385 employees in the 30 hotels in Kitui Town registered with the Ministry of Tourism, Sports and Culture, Kitui. The data collection was actualized using questionnaires and interview guides to collect data from 115 respondents enumerated using Ryan 2013.

1.7 Limitations of the Study

This study collected data from hotel managers who were reluctant in disclosing the required information for fear of competition. To avert this fear, the respondents were informed that the data collected would be used for academic purposes only. The researcher incurred delayed responses and had to follow up on them.

1.8 Assumptions of the Study

This study assumed that the respondents truthfully responded to the questions. The study also assumed that the Kitui Town hotel managers were knowledgeable on diversification opportunities in service delivery. The study assumed that the hotels will continue to operate even after the study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter covers four main parts; the first part is the theoretical review, which looks at different theories to guide the study. The second part is the empirical review on the objectives of the study under concentric diversification, conglomerate diversification, horizontal diversification, geographic diversification and growth of hotels. The third part is the conceptual framework, which explains the relationship among the variables, and the last part gives a summary of the chapter and the research gap. This literature was obtained from books, internet sources as well as the published and unpublished thesis from the library and e-resources.

2.2 Theoretical Framework

Three theories were used to explain the theoretical understanding of the independent variables of this study; Porter's five forces Theory, Portfolio Diversification Theory and Resource-Based Theory, as expounded below.

2.2.1 Porters Five Forces Theory

The Porter five forces approach is an instrument for examining the competition of an enterprise (Porter, 1980). It derives five forces that determine competitive forces. These forces include supplier power, barriers to entry, threat of substitutes, buyer power and the rivalry that result from the previous four (Porter, 1980). Under threat of substitutes, a product utilizes a dissimilar skill in trying to solve the identical commercial prerequisite (Porter, 1980). Under bargaining power of customers, there is the capability that customers will subject the business organization under pressure thereby influencing the thoughtfulness of the customers to the changes in price (Ecorys, 2005). As a result, businesses can come up with methods aimed at reducing the power of the buyer, for instance, executing a loyalty program. Additionally, with many options, the buyers' power also goes up and low with limited alternatives (Dagmar, 2001)

For bargaining power of suppliers, which is also described as "the market of inputs, suppliers of raw materials, components, labor, and services (such as expertise) to the firm can be a source of

power over the firm when there are few substitutes" (Swaan and Waalewejin, 2005). Under competitive rivalry, the intensity of competitive rivalry is the major determinant of the competitiveness of the industry (Rascovich, 2003). In order to market a product with success, it is pertinent to understand the competitors in the industry. Positioning on the other hand implies the public perception of a product as well as how they differentiate it from opponents (Dana, 2004). A business needs to know the promotion strategies of its rivals, pricing and be reactive to any changes made (Polito, 2004).

Consumers become sensitive if a cheaper competitor becomes available (Bowes, 2004). Companies need to rethink strategies to account for the shift such as diversification to reduce and minimize cost (Barbot, 2001). Porter's five forces theory is important in the study of service diversification in hotels because it helps the managers understand the dynamics of competition and rivalry in the business environment. The forces of competition and rivalry in the business environment once analyzed offer different ways of diversification so that hotels in Kitui will be ahead of their competitors and therefore improving their growth. This theory addresses geographical and horizontal diversification.

2.2.2 Modern Portfolio Theory (MPT)

This is a hypothesis of portfolio decision created by Harry Markowitz (1952). The MPT is a complex venture choice methodology that guides in ordering, assessing and controlling both the sort and sum anticipated danger and return. There are various government exercises and undertakings that can be coordinated into portfolios, each with its spending plan predictable with the MPT utilized in the monetary dynamic and resource the board under states of hazard and vulnerability (Khan and Hildreth, 2002). The hypothesis endeavours to boost portfolio expected return for a given degree of portfolio hazard or equally limit hazard for a given degree of anticipated return, via cautiously picking the extents of different resources (Fabozzi, Gupta, and Markowitz, 2002). This suggests that for the enrolled inns in Kitui Town, consolidating distinctive venture choices whose profits are not consummately decidedly associated, MPT looks to lessen the complete difference of the portfolio return while accepting that financial backers are normal and markets are effective.

Numerically, the MPT figures the idea of expansion in contributing determined to choose speculation-having overall lower chances than any individual item. Concerning portfolio enhancements, the MPT helps the enlisted inns in depicting venture choices as far as the intrinsic dangers and anticipated returns, deciding the designation of assets among classes of speculations, accommodating dangers and returns and estimating execution. This theory is important in service diversification in hotels because it helps the managers in making decisions about additional products and services to be introduced based on the risk and return evaluation of the products. It forms the basis of the perfect mix of products to be introduced to give profitability to the organization. This theory addresses concentric and conglomerate diversification.

2.2.3 Resource-Based View Theory (RBV)

Resource-based hypothesis rest with respect to the supposition that organizations attempt conscious administrative endeavors controlled towards accomplishing a reasonable upper hand (McQueen, 2006). Functional economies of extension as managed by related broadening work with a firm to amass an arrangement of organizations that are commonly supported, as basic assets are divided between specialty units (Kor & Mahoney, 2004).

The resource-based approach gives a way of assessing possible influences to those who come up with strategies that when employed can confer a competitive edge (Mintzberg, 2008). An important understanding from this view is that all resources are not equally important, but have the ability to become a foundation of maintainable competitive advantage (Corner, 2009). However, how sustainable competitive advantage is, is determined by the extent of resources imitation or substitution (Dunning & McQueen, 2006). Barney (2010) opines that understanding the underlying association between the bases of benefit and effective approaches can be practically hard. This means that managers need to invest their efforts keenly to identify, understand and classify core capabilities as well as in organizational learning in order to develop, nurture and maintain key resources and competencies. In the resource-based theory, planners choose the approach or viable position that has the ability to take the best advantage of the internal possessions and competences compared to the outside openings.

Since strategic possessions signify a multifaceted system of inter-related resources and competencies, numerous probable competitive positions can be adopted by organizations. Though there are various divergent views on the specific classifications of competitive points utilized, there is a universal settlement that this theory is much more flexible to strategy formulation than Porter's approach. The key managerial tasks are to identify the firm's potential key resources. A strategist should evaluate whether these resources fulfill the *VRIN* criteria: The strategy should be valuable by enabling an organization to execute approaches that advance its efficacy and usefulness.

It should be Rare meaning it should be not readily available to other competitors. It should also be imperfectly imitable that is not easily implemented by others. Finally, it should be Non-substitutable meaning it should not able to be replaced by some other non-rare resource. An organization must develop, nurture and protect resources that pass these evaluations. Hitt & Hoskisson (2015 contends that when seeing the advantages of enhancement from the asset-based point of view, firms with related broadening methodologies can beat those with random expansion procedures. To the degree that the way too prevalent execution from a broadening procedure is dependent upon the capacity to share assets, a firm that is expanded into disconnected organizations is probably not going to have assets that can be valuable for all its specialty units.

This theory is important in the study of service diversification in hotels because it helps the managers in making decisions on the best products and services to diversify based on the resources available. This helps in cutting down costs since the available resources are used to realize additional returns. This theory addresses horizontal and concentric diversification.

2.3 Empirical Review

This section involves the review of other studies that have made by other researchers and contributed to knowledge about diversification .It touches on concentric diversification, conglomerate diversification, horizontal diversification, geographical diversification and organization growth of firms.

2.3.1 Concentric Diversification on Organization Growth

A study conducted by Hitt, Hoskisson and Kim (2011) shows that firms that have diversified into products that use the existing internal resources or capabilities benefits from economies of scale and earn higher returns. The payoff created by diversification may be magnified when multi-national corporations capitalize on economic rents derived from product and market diversity. They also gain from various advantages embodied in foreign activities such as knowledge acquisition, capability development, risk reduction and complementary synergies.

A study in Nigeria by Oyedijo on Nigerian companies in the year (2012) the market procedures for associated, disconnected, and mixed items were lead in accordance with specialty. The findings showed that firms that search for related or irrelevant expansion tactics outflank and become faster than those that try to find both. Using the triangulation insightful approach, which includes connection, distinct relapses, ANOVA, and an independent example test, and Scheffe Ad Hoc test; there is a strong and positive relationship between the formation of associations and the related broadening system. Diversifiers that were related developed associations at a somewhat higher rate than irrelevant and blended diversifiers. A tangential link was discovered between insignificant and blended techniques of broadening and association growth. The data also revealed that related diversity has a positive but non-significant influence on performance and growth, but unrelated diversification has a negative but non-significant impact.

Mugo (2011) conducted a study on the use of unrelated diversification strategy as a response to idle capacity at The Nation Media Group. The study utilized a case study design and targeted 4 managers from Nation Media Group. The findings indicated positive outcomes in terms of organizational performance showing that unrelated diversification works and has clear gains. Maina (2013) established the connection between the expansion of items and services and the organization growth of MFIs that take deposits. The number of inhabitants in the examination included all the 9 MFIs taking deposits in Kenya. The investigation utilized a descriptive examination plan; auxiliary information for a very long time was utilized since the idea of the investigation was quantitative in nature.

The information was investigated utilizing numerous relapse models and the after effects of the examination presumed that there was a positive connection between the expansion of items and administrations and the associated development of store-taking microfinance foundations.

2.3.2 Conglomerate Diversification on Organization Growth

Owies (2012) looked at the relationship between conglomerate diversification and financial performance of firms of USA bank holding companies. The focus of the study analyzed was on how revenue diversification relate with firm profitability. The findings indicated that there existed a negative insignificant relationship between revenue diversification and profitability. The study was conducted through an event methodology by looking at the response of stock markets to mergers and acquisitions.

In general, study findings indicated that the cumulative abnormal returns (CARs) to acquirers and target show that M &A that are non-diversifying and/ or diversifying within closely related credit intermediation activities increase the value of the merged firms. Chen and Yu (2011) examined the relationship between conglomerate diversification and Organization growth in 98 firms listed on the Taiwan Stock Exchange. An exploratory study was used to establish the relationship between the variables. Secondary data was used from 2001 to 2005. A multiple regression model was adopted for data analysis and the results of the analysis showed a positive relationship between conglomerate diversification and organization growth of the listed firms. It was concluded that firms that engaged in unrelated diversification outperformed those that engaged in related diversification.

A study in Zimbabwe by Mashiri and Eukeria(2014) concluded that the conglomerates had successfully used diversification as a long-term competitive strategy and had been able to establish a strong brand name and that it has used a combination of both related and unrelated diversification.

