GROWTH STRATEGIES AND PERFORMANCE OF DAIRY PROCESSING COMPANIES IN KENYA: A CASE OF NEW KENYA COOPERATIVE CREAMERIES

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A Dissertation submitted to the Faculty of Business, Communication and Computer Studies in Partial fulfilment of the Requirements for the Award of the Degree of Master of Business Administration (Strategic Management) of St. Paul's University

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DECLARATION

This dissertation is a product of my own work. It is not work done in collaboration and it has not been presented previously to any institution. I agree that this dissertation may be available for reference and photocopying, at the discretion of St. Paul's University.



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DEDICATION

I dedicate this work to my dear and lovely parents the late Joseph Kihiu Njoroge and Jane Njoroge who worked so hard to build a strong foundation for my education.

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I would like to express my gratitude to God, for giving me life, health, peace and sound mind, without which, the preparation of this dissertation would not have been possible.

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ABSTRACT

The dairy industry has the potential to transform the country by creating jobs, increasing food security and nutritional quality, and reducing poverty. This potential has however been hampered by poor performance of milk processing companies as signified by domination of the market by raw milk hawkers who control more than 50% of the market. Kenya footprint in the global dairy industry is also quite small. It is in this regard that this study sought to assess the influence of growth strategies on performance of milk processing companies with a specific focus on the New Cooperative Creameries' (New KCC). The specific objectives of the study were to: assess the influence of product development strategy on the performance of the New KCC, assess the influence of market development strategies on the performance of the New KCC, examine the influence of integration strategies on the performance of the New KCC, and examine the influence of diversification strategies on the performance of the New KCC. The study was guided by the Balanced Scorecard model, Igor Ansoff Growth Matrix, and the Theory of the Growth of the Firm. It employed the descriptive design and targeted the population of 171 middle and senior management staff working at the New KCC Nairobi Branch. A sample of 97 respondents was selected using the stratified random sampling technique where the population was divided into three strata namely: Operations (n= 42), Administrative (n=25), and Sales (n=30). Questionnaires were used to collect data from the middle managers while interview guides were used to collect data from senior managers. The interviews were conducted via telephone due to concerns over the Covid-19 pandemic. Quantitative data was analysed using percentages, frequencies, means, and the multiple linear regression method while qualitative data was analysed using the thematic content analysis technique. Findings showed that there wide application of product development and vertical integration growth strategies at the New KCC. However, market development and diversification