

## Abstract

The purpose of the study was to find out how service diversification strategies influence organization growth in the hotel industry a survey of registered hotels in Kitui Town Kenya. The literature review was done based on the study objectives while Porter's five forces Theory, Portfolio Diversification Theory and Resource-Based Theory were used to explain the study. The study employed the descriptive research design. The target population was 385 employees working in 30 registered hotels in Kitui Town. The sample size for the study was 115 respondents and data was collected using questionnaires and interview guide. The result showed that concentric and conglomerate diversifications were found to be significantly correlated with organizational growth ( $p=0.001$  and  $p=0.000$  respectively). Horizontal and geographical diversifications were also found to be significantly correlated with organizational growth ( $p=0.000$  and  $p=0.000$  respectively). The study concluded that concentric, conglomerate, horizontal and geographical diversification positively affects organizational growth. The introduction of new products significantly improves how hotels perform in the country. The study concluded that proportion of an organizations' investment in horizontal product diversification significantly influence the growth of an organization. The study also concluded that geographical diversification is positively and significantly associated with organizational growth of hotels. The study recommended that hotels should adopt concentric diversification by introducing new services, new products that enable to reach the unique needs of customers. The study also recommended that hotels should be encouraged to adopt product diversification strategy with a view to provide an extensive variety of products and services to their customers as well as high quality services. Further, the study recommended that hotels should broaden in areas where competitive environment is not as fierce, and take use of the freedom to set prices that are profitable. Finally, the hotel regulators and the policy makers in the hotel industry such as Kenya Association of Hotelkeepers and Caterers (KAHC) and the Ministry of Tourism and Wildlife should also come up with strategies that encourage services diversification as well as engage in forums to discuss of various opportunities available for promoting diversification.