A Kenyan study by Mutua (2018) shows that conglomerate diversification strategies have been adopted by the Food Processing Industry. It was established that the companies developed

products and services related to the existing ones. The companies market their new services that have the technological synergy with the current ones while at the same time introducing new services that are very appealing to the customers. The research also discovered that the diversification strategies influence food-processing industries. Introduction of the new product into the market by the companies enabled companies to expand the geographical reach while increasing the economies of scale.

2.3.3 Horizontal Diversification on Organization Growth

Boz, Yigit & Anil in 2013 tried to build up cooperation between horizontal diversification and firm execution in Belgium and Turkey. They found shifting levels of enhancement affected the organization growth of firms. They identified with the period 2007-2011 with an extent of 114, business bunches in Belgium and 118 businesses bunch in Turkey. The outcomes showed that expanded firms recorded elite contrasted with undiversified firms. Berry-Stolzle, Liebenberg, Ruhland, & Sommer (2012) surveyed differences in the area of business diversification position and extent amongst property-liability insurers in the United States between 1996 and 2006. The findings of this study revealed that how far diversification exists is not determined by risk pooling contemplations- this implies that insurance companies that operate in more risky business lines do not diversify further.

Utilizing a proportion of inconsequential line-of business enhancement, they discovered help for the broadening expectation of the administrative carefulness theory, that common safety net providers ought to be less differentiated than stock back up plans. While common back up plans will in general show more elevated levels of all out expansion, they take part in altogether less random enhancement than do stock safety net providers. Afza, Slahudin and Nazir (2012) directed an investigation in Pakistan fully intent on setting up the connection between flat expansion and association development. The extent of the examination included sixty-five businesses named either broadened or non-enhanced. The reliant variable was estimated as far as Return on Resources and ROE. The discoveries show better execution among non-differentiated firms contrasted with the enhanced firms. Notwithstanding, non-enhanced posted low execution with exceptional yield though differentiated firms had superior with low returns.

Mwangi (2015) in another examination looked to build up what even enhancement meant for monetary execution of recorded assembling firms in Kenya. The number of inhabitants in his investigation comprised the entirety of the 19 assembling firms recorded at NSE. A registration approach was utilized and optional information was utilized for a very long time (2010-2014). The information was assembled from fiscal summaries records. Relapse model was utilized in the examination of information gathered. The discoveries show that corporate expansion had a positive relationship to the monetary exhibition of recorded assembling firms in Kenya. The size of a firm and its development were found to have a negative relationship to the monetary presentation of recorded assembling firms. The relationship examination results was discovered to be feeble yet moderate between corporate broadening and monetary execution of the assembling firm recorded at NSE.

2.3.4 Geographical Diversification on Organization Growth

Chen and Yu (2011) examined the relationship between geographical diversification and financial performance of 98 firms listed on the Taiwan stock Exchange. An exploratory study was used to establish the relationship between the variables. Secondary data was used from 2001 to 2005. A multiple regression model was adopted for data analysis and the results of the analysis showed appositive relationship between geographic diversification and financial performance of the listed firm.

Brammer and Pavelin 2006) researched between geographic diversification and expansion of UK firms. The example size comprised of50 UK firms from business and administrations area. An explorative review was utilized to test the connection between the factors, the aftereffects of the investigation tracked down a positive relationship among geographic diversification and expansion in UK firms.

A study by Jung and Chan-Olmsted (2005) found out a positive relation between related product and international diversification and financial performance among 100 media firms in United States. The study used a longitudinal study. Secondary data for 10 years was used and a multiple regression model was used for analysis. The more related products and international diversification the more the financial performance.

Yang, Cao and Effortlessness (2017) studied the relationship between geographic diversification and hotels property performance. The study looked in to the metropolitan housing market in Beijing, China. Utilizing stochastic wilderness examination with board information, they aligned the productivity scores of 377 metropolitan lodgings in Beijing from 1994 to 2005. They then, at that point examined the effect of geographic diversification on execution as estimated by proficiency score. The study found out the positive relationship between geographic diversification and hotels property performance. Karanja (2013) did a study on the diversification strategic and the performance kenol kobil limited in Kenya. The study was done using a key study design and the object of the key study was Kenol kobil limited. Data was collected from both primary and secondary sources. The findings established that firms adopted related and un-related and multinational diversification strategies. The study also established that geographical diversification has increased the sales net profit and shareholder equity of Kenol Kobil.

2.4 The Conceptual Framework

According to Fawcett (2006), a conceptual framework is an essential construction that comprises of certain theoretical squares, which address the observational, the experiential and the logical parts of an interaction or framework being imagined. The interconnection of these squares finishes the system-anticipated results. In this examination, the applied structure in Figure 2.1 exhibits the linkage of the autonomous factors (concentric, conglomerate, horizontal and geographical diversification) and dependent factor (economic growth of hotels in Kitui town). The theoretical system shows that the free factors straightforwardly influence the organization growth of hotels.

Independent Variables   **Dependent Variable**

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┌─────────────────────────────────┐
│ Concentric Diversification       │
│   o  New services                │────────────┐
│   o  Strategic fit               │            │
│   o  Related services            │            │
└─────────────────────────────────┘            │
                                               │
┌─────────────────────────────────┐            │
│ Conglomerate Diversification     │            │
│   o  New unrelated services      │──────────┐ │
│   o  Additional opportunities    │          │ │      ┌──────────────────────────┐
│   o  Strategic partnerships      │          │ │      │ Hotel growth             │
└─────────────────────────────────┘          └─┼─────▶│                          │
                                               │      │   o  Increase customers  │
┌─────────────────────────────────┐            │      │   o  Number of employees │
│ Horizontal Diversification       │            │      │   o  Capacity expansion  │
│   o  Developing new services     │────────────┤      └──────────────────────────┘
│   o  Additional services         │            │
│   o  Technological relations     │            │
└─────────────────────────────────┘            │
                                               │
┌─────────────────────────────────┐            │
│ Geographical Diversification     │            │
│   o  New location                │────────────┘
│   o  New market segment          │
│   o  Online marketing            │
└─────────────────────────────────┘
```

Figure 2.1: Conceptual Framework (Author, 2022)

Concentric diversification entails the expansion of production review through additional new related products to completely exploit the probable of the present expertise and advertising arrangements. The hotel diversifies to give new products. Baby showers, weddings and travel packages are good illustrations of a new product. A hotel can also offer new related services to utilize the resources of the organization.

Lastly, strategic fit, which includes venturing into goods and services that go hand in hand with the current products like substitutes or complementary goods, is a concentric move (Kotler, 2000). Conglomerate diversification is moving to new products /services that no technological or commercial relationship with the current products, equipment, distribution channels but which may appeal to new groups of customers. The hotel can venture into goods and services that are unrelated to the existing ones. It can also form strategic partnerships with other organizations that major in different industries to produce unrelated goods and services.

Lastly, an organization can venture into an opportunity that may avail itself in the market (Ticha& Hron, 2007). Horizontal diversification is acquiring or developing new products or offering new services that could appeal to the company's current customer groups (Ticha & Hron, 2007). Additional products and services enhance customer experience. The use of wifi and library services could appeal to customers who are regular customers to a hotel. In addition, a hotel that is well known can use its goodwill to develop a new product or service that will be well received by the customer. Lastly, a hotel that has developed a certain technology can take advantage of the established technology and use it further (Ticha & Hron, 2007). Geographic diversification occurs when the company moves to a new location from where it was previously located (Porter,1980).

An organization can move to a completely new geographical location or it can identify a new market segment to deal with. Lastly, an organization can practice online marketing were using media and the internet the organization will reach different people in different locations. Organization growth is a cycle through which the design of a multi agent framework association builds the number of its jobs and connections. It is a quantitative interaction. Hotels want development to flourish, not simply to endure. Organization growth in this way shows progress concerning an association's expressed objectives. A definitive objective of most organizations is benefit, so net benefit, income, and other monetary information are regularly used as "primary concern" signs of development. Other entrepreneurs, in the meantime, may utilize marketing projections, number of representatives, actual extension, or different rules to pass judgment on organization growth (Morrell and Wilkinson, 2004)

2.5 Summary of Literature Review and Research gap

From the above, there is a positive connection between expansion and organization growth of firms locally and globally. Various investigations have upheld this: (Chen and Yu, 2011) and (Daud,

Salamudin and Ahmad, 2009). Nearby examinations by Maina (2012) and Maina (2013) additionally settled that expansion of items and services prompted organization growth in the money area in Kenya. Regarding the above literature, firms expand their organizations to moderate the degree of dangers and lift execution. This is predictable with both worldwide and nearby exact examinations: Daud et al., (2009), Bammer et al., (2006) and Maina (2013).

Subsequently, this examination filled the hole not covered by these past examinations by exploring the job of administration expansion on association development of inns in Kitui town, a friendliness region that most researchers have not majored on... This is important as it adds value to these past studies. From the above review, these studies have not investigated the relationship between service diversification and organization growth of hotels in Kitui County, Kenya. Therefore, this study sought to fill this gap by seeking an answer to find out the influence of service diversification on organization growth of hotels in Kitui town.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides information on the methodology that was adopted by the study. The chapter covers the research design that was used for the study, the target population, sample size and sampling procedures, the instruments of data collection, validity and reliability of data collected, pilot testing, data collection procedures, data processing, analysis and presentation and ethical considerations in the research process.

3.2 Research Design

The study embraced a descriptive survey method. This was favored because it's proficient in gathering an enormous measure of within the short time. This design gathers information from existing population with no particular control over factors that affect the population characteristics of interest in the study (Gupta, 2008). Kothari (2008) contends that the utilization of studies in sociology reality finding gives huge amounts of data, which is precise. Besides, Kothari (2008) expresses that the aim of study research is to assemble information at a specific point on schedule and use it to depict the idea of existing conditions. Since the aim of the study was to evaluate the influence of service diversification on organization growth in hotel industry a descriptive survey design was the most suitable for the study.

3.3 Target Population

Target population as indicated by Ngechu (2004), is a distinct arrangement of individuals, administrations, components, occasions, and gathering of things or families that are being examined in the examination. The examination populace ought to be homogeneous and more agent since everybody has an equivalent opportunity to be remembered for the last example that is drawn, (Ryan, 2013). This study targeted all the employees in the 30 hotels in Kitui Town registered with the Ministry of Tourism, Sports and Culture, Kitui (Appendix IV). The total target population is 385 employees.

Table 3.1 Job titles for the respondents

Category	Job title	Target population
Management staff	Manager, Assistant manager	54
Middle staff	Front Desk ,Food and Beverage Manager	98
Lower cadre staff	Waiter, Chefs	233
Total		**385**

3.4 Sample Size and Sampling Procedures

According to Singh (2007), a sampling frame is a collection of entities from which sampling units are chosen for research observation. A sample is a small portion of a given population whose characteristics are used to derive estimations about the entire population (Kothari, 2008). Ryan (2013) recommends that a representative sample of 10-30% is good enough if the elements in the sample are more than 30. Stratified sampling was used to obtain the required sample for the study to ensure representation from the various categories. From the target population of 385 hotel employees, a sample of 30% was obtained to give 115 respondents as presented in table 3.2.

Table 3.2: Sample size

Category	Target population	Sample Size
Management staff	54	16
Middle staff	98	29
Lower cadre staff	233	70
Total	**385**	**115**

3.5 Instrument of Data Collection

The study employed a survey and an interview schedule in gathering the required information whereas semi-structured questionnaires were best appropriate for this study. The closed-ended inquiries were utilized for simple coding and investigation while the open-ended inquiries were utilized to inspire more data from respondents to address the purpose of the study. The semi-structured questionnaire was administered to middle and lower cadre staff as the respondents sampled for the study. Questionnaires allow study participants to be free in expressing personal views and opinions besides making recommendations. They also make it impossible to identify

respondents with names, hence helping give more frank responses than is probable in interviews (Phellas, 2011). An interview was then used to collect data from the management staff. Interviews help collect more information, which could probably not be possible use of questionnaires (Codo, 2008).

3.6 Pilot Testing

A pilot trial of the survey and meeting plan was completed on a little example in certain hotels before the polls were managed to the chosen test. Ryan (2013), state that the pre-test is between 1-10% of the objective populace. The pilot testing for this work involved five hotels chosen from Machakos Town, Machakos County that borders Kitui County. Semi-structured questionnaire was employed during pretesting survey. As indicated by Kothari (2008), the essence of conducting a pilot test is to establish the shortcomings in the plan and instrumentation and to give elective information to the determination of a likelihood test.

Ryan (2013) state that the reason for pre-testing an apparatus is to guarantee that things in the device bear similar significance to all respondents and to evaluate the normal time that is needed to direct the instrument. Questions and instruments in questionnaire and interview guide that were found to be ambiguous or unclear were corrected after piloting.

3.6.1 Validity of Research Instrument

Ryan (2013), allude to the validity of the examination as how many outcomes got from the investigation of the information precisely addresses the wonder under examination. The validity of the examination instrument depends on the sufficiency with which the things in an instrument measure the factors of the investigation (Nunnally, 2000). To guarantee the validity, the potential pointers that can be utilized to gauge the factors were recognized and agent tests of the area of markers were chosen, then, at that point, surveys were detailed to gather the necessary information. The validity of the instruments was ensured by conducting a pilot study to determine the aspects of content validity.

The pilot test included Sun Glam, Chaka hotel, Chariots hotel, Lysak hotel and   PH lodge and these hotels have similar characteristics to those of hotels in the study locale. Further, face validity was

determined by subjecting the questionnaires to experts from the School of Business SEKU. The input of the experts and pilot study findings helped in identifying any vague, ambiguous or confusing items in the instruments.

3.6.2 Reliability of Research Instrument

Reliability is a proportion of how much an examination instrument yields reliable outcomes or information after rehashed preliminaries, (Ryan, 2013). With the end goal of this examination, test-retest technique was utilized to decide dependability of the exploration instrument. The study made sure that it sampled respondents with similar characteristics to those who were sampled during the actual study. Unwavering quality of the instrument was tried utilizing Cronbach's alpha coefficient. The respective alpha coefficient obtained was .76 and was regarded as highly reliable to warrant data collection from the field. This reliability measure was therefore in line with Ryan (2013) conviction that a measure of internal consistency that ranges between 0.5 and 1.0 is to be regarded and treated as reliable.

3.7 Data Collection Procedures

The researcher gained approval from the South Eastern Kenya University (SEKU), the questionnaires were administered on the sampled hotel staffs. This was done with the aid of two research assistants who also ensured correct interpretation of questions asked. The help of two research assistants ensured higher percentage of return rate during administration of data collection instrument. Drop and pick method was also used where the questionnaire was self-administered on respondents to allow them enough time of up to 48 hours to answer the questionnaire before collection. The researcher booked appointments with the management staff to agree on the appropriate time to conduct the interviews.

3.8 Data Analysis and Presentation

The questionnaires containing information were checked for completeness and consistency before any handling and investigation could be done. The information from complete questionnaires was coded and entered into SPSS version 23 for windows. The data was analyzed according to the study objectives and presented as frequencies, mean, and standard deviation. Analysis of variance and regression analysis were used to dissect gathered information. Descriptive statistics was used to

show the general characteristics of the findings from the study populations. This is because there are simple to understand and appropriate in summarizing the opinions of the sample population as at enables the aggregation of raw data in numerical terms (Nunnally, 2000).

Inferential statistics on the other hand was used to determine the relationship between the variables in the study. Inferential statistical analysis was undertaken to enhance further insights of the data. The qualitative data collected from the interviews was analyzed together with quantities data from questionnaires. The analyzed data was presented using bar graphs, pie diagrams and tables, which were produced using SPSS.

The study regression model used in summing up the data.

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

Where; Y-Growth of hotels

X_1- Concentric Diversification

X_2 – Conglomerate Diversification

X_3–Horizontal Diversification

X_4 – Geographical Diversification

α - Constant

β_1- β_4 -coefficients of independent variable

3.9 Ethical Consideration

Mugenda (2013), state that ethical considerations are fundamental for any examination. Throughout this study, ethical research practices were observed. The researcher got a letter of data collection from south eastern Kenya University. The purpose of the study was clearly explained to the respondents where participation was made voluntarily and the research sought informed consent from the respondents to participate in the study. Finally, the research ensured anonymity and confidentiality of the respondents who participated in the study and the data opted.

CHAPTER FOUR

4.0 RESULTS

4.1 Introduction

The findings of the investigation are presented in this chapter through various sections starting with the percentage of response, demographic features of those that responded, and descriptive and regression analysis as per the objectives of the research.

4.2 Response Rate

Out of the 29 questionnaires issued to middle-level staff, 22 of them were duly completed and returned thus representing a response rate of 75.9%. Similarly, of the 70 questionnaires issued to lower cadre staff, 62 of them were duly filled and returned representing a response rate of 88.6%. Finally, of the 16 interviews scheduled for the management staff, 11 were successfully conducted representing a response rate of 68.8%. Generally, out of the 115 sampled respondents, 95 respondents were responsive representing a combined return rate of 82.6%. According to Mugenda and Mugenda (2013), a response rate of 50% is adequate for analysis, and reporting, a response rate of 60% is good, and a response rate of 70% and over is very good. Table 4.1 shows a summary of response rates for each of the three sub-categories of respondents.

Table 4.1: Response Rate

Category	Number Issued	Number Returned	Response rate (percent)
Management Staff	16	11	68.8
Middle Level Staff	29	22	75.8
Lower Cadre Staff	70	62	88.6
Total	**115**	**95**	**82.6**

4.3 Demographic Characteristics of the Respondents

The demographic characteristics that were of interest to the study included educational level and position held in the hotels by the respondents. Analysis of these characteristics is as shown in the following sections.

4.3.1 Respondents' Educational Level

The education level distribution of the respondents was as shown in Table 4.2.

Table 4.2: Educational Level of Respondents

Educational Level	Frequency	Percent
Secondary	38	40
Certificate	16	16.8
Diploma	28	29.5
Bachelor's Degree and Above	13	13.7
Total (N)	**95**	**100.0**

Table 4.2 shows that 40 percent of the respondents had secondary education as their highest educational qualifications, 29.5% had a diploma, 16.8% had a certificate while 13.7% had a bachelor's degree and above. From the findings, it is reasonable to deduce that most respondents were knowledgeable enough to respond to the questionnaire. Lower cadre staff mainly held the secondary school qualifications while management staff held graduate qualifications.

4.3.2 Position Held by Respondents

The study also sought to find out the position held by the respondents in the hotels as analyzed in table 4.3.

Table 4.3: Position of Respondents

Category	Frequency	Percentage
Management Staff	11	11.6
Middle Staff	22	23.2
Lower Cadre Staff	62	65.2
Total	**95**	**100**

It is instructive to note from Table 4.3 that majority (65.2%) of the respondents were from lower cadre staff, 23.2% were from middle staff while 11.6% were from the management staff. This

shows that respondents were distributed among various cadres and were therefore were able to give the various organization wide perspectives concerning diversification of services in the hotels.

4.4 Concentric Diversification and Growth of registered hotels

The first objective of this study sought to establish the influence of concentric diversification on growth of registered hotels in Kitui Town. From the responses, majority of the respondents (94%) indicated additional of related products and services affect growth of hotels while 6% did not support the statement. Majority of the respondents indicated that they had introduced travel packages, hosting of conference meeting, accommodation, hosting of events like weddings and baby showers.

A majority of the respondents also indicated that had adopted goods that go hand in hand with the current goods like substitutes and complementary goods in reference to the foods they initially offered. On the question of whether the hotels had introduced any new related products, services or strategic fit, all the respondents indicated that hotels had introduced new related products. The respondents also revealed that the introduction of related products led to increased employees (65.6%), reduced employees (10.9%) and 23.5% indicated no change on number of employees.

Figure 4.1: Influence of Concentric Diversification on Number of Employees

Further, concentric diversification influenced the number of customers as indicated by respondents where 74.8% said the customers increased, 6.3% said the customers reduced while 18.9% indicated there was no change on customers as shown in figure 4.2
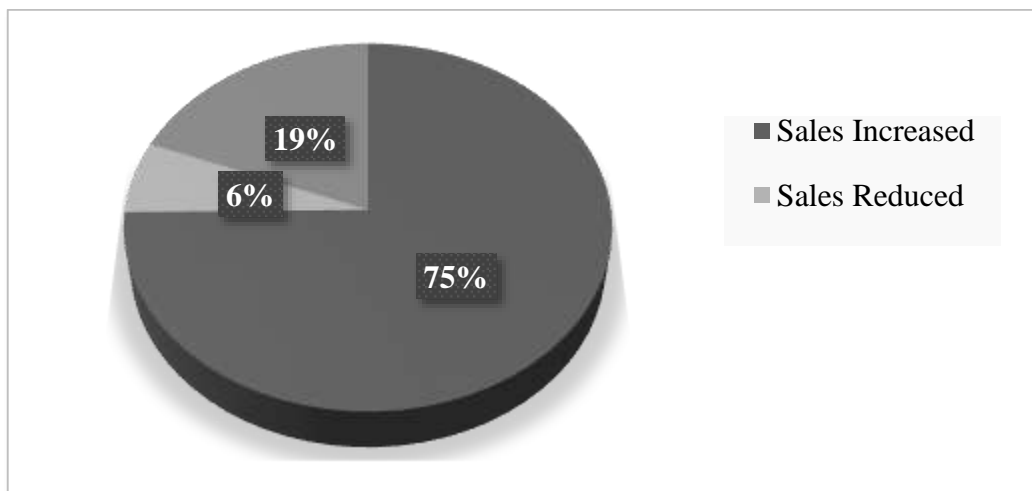
Figure 4.2: Influence of Concentric Diversification on Number of customers

The respondents were provided with statements representing various parameters of concentric diversification. The responses categories on concentric diversification were further classified into five points showing various levels of agreement namely: 1= strongly disagree; 2= disagree; 3 = not

sure; 4 = agree; 5 = strongly agree. Based on this response scale, the indices of the mean and standard deviation were determined for each statement and were consequently used to report the findings as shown in Table 4.4.

Table 4.4: Influence of Concentric Diversification on Growth of registered hotels

Statement	N	Min	Max	Mean	Std. Dev
Introducing new products which are related to current products and are appealing to customers leads to growth of hotels	80	1	5	3.83	1.041
Introducing new services have led to benefit from economies of scope	77	3	5	4.36	.667
Introducing new products and services have enabled to reach the unique needs of customers	81	3	5	4.02	.758
Diversification has enhanced leverage on competition	84	1	5	3.73	1.226
Addition of related products and services have introduced change in terms of customer needs	84	1	5	3.35	1.156
The firms' customer base has increased as a result of the new products it offers	84	1	5	4.20	.915

Table 4.4 shows that majority of the respondents agreed the introduction of new products related to current products leads to the growth of hotels (mean=3.83, SD=1.04). Also, introducing new services has led to benefits from economies of scope (mean=4.36, SD=0.67) and introducing new products and services has enabled to reach the unique needs of customers (mean=4.02, SD=0.76). Further from the results, diversification has enhanced leverage on competition as supported by a mean =3.73 and the firm's customer base has increased as a result of the new products it offers (mean=4.20, SD=0.92).

However, some respondents were not sure on whether additional of related products and services had introduced a change in terms of customer needs (mean=3.35, SD=1.16). In addition, the responses from the top management depicted that all respondents agreed generally that the addition

of related products influences the growth of the hotels through increased employees and an increase in the market share.

It was further revealed from the interviews with the top management that the customer base was seen to increase as a result of the new products the hotels offered and new products also were found to attract new customers.

4.5 Conglomerate Diversification and Growth of Registered Hotels

The second specific objective of this research was to ascertain the influence of conglomerate diversification on growth of registered hotels in Kitui Town. From the responses, majority of the respondents (98%) indicated that addition of unrelated products and services affect growth of hotels while 2% said it did not affect. Most of the respondents indicated creating partnerships with the health industry that led to the offering of fitness and health programs.

Most hotels had constructed gyms. Others indicated creating partnerships the tourism industry a move which increased their customer base. Further, 90% of the respondents indicated that the hotels had ever introduced new unrelated products, services or strategic fit while 10% recorded they had not as indicated in figure 4.3.
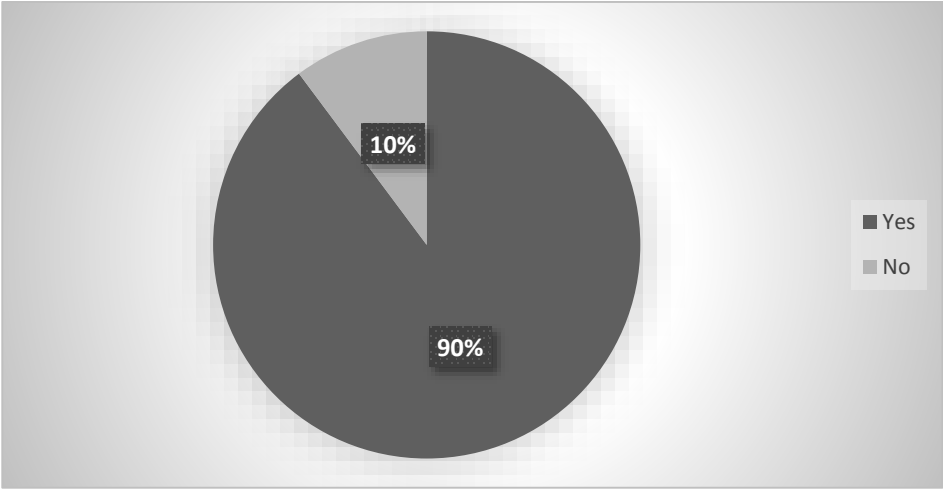
Figure 4.3: Hotels Introduced New Unrelated Products or Services

The respondents also revealed that the introduction of unrelated products led to increased employees (89.5%), reduced employees (1.8%) and 8.7% indicated no change on the number of employees as indicated in figure 4.4.
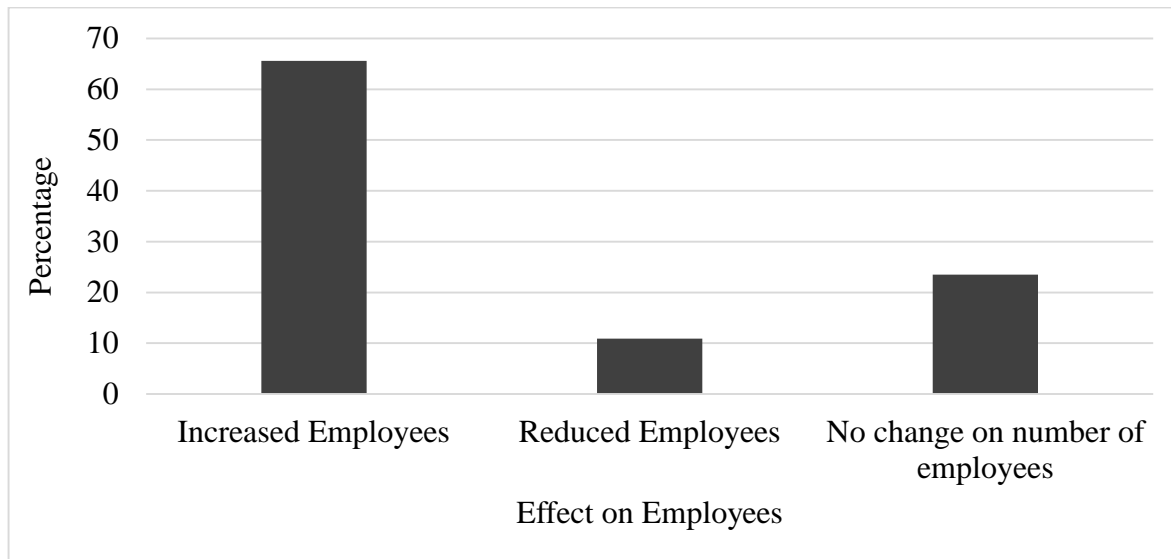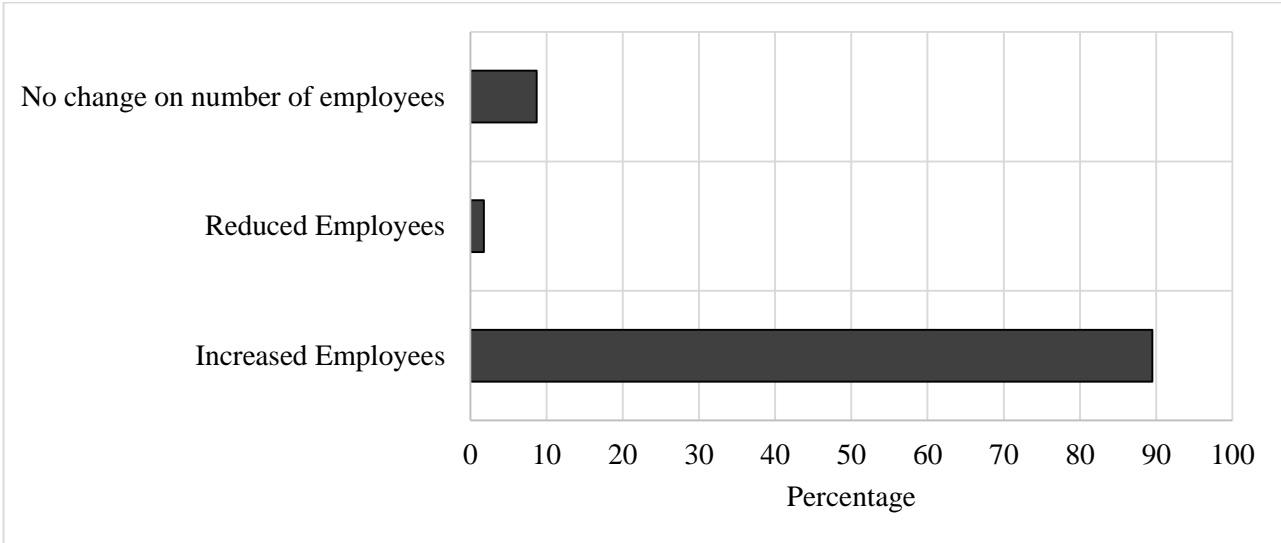
Figure 4.4: Influence of Conglomerate Diversification on Number of Employees

Further, the conglomerate diversification influenced customers as indicated by respondents where 88.3% said the number of customers increased, 2.9% said the customers reduced while 8.8% indicated there was no change in customers as shown in Figure 4.5.
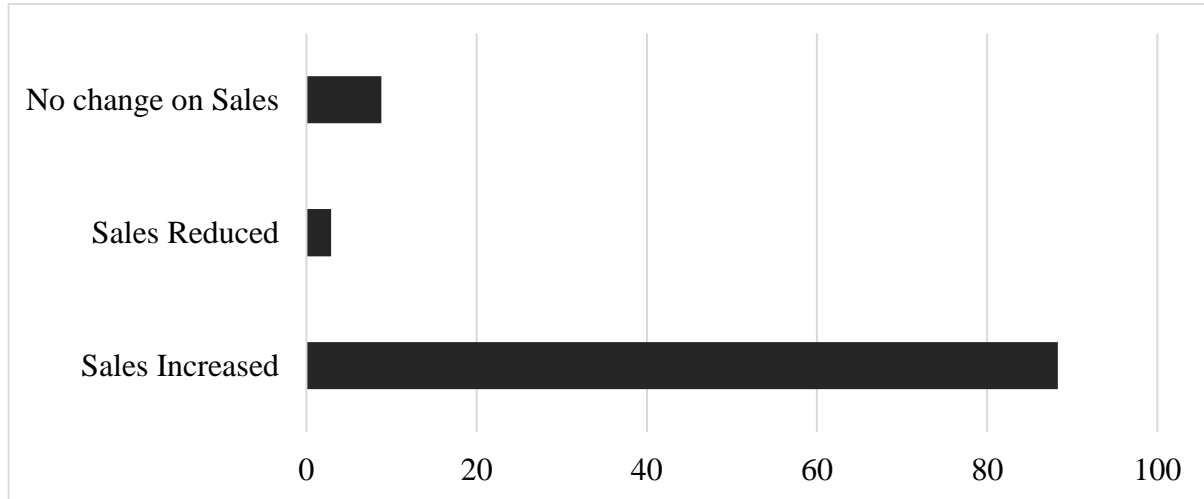

Figure 4.5: Influence of Conglomerate Diversification on Number of customers

The study further sought to establish the extent to which the following statements on influence of conglomerate diversification affected the organizational growth of hotels. Table 4.5 presents the results.

Table 4.5: Influence of Conglomerate Diversification on Growth of registered hotels

Statement	N	Min	Max	Mean	Std.Dev
Introduction of new unrelated products and services contributes to hotel growth	81	2	5	4.44	.632
Organization has grown through additional opportunities	75	1	5	3.41	.871
Strategic partnerships contributes to hotel growth	84	2	5	3.94	1.045
Targeting a new segment of customers have improved organization growth	84	2	5	3.73	1.090
Catering only for existing loyal customers hinders organization growth	84	2	5	3.62	1.108
Hotels that engage in unrelated diversification outperforms those that do not	84	2	5	3.45	1.124

Statement	N	Min	Max	Mean	Std.Dev
Introduction of new services that are technologically or commercially unrelated to current products increases profitability	84	2	5	3.68	1.077
Diversification of products enhances profitability	84	2	5	3.42	1.089

Table 4.5 shows that most respondents agreed that introduction of new unrelated products and services contributes to hotel growth (mean=4.44, SD=0.632). Further from the findings, strategic partnerships contributes to hotel growth (mean=3.94, SD=1.045), targeting a new segment of customers have improved organization growth (mean=3.73, SD=1.090 and that catering only for existing loyal customers hinders organization growth (mean=3.62, SD=1.108). Further, most respondents agreed that introduction of new services that are technologically or commercially unrelated to current products increases profitability (mean=3.68, SD=1.077).

However, some respondents neither agreed nor disagreed that the organization has grown through additional opportunities (mean=3.41, SD=0.871), hotels that engage in unrelated diversification outperforms those that do not (mean=3.45, SD=1.124) and that diversification of products enhances profitability (mean=3.42, SD=1.089). From the interviews with the top management, the hotels were found to appeal to new group of customers each time it introduced new products. Unanimously, the top managers indicated that hotels achieved better performance because of the new unrelated products it offered. In unison, all study participants indicated that conglomerate diversification affects growth of the hotels.

4.6 Horizontal Diversification and Growth of registered hotels

The third aim of this research sought to evaluate the influence of horizontal diversification on growth of registered hotels in Kitui Town. The respondents were required to indicate whether new additional products and services affected growth of hotels where 89.6% indicated that new additional products and services affected growth of hotels and 10.4% said that new additional products and services did not affect growth of hotels.

The respondents agreed that the use of WiFi and library services appealed to customers who were regular customers to the hotels. In addition a hotel that was known for its goodwill to develop a new product or service increased its customer base. Various statements in this view were put forth to the respondents in which case they were required to state their levels of agreement on a five-point scale in which 1 represented strongly disagree, 2 disagree, 3 not sure, 4 agree and 5 strongly agree. Responses from the respondents were analyzed and presented in Table 4.6.

Table 4.6: Influence of Horizontal Diversification on Growth of registered hotels

Statement	N	Min	Max	Mean	Std. Dev.
Development of new products influences the growth of hotels	82	1	5	4.43	.703
Use of modern technology improves the performance of the hotels	82	1	5	4.39	.733
Adoption of new information, communication technologies has enhanced expansion of the organization.	81	2	5	4.33	.671
There is increased service quality due to the increased customer base that brings in demand for better services	82	2	5	4.39	.643
Horizontal diversification helps maintain competitiveness and profitability	84	2	5	4.40	.696
Diversification improves productivity of a firm	84	2	5	4.27	.855
Diversification increases market share of a firm	84	2	5	4.15	.912

Table 4.6 indicates that most study participants agreed that improvement of new products influences the growth of hotels (mean=4.43, SD=0.703) and the use of modern technology improves the performance of the hotels (mean=4.39, SD=0.733). It was also revealed that most participants in the study agreed to the statements that adoption of new information, communication technologies has enhanced expansion of the organization (mean=4.33, SD=0.671) and that there was improved consumer satisfaction because of the larger consumer base in demand for better services (mean=4.39, SD=0.643).

Consequently, the middle and lower level cadre agreed that horizontal diversification helps maintain competitiveness and profitability (mean=4.40, SD=0.696); horizontal diversification improves productivity of a firm (mean=4.27, SD=0.855) and horizontal diversification increases market share of a firm (mean=4.15, SD=0.912). From the interviews, the study found that new additional products and services improve organizational growth as indicated by all the top managers of the sampled hotels. In unison, all study participants indicated that horizontal diversification affects growth of the hotels.

4.7 Geographical Diversification and Growth of registered hotels

The fourth research objective in this research evaluated how geographical diversification influences of growth of hotels in Kitui Town. In unison, all study participants indicated that geographical diversification affects growth of the hotels. Most respondents indicated that they had opened new branches in new location, had addressed new market segments as well as introduced online marketing. In this regard also, various statements touching on geographical diversification indicators were put forth to the middle and lower cadre staff for which their levels of agreement were sought. Analysis of the findings in view of their responses was presented in Table 4.7

Table 4.7: Influence of Geographical Diversification on Growth of registered hotels

Statement	N	Min	Max	Mean	Std. Deviation
New branches formed results into an the expansion number of customers	80	2.00	5.00	4.0250	.99333
New branches formed leads to an increase in customers	80	2.00	5.00	4.2875	.84485
Marketing of new services which have technological or commercial synergies with current products attracts more customer	83	2.00	5.00	4.4096	.76567
Geographical diversification enhances growth of hotels	83	2.00	5.00	4.2289	.88793
The firm frequently ventures into marketing of its products in new geographical areas	83	2.00	5.00	3.9398	1.06324
The firm has expanded its operations to different regions through branches or subsidiaries	83	2.00	5.00	4.3133	.86852

	N	Min	Max	Mean	Std. Deviation
To what extent would you agree that it is important for your firm to establish branches or subsidiaries in different regions	83	2.00	5.00	4.2169	.85609

Table 4.7 shows that respondents agreed that new branches resulted into expansion of number of customers (mean=4.03, SD=0.99). Most of the respondents also agreed that new branches formed led to an increase in customers (mean=4.29, SD=0.84). They also agreed that marketing of new services which have technological or commercial synergies with current products attracts more customer (mean=4.41, SD=0.77) and that geographical diversification enhances organization growth (mean=4.23, SD=0.89). It was also agreed that the firm frequently ventures into marketing of its products in new geographical areas (mean=3.94, SD=1.06).

The firm has expanded its operations to different regions through branches or subsidiaries (mean=4.31, SD=0.87) and that they would agree that it is important for the firm to establish branches or subsidiaries in different regions (mean=4.23, SD=0.86). The data from the top management also revealed that opening of new branches in other regions helped in organizational growth of the hotels. The respondents from the interviews also unanimously revealed that hotels that frequently ventured into marketing of their products in new geographical areas and expanded operations to different regions through branches or subsidiaries experienced organizational growth in terms of increased employees and more sales.

4.8 Growth of Registered Hotels

Concerning the influence of the independent variables on, the level of Growth of registered hotels of the respondents was summarized in table 4.8.

Table 4.8: Influence of Independent Variables on Organizational Growth

		N	Min	Max	Mean	Std. Deviation
1.	Concentric Diversification	80	2.00	5.00	4.09	.96
2.	Conglomerate Diversification	80	2.00	5.00	4.18	.90
3.	Horizontal Diversification	83	2.00	5.00	4.39	.76
4.	Geographical Diversification	83	2.00	5.00	4.20	.93

Table 4.8 indicates that horizontal diversification, geographical diversification, conglomerate diversification and concentric diversification led to the growth of hotels through capacity building, increase of number of customers and increase in number of employees. The table reveals an agreement by study participants that the independent variables influenced organization growth from horizontal diversification (mean=4.39, SD=0.76), geographical diversification (mean=4.20, SD=0.93), conglomerate diversification (mean=4.18, SD=0.90) and concentric diversification (mean=4.09, SD=0.96).

4.9 Inferential Statistics

According to Sekaran (2003), if a study intends to analyze data beyond means and standard deviations, such as examining the relationship between variables, then inferential statistics is appropriate. This section covers multi-collinearity test, normality test and analysis of variance.

4.9.1 Multi Collineality Test

A multicollinearity test was done to decide the practicality of utilizing every one of the independent factors for additional relapse examination. This is factual where some independent factors in a different relapse model are exceptionally associated. Embrace the test to assist with decreasing the factors that act the same things (Sohel, 2017). At the point when multicollinearity happens, the associated indicators give repetitive data about the reactions (Lauridsen and Mur, 2006). In parametric tests, it is accepted that autonomous factors ought not to be profoundly associated implying that multicollinearity ought not to exist.

Difference Expansion Factor (VIF) was utilized to test for multicollinearity. A VIF worth of 1.0 then shows no relationship while the lower worth the lower level of multicollinearity while a VIF of more than 5 demonstrates presence of multicollinearity. The examination discoveries in table 4.9 uncovered that the no-multicollinearity. The outcomes are a sign of good assessment of variable coefficients, which is a prerequisite for a straight relapse model.

Table 4.9: Multicollinearity Independent Variables

Variable	Tolerance	VIF
Concentric Diversification	.845	1.183
Conglomerate Diversification	.869	1.150
Horizontal Diversification	.941	1.062
Geographical Diversification	.994	1.006

Table 4.9 also indicates the levels of tolerance for the independent variables. In multiple regressions, tolerance is used as an indicator of multicollinearity. Tolerance is estimated by $1-R^2$ where R^2 is calculated by regressing the independent variable of interest onto the remaining independent variables included in the multiple regression analysis. All other things equal, researchers desire higher levels of tolerance, as low levels of tolerance are known to affect adversely the results associated with a multiple regression analysis (Fidel, 2018).

4.9.2 Normality Test

Normality can be characterized as the state of the information dispersion for an individual metric variable and its correspondence to the ordinary circulation, the benchmark for factual strategies, Hair, Dark, Babin and Anderson (2010). Normality is one of three suspicions for multivariate examination. For reasons for making inductions from the examination, a normality test was performed on the example perceptions. This was to build up the example of conveyance of the reliant variable, association development against the free factors and its similitudes to the universe populace.

As indicated by Pallant (2005), an evaluation of the normality of the reliant variable is an essential condition in different straight relapse investigation. In the event that there variable isn't typically dispersed, there would be issues in the resulting measurable investigation until the variable accepts normality (Youngster, 2014). This is on the grounds that relapse expects normality between the factors under investigation (Hair et al., 2010). For a direct relapse, it is expected that the blunder term (residuals) must be typically appropriated.

To check this presumption, an ordinary likelihood plot was plotted and the discoveries addressed in figure 4.5 beneath. The discoveries uncovered that the blunder terms were ordinarily conveyed as demonstrated by the focuses lying on the straight corner-to-corner line. Along these lines, the normality supposition that was not disregarded in this investigation
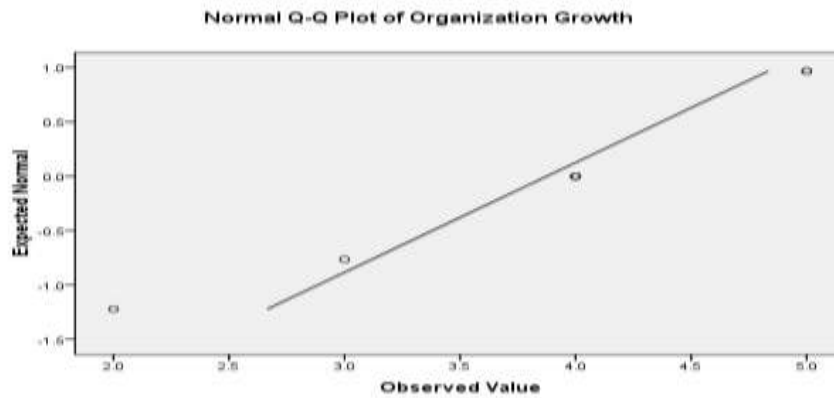
Figure 4.6: Test for Normality on Growth of Hotels

4.9.3 Analysis of Variance

To determine the influence that concentric diversification, conglomerate diversification, horizontal diversification and geographical diversification had on the organizational growth, ANOVA was used and the results presented in the table 4.10.

Table 4.10: Summary of ANOVA

Model		Sum of Squares	df	Mean Square	F	T	Sig.
Concentric Diversification	Regression	7.858	1	7.858	11.000	1.051	.001[a]
	Residual	55.003	77	.714			
	Total	62.861	78				
Conglomerate Diversification	Regression	62.861	2	31.430	.	1.883	.000[b]
	Residual	.000	76	.000			
	Total	62.861	78				
Horizontal Diversification	Regression	62.861	3	20.954	.	3.401	.000[c]
	Residual	.000	75	.000			

Model		Sum of Squares	df	Mean Square	F	T	Sig.
	Total	62.861	78				
Geographical	Regression	62.861	4	15.715	.	2.111	.000[d]
Diversification	Residual	.000	74	.000			
	Total	62.861	78				

a. Predictors: (Constant), Concentric Diversification

b. Predictors: (Constant), Conglomerate Diversification

c. Predictors: (Constant), Horizontal Diversification

d. Predictors: (Constant), Geographical Diversification

e. Dependent Variable: Organization Growth

Further, the analysis of variance (ANOVA) results indicated in Table 4.10 confirm that the model goodness of fit is appropriate for the data on influence of concentric diversification on organization growth since F =11 and the p-value of 0.001 is less than significant level of 0.05 with df =77. Hence, the study concluded that there is a significant influence of concentric diversification on the organizational growth of hotels in Kitui Town. On the influence of conglomerate diversification on organizational growth, the findings indicate a significance influence with F=0 and p-value of 0.000 which is less than the significant level of 0.05 with df =78.

The results presented in the table 4.8 also indicates that horizontal diversification significantly influenced organizational growth with p-value of 0.000, and df =75 which is less than the significance level of 0.05 and an F=0. The geographical diversification also significantly influenced the organization growth of hotels (df=74, p-value=0.000). Table 4.10 shows that concentric diversification statistically had a sign on the organizational growth of hotels taking a t-value of 1.051 meaning that as the hotels continue to adopt concentric diversification in Kitui Town, the organizational growth of hotels further improved.

According to table 4.8, conglomerate diversification in Kitui Town was statistically significant to the growth of hotels with a t-value of 1.883 meaning that as conglomerate diversification in the

hotels increased their growth also increased. The table further reveals that horizontal diversification was also statistically significant to the organizational growth of hotels in Kitui town, having a t-value of 3.401 indicating that as the hotels adopted horizontal diversification, the growth was also increasing. Finally, the adoption of geographical diversification by hotels also led to organizational growth having a significant t-value of 2.111.

The study model,

$$Y=0.125+ 1.051X_1+1.883X_2+3.401X_3+2.111X_4$$

The study model indicates that horizontal diversification is the most significant element amid the variables affecting growth of registered hotels in Kitui town. The implication here is that a rise in a single unit of horizontal diversification strategy will lead to rise in the growth of hotel by 3.401 units. Geographical diversification was the second powerful variable of all the studied factors of organizational growth of hotels at 2.111, indicating that a unit increase in a horizontal diversification strategy increases the growth of hotels by 2.111 units. Further, one unit of conglomerate diversification would increase the growth of hotels by 1.883 units while one unit of concentric diversification would increase the growth of hotels by 1.051 units.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.354[a]	.125	.114	.84518

a. Predictors: (Constant), Concentric Diversification , Conglomerate Diversification , Horizontal Diversification , Geographical Diversification

b. Dependent Variable: Organizational Growth

Table 4.11 shows explained by $R^2 = 0.125$ indicated which implies that 12.5% of the deviations in organizational growth are influenced by (Concentric Diversification , Conglomerate Diversification , Horizontal Diversification , Geographical Diversification), which are the independent variables in the registered hotels in Kitui Town. This implies that extra causes, which were ignored by the current study, contribute about 87.5% on organizational growth of hotels. The analysis in table 4.9 shows that supposing all the variables were held constant, 87.5% of the hotels would have their organizational growth influenced by other influences that this study did not examine.

CHAPTER FIVE

5.0 DISCUSSION

5.1 Introduction

In this section, the findings of the study are explained in relation to the objectives of the study and give the interpretation thereof in view of other research findings based on extant empirical literature.

5.2 Summary of Findings

From the study analysis, all the respondents unanimously agreed that service diversification influences the growth of hotels. Further, the respondents indicated that each of the studied service diversification strategies of concentric diversification, conglomerate diversification, horizontal diversification and geographical diversification influences the growth of hotels.

5.2.1 Demographic Characteristics of the Respondents

The results showed that the majority of the respondents had secondary level education, followed by a diploma, a certificate while a small percentage a bachelor's degree and above. The study also recognized that of the sampled respondents, the majority were from lower cadre staff, followed by middle level and a small number was from management staff. This shows that respondents were distributed among various cadres and were, therefore, able to give various organization-wide perspectives concerning the diversification of services in the hotels.

5.2.2 Concentric Diversification and Growth of Hotels

According to the findings, there is a link between concentric diversification and organizational growth. The hotels' customer base was found to have increased because of the new products they offered which affected their growth positively. Similarly, the hotels' growth was found to be positively affected when they offered new products that attracted new customers. The introduction of new products was also found to significantly improve the growth of registered hotels in Kitui Town. This concurred with Oyedijo (2012) who found that concentric diversification expands the firm's market by attracting new groups of buyers.

Further study by Mugo (2011) found that concentric product diversification leads to the achievement of the superior performance of an organization. His findings also indicated progressive consequences in terms of organizational performance showing that related diversification works and has clear gains. The study is further congruent with findings from Maina (2013) who sought to determine the relationship between diversification of products and services and organization growth of Deposit Taking Microfinance institutions. He found a positive relationship between diversification of products and services and organization growth of deposit taking microfinance institutions. However, the findings disagree with Doaei, Anuar and Ismail (2014) who found out that thereis no significant relationship between concentricdiversification and Organization Growth while investigating manufacturing firms in Bursa, Malaysia. The contradiction could arise based on differences.

The current study focused on service diversification in hotels while the other study was done in manufacturing firms. In general, manufacturing firms produce items in a standardized manner. Goods are manufactured in a factory or warehouse setting. The result is nearly identical from one to the next. Service operations, on the other hand, have more flexibility in terms of customizing the services they give. Hoteliers, for example, must tailor the styling and treatments to the customer's preferences and other features. Even in service operations where clients receive a physical product, workers may not always provide the same level of service. Furthermore, the two industries' product and operations management are not the same.

The Likert scale, the study found out that concentric diversification led to the growth of hotels as well as benefit from the economies of scale. The study found out that introducing new products and services enabled to reach the unique need of customers as well as enhancing the leverage in competition. The study concurred with the porters five theory that explained the dynamics of competition. The study found out that related diversification had a positive impact on the growth of an organization. Further, this study found out that addition of related products and services have introduced change in terms of customer needs as well as increased customer base. in conclusion ,creation of new related services,introduction of strategic fits and addition of new services led to hotel growth ,this growth is indicated by increase in customers, increase in number of employees and hotel capacity expansion.

5.2.3 Conglomerate Diversification and Growth of Hotels

Conglomerate diversification was found to have a significant relationship with organizational growth. The relationship was found to be significant. The hotels' offering of new products that were unrelated to the current products contributed significantly to their organizational growth. Strategic partnerships contribute to hotel growth and targeting a new segment of customers had improved organization growth and that catering only for existing loyal customers hinders organization growth further, growth was seen to be affected when the firm offered new products that were unrelated to current products.

The results concur with those of Ondari, Awino and Machuki (2016) who found that diversification of a conglomerate's economy may allow it to strengthen the economy of diverse markets while also developing competencies that can be shared across markets and products. As a result, the organization's growth improves. The findings also support Chen and Yu (2011)'s study of the association between conglomerate diversification and Organization Growth which found a positive association between conglomerate diversification and Organization Growth of the registered companies in Taiwan. Firms that participated in unrelated diversification outscored others who invested in linked diversification, according to the findings.

In their study on conglomerate diversification as a Corporate Strategy and how it affects firm's performance, Mashiri & Sebele (2014) established the existence of a progressive linear connection between conglomerate diversification strategy and performance in the food and beverages sector in Zimbabwe. This study agrees with the current study. However, the study differs from another study by Owies (2012) who established the existence of a negative unimportant bond between conglomerate diversification and growth of USA bank Holding companies. The study focused on the relationship between revenue diversification and business profitability.

From the Likert scale, the study found out that, conglomerate diversification led to the growth of hotels through additional opportunities and strategic partnership. The study found out that, catering for only loyal customers hinders the growth of hotels. This concurred with the modern portfolio theory that advocated for risk and return evaluation when making decisions. The analyses showed a positive correlation between organization growth and conglomerate diversification.

In conclusion developing new unrelated services, creating new strategic partnership and creating additional opportunities leads to hotel growth the growth is indicated by increase in customers, increase in number of employees and hotel capacity expansion.

5.2.4 Horizontal Diversification and Growth of Hotels

The goal of the current research was to evaluate how horizontal diversification impacts on organizational growth of hotels. From the findings on this objective, it was revealed that horizontal diversification has a significant relationship with the organizational growth of hotels in Kitui Town. The growth of hotels was found to be influenced by the development of new products and the use of modern technology. These new products include children's playgrounds, swimming pools, bouncing castles and bonfire adventures, which tap more resources. The new technology includes automated check-in systems for both customers and employees, the use of new cooking and washing machines and erection of screens in the conference halls and the connection of WIFI which eases the work of the customers who may need to attend conferences online from one pool.

Consequently, horizontal diversification helps maintain the competitiveness and profitability of hotels. These findings are in congruence with Boz, Yigit&Anil (2013) who wanted to examine the collaboration between horizontal diversification and organizational performance. The results of their study indicated that the horizontally diversified firms recorded high performance compared to undiversified firms. In addition, the findings agree with Mwangi (2015) who established that horizontal diversification affected the financial performance of listed manufacturing firms in Kenya.

The current study agrees with Afza, Slahudin and Nazir (2012) who found that non-diversified firms in Pakistan posted low performance with high returns whereas diversified firms had a high performance with low returns. They found a positive relationship between horizontal diversification and organization growth using a scope of 65 firms classified as either diversified or non-diversified. The findings of the current study on horizontal diversification are however cautioned by Berry *et al* (2012), who looked into the status and degree of line-of-business diversification among property-liability insurers in the   United   States. Their findings demonstrated that risk-pooling concerns should drive the extent of horizontal diversification and that enterprises with some more unstable product lines ought not to diversify further.

The likert study findings reveal that adoption of new information and communication technologies has led to capacity expansion of the hotels. Further, the adoption modern technology improves the customer base of the hotels. The study found increased service quality due to increased customer base that bring in demand for better services. This concurred with study in Belgian and Turkey Boz Yigit and Anil (2013) who sought to establish the interaction between horizontal diversification and firm performance. The study also concurred with resource based theory which advocated for cutting down of costs. The study indicated that diversified firms recorded a high performance compared to undiversified firms.in conclusion, developing new services, encouraging technological   relations as well as additional services leads to hotel growth which is shown through increase in number of customers, increase in number of employees and hotel capacity expansion.

5.2.5 Geographical Diversification and Growth of Hotels

In the final objective, a relationship was found to be significant between geographical diversification and organization growth. The more new branches formed the more expansion of a number of customers and new branches formed led to an increase in product sales. The findings agree with Brammer and Pavelin (2006) studied the connection between firm profitability and international expansion in a sample of big UK enterprises and discovered a progressive association between geographical diversification and UK firms' overall achievement.

In line with the current study, Karanja (2013) examined Kenol Kobil Limited's diversification strategy and performance in Kenya and recognized that geographical diversification improved trades, remaining proceeds and owner equity at Kenol Kobil. This study agrees with longitudinal research by Jung and Chan (2005), which established a link between regional diversification and monetary performances of one hundred media businesses in the United States.

Using a multiple regression model, the study found that the more linked products and worldwide diversity a firm has, the better its financial success. However, the study disagrees with Hsu & Liu (2008) who looked at how a company's operating environment influences the links between corporate diversification initiatives and performance. They discovered that only product diversity

and customer diversity are positively related to company success when analyzing longitudinal data at the firm level, where geographical diversity is inversely related to the company performing nature.

In disagreement with the current findings, according to an investigation conducted by Goetz et al. (2013) among American banking corporations, regional diversification exacerbated agency difficulties and hence harmed performance. As a result, there was a link between geographic diversification and company performance that was negative. According to the findings of a study conducted by Wan (2018) on MNCs in Hong Kong, multinational organizations had extra international diversification, though their performance was not local companies. The contradiction with the current study could probably be a result of the difference in the field of the investigation. This research concentrated on how various diversification strategies influence growth in the hotel industry while Goez (2013) did a study on the banking industry.

In addition, the contraction could arise from the fact that additional elements not presently studied were revealed to have more influence than concentric, conglomerate, horizontal and geographical diversification strategies. The research outcomes revealed that the four independent factors under study only accounted for 12.5% influence on the growth of hotels while other variables accounted for 87.5% influence. The changing trends in the hotel industry, such as food service delivery and the use of electronic services could as well be responsible for influencing the growth of hotels, an area that future researchers may explore. The implication here is that instead of opening new branches, the hotel management may find more profitable ways like food service delivery and the use of modern technology.

The data from Likert scale reports geographical diversification led the growth of hotels through increase in capacity building as well as increase in number of customers. The study further found that marketing of new services, which have technological or commercial synergies with current products, attracts more customers. The study concurred with the study done by Karanje (2013) on the diversification strategy and the performance of Kenol Kobil limited in Kenya.

The study also concurred with the porters five theories that explained the dynamics of competition. The study established that geographical diversification increased sales, net profits and shareholders' equity of Kenol Kobil. In conclusion, online marketing, addition of new branches in new areas leads to growth. The growth is indicated through customers increase and increase in number of employees .Engaging a new market segment led to growth of the hotels through capacity expansion.

CHAPTER SIX

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

In this section, the conclusions and recommendations emanating from the findings of the study are highlighted as well as suggestions for areas to be explored for further study.

6.2 Conclusion

Concentric diversification positively influences organizational growth as the business grows the proportion of its venture in concentric product diversification subsequently the firm's growth improves. The introduction of new products significantly improves how hotels perform in the country. The growth of hotels was positively influenced when they offer new products that attract new customers. New products and services have led to superior performance in hotel industry in Kitui town. Customizing the services given to customers has led to greater clientele base. The descriptive analysis revealed an agreement by study participants that concentric diversification influenced growth of hotels by (mean=4.09, SD=0.96).

Conglomerate diversification positively influences organizational growth of hotels; the more hotels invested in fresh products unconnected to present ones, the healthier it achieved performance. This is revealed by 98% of the respondents who agreed with positive correlation. Each time a hotel offered new products, which are not related to existing products; it appealed to a different collection of clients, which subsequently improves its performance. Further, this research concludes that the customer base of hotels increases each time they diversify into unrelated products. The descriptive analysis indicated that   conglomerate diversification influenced growth of hotels by (mean=4.18, SD=0.90) .

The research also established that horizontal diversification significantly influences organizational growth. The proportion of an organizations' investment in both horizontal product diversification

does significantly influence the growth of an organization. The growth of hotels is affected when hotels develop new products and adopts new information, and communication technologies.A percentage constituting 89.6% by the clients agreed that addition of new products promoted the growth of hotels in Kitui town while 10.4 % had different opinions. The descriptive analysis indicated that horizontal diversification influenced diversification by (mean=4.39, SD=0.76).

Finally, the study concludes that geographical diversification was positively and significantly associated with organizational growth of hotels. This implies that geographical diversification consequently resulted to a resultant positive alteration in the growth of the hotels. Most of the respondents agreed new branches increased products sales. The descriptive studies indicated that geographical diversification by (mean=4.20, SD=0.93).

6.3 Recommendations

Based on the findings and conclusions, the study came up with the following recommendations.

6.3.1 Recommendations to Practice

Hotels should adopt concentric diversification by introducing new services, strategic fits and related services to enable them to meet the unique needs of customers. This will enhance increase in customers, number of employees and capacity expansion. The study recommends the adoption of conglomerate strategies through additional opportunities, strategic partnership and addition of new unrelated products and markets to its existing business this will advance customer base and capacity expansion. The study recommends adoption of horizontal diversification through offering of new services and technological relations to help the business optimize customer base and profits. Relocation to new location and online marketing as geographical diversification strategies has been recommended to boost clients and maximize profit.

6.3.2 Recommendation to Policy Makers

According to the report, hotel management should focus their efforts on research directed at studying the aspects that affect their business diversification strategies. Managers will be able to establish suitable methods to guarantee that diversification plans' objectives are met.

The study recommends that policy makers should come up with polices that encourage conglomerate, concentric, geographical and horizontal diversifications in hotels. The policies should encourage introduction of new related and unrelated services, technology advancement, adoption of new technology, adoption of new market segments and online marketing in order to encourage the growth of hotels.

6.3.3 Recommendations to Academia

Diversification strategies that are concentric, conglomerate, horizontal and geographical explained only a 12.5% change in organizational growth from the current findings. This implies many other factors account for the remaining 87.5% change in growth of hotels. Therefore, more studies to be done on the influence of national economy on growth of hotels in Kenya. The study recommends further research to be done on the influence of licensing procedures on growth of hotel industry in Kenya. Further a study can also be done on the diversification strategies adopted by the hotels in the view of the new norm presented by Covid 19 pandemic.

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APPENDIX I: DATA COLLECTION PERMIT

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Our Ref: D61/KIT/20641/2015

DATE: 14th February, 2020

Paul Lucy Mwende
Reg. No. D61/KIT/20641/2015
Masters of Business Administration
C/O Dean, School of Business and Economics

Dear Mwende

RE: PERMISSION TO PROCEED FOR DATA COLLECTION

This is to acknowledge receipt of your Master in Business Administration Proposal document entitled: "*Influence of Service Diversification Strategy on Growth of Registered Hotels in Kitui Town*".

Following a successful presentation of your Masters Proposal, the School of Business and Economics Board of Examination in conjunction with the Directorate, Board of Postgraduate Studies (BPS) have approved that you proceed on and carry out research data collection in accordance with your approved proposal.

During the research work, you will be closely supervised by Dr. Kelvin Wachira. You should ensure that you liase with the supervisor at all times. In addition, you are required to fill in a Progress Report *(SEKU/ARSA/BPS/F-02)* which can be downloaded from the University Website.

The Board of Postgraduate Studies wishes you well and a successful research data collection exercise as a critical stage in your Master of Business Administration.

Prof. Felix Ngunzo Kioli
Director, Board of Postgraduate Studies

Copy to: Deputy Vice Chancellor, Academic, Research and Students Affairs (Note on File)
            Dean, School of Business and Economics
            Chairman, Department of Business and Entrepreneurship
            Director, Kitui Campus
            Dr. Kelvin Wachira
            BPS Office -To file

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APPENDIX II QUESTIONNAIRE FOR THE RESPONDENT

Introduction

This work is being carried out as partial fulfillment of the requirement for the Master of Arts in Business Administration degree at SEKU. ''**Influence o***f service diversification strategy on growth of hotels, a case of registered hotels in Kitui Town Kenya*.'' is the title of the study. As a result, the information you supply will only be used for academic purposes and will be kept private. Please, attempt to be as truthful as possible when answering the questions.

SECTION   A: Demographic Information

1. What position do you hold in the hotel? ....

2. What is the highest educational level attained.

   Primary ( )

   Secondary( )

   Certificate ( )

   Diploma ( )

   Bachelor's Degree and above ( )

3. Do you think service diversification influences the growth of hotels?

      a) Yes ( )

      b) No ( )

      c) Not sure ( )

Section B: Influence of Concentric Diversification on Growth of Hotels.

4. In your own opinion, does addition of related products and services affect growth of hotels?

      a) Yes ( )

b) No ( )

5. Has the hotel ever introduced any new related products, services or strategic fit?

   a) Yes ( )

   b) No ( )

   If yes, which products..............

   If yes, what is was the influence on the number of employees this concentric move a) Number of employees increased ( )

   b) Number of employees reduced ( )

   c) No change of number of employees ( )

6. Indicate your level of agreement with the following statements concerning the influence of additional of related products and services on growth of hotels.

1- Strongly Disagree (SD), 2-Disagree (D), 3-Not Sure (NS), 4-Agree (A), 5- Strongly Agree (SA)

Statement	SA	A	NS	D	SD
1. Introducing new products which are related to current products and are appealing to customers leads to growth of hotels					
2. Introducing new services have led to benefit from economies of scope					
3. Introducing new products and services have enabled to reach the unique needs of customers					
4. Diversification has enhanced leverage on Competition					
5. Addition of related products and services have introduced change in terms of customer needs					

6. The firms' customer base has increased as a result of the new products it offers					

7. How else do you think addition of related products and services influences

organization

growth of hotels?

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8. Please indicate some of the unrelated products which in your own understanding

have

been introduced in the hotel industry……………………………………………………

Section C: Influence of Conglomerate Diversification on Growth of Hotels

9. In your own opinion, does additional of unrelated products and services affect growth of hotels?

   a)

   Yes

   ( )

  b) No ( )

10. Has the hotel ever introduced any new unrelated products, services or strategic fit?

   a) Yes ( )

   b) No ( )

  If yes, what is was the influence on the number of employees on this move?

   a) No of employees increased ( )

   b) No of employees reduced ( )

   c) No change of number of employees ( )

11. What was the effect of introduction of unrelated products and services on average number of customers?

a) customers increased ( )

b) customers reduced ( )

c) No change of customers ( )

12. Has the introduction of unrelated new products, services and strategic fit led to physical expansion of this hotel?

a) Yes ( )

b) No ( )

If yes, elaborate on the expansion………………………………….

13. Indicate your level of agreement with the following statements concerning the influence of additional of unrelated products and services on growth of hotels.

1- Strongly Disagree (SD), 2-Disagree (D), 3-Not Sure (NS), 4-Agree (A), 5- Strongly Agree (SA)

Statement	SA	A	NS	D	SD
1. Introduction of new unrelated products and services contributes to hotel growth					
2. The organization has grown through additional Opportunities					
3. Strategic partnerships contributes to hotel growth					
4. Targeting a new segment of customers have improved organization growth					
5. Catering only for existing loyal customers hinders organization growth					
6. Hotels that engage in unrelated diversification outperforms those that do not					
7. Introduction of new services that are technologically or commercially unrelated to current products increases profitability					

	SA	A	NS	D	SD
8. Diversification of products enhances profitability					
9. Use of technology enhances profitably in the hotel Sector					

14. In your own opinion, how do additional of unrelated products and services influence hotel growth?

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Section D: Influence of Horizontal Diversification on Hotel Growth

15. Does developing new additional products and services affects growth of hotels?

    a) Yes ( )   b) No ( )

16. Indicate the much you agree with the following statements concerning the influence of new additional products and services on growth of hotels.

1- Strongly Disagree (SD), 2-Disagree (D), 3-Not Sure (NS), 4-Agree (A), 5- Strongly Agree (SA)

Statement	SA	A	NS	D	SD
1. Development of new products influences the growth of hotels					
2. Use of modern technology improves the Customer base					
3. Adoption of new information, communication technologies has enhanced expansion of the organization.					
4. There is improved consumer satisfaction like a result of greater demand from a larger number of customers for better services					

5. Horizontal diversification helps maintain competitiveness and profitability					
6. Diversification improves productivity of a firm					
7. Diversification increases market share of a firm					

17. In your own opinion, how do new additional products and services affects growth of hotels?

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Section E: Influence of Geographical Diversification on Growth of Hotels

18. Do you think geographical diversification affects growth of the hotels?

    a) Yes ( )

    b) No ( )

19. If yes, please elaborate further……

20. Indicate how much you agree with the following statements concerning the influence of geographical diversification on growth of the hotels.

1- Strongly Disagree (SD), 2-Disagree (D), 3-Not Sure (NS), 4-Agree (A), 5- Strongly Agree (SA)

Statement	SA	A	NS	D	SD
2. New branches formed results into an the expansion number of customers					
3. New branches formed leads to an increase in Customers					
4. More customers are attracted to the marketing of new services that have technological or commercial synergy with existing items.					
5. Geographical diversification enhances organization growth					
6. The firm frequently ventures into marketing of its products in new geographical areas					

Statement	SA	A	NS	D	SD
7. Through branches and subsidiaries, the company has spread its operations to many parts of the world.					
8. To what extent do you believe it is critical for your company to have branches or subsidiaries in various regions?					

21. In your own opinion, how does geographical diversification affects growth of the hotels?

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Section F: Hotel Growth

22. To what extent does the following aspect of service diversification affect performance of hotels? 1- No extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

S/No	FACTORS	5	4	3	2	1
1	Concentric Diversification					
2	Conglomerate Diversification					
3	Horizontal Diversification					
4	Geographical Diversification					

Thank you

APPENDIX III: INTERVIEW SCHEDULE

1. In your own opinion, how does concentric diversification influence hotel growth?

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2. In your own opinion, how do conglomerate diversification influence hotel growth?

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3. In your own opinion, how does horizontal diversification influence hotel growth?

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4. In your own opinion, how does geographical diversification influence hotel growth?

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APPENDIX IV: LIST OF REGISTERED HOTELS IN KITUI TOWN

APPENDIX V: LIST OF REGESTERED HOTELS IN KITUI TOWN

No.	Name of the Hotel
1.	Kiembeni County Club
2.	Parkside Villa and Hotel
3.	Kitui Resort Club
4.	Flavours Restaurant
5.	Igloos Resort
6.	Hotel Heritage Kitui
7.	Signal Hotel Kitui
8.	Kitui Cottages
9.	Talents Hotel Kitui
10.	Travellers Hotel
11.	Ravelana Hotel
12.	Joyda Guest House
13.	Victory Bar
14.	Kula Unone Butchery $ Restaurant
15.	Bavaria Restaurant
16.	My Second Wife
17.	Skylux
18.	Modern Nduani
19.	Sildans Restaurant
20.	Sturtgart Restaurant
21.	Travellers Café
22.	Fuse Club
23.	Club Rumours
24.	Amsterdam Hotel
25.	Makuti Motel
26.	Parkside Hotel
27.	Royal Makuti
28.	Kitui Villa
29.	The Intercounty Hotel
30.	Kafoca Gardens Hotel

APPENDIX IV: RESEARCH BUDGET

PARTICULARS	COST (KSHs.)
1. Services	
Printing proposal 40 pages @ Kshs. 30	1200
Reproduction 6 copies @ Kshs. 1200	7200
Binding 6 copies @ Kshs. 50	600
Internet and Library resources	8000
Books and reading material	5000
Printing 385 questionnaires @6 pages @ Kshs. 60	138600
Other data collection tools	1200
Printing Final Thesis 100 pages @ Kshs. 30	3000
Reproduction 8 copies of Final Thesis @ Kshs. 2400	19200
Binding 8 copies @ Kshs. 1,000/-	8000
SubTotal	*192,2000*
2. Data Collection Materials & Support	
Research Assistants for 10 days	40000
Data analysis and computer runtime	25000
Data storage and software	5000
SubTotal	*70,000*
4. Transport Costs	
Travel for Consultation	15000
Conference travelling cost	20000
Fieldwork transport expenses	15000
SubTotal	*50,000*
5. Other Expenses	
Administrative cost	2000
Conferences registration	36000
Publication costs	40000
Subsistence	25000
Miscellaneous expenses	10000
SubTotal	*113,000*
GRAND TOTAL	**317,000**

Gant Chart Work Plan for the Study from January 2016 to March 2021

ACTIVITY	2016 TO 2019				2020 T0 2022					
Theoretical study and literature review	■	■	■	■						
Proposal development and Submission					■					
Proposal presentation						■				
Field work and data collection							■			
Data processing and analysis								■		
Thesis writing &defense									■	
Thesis submission& publication										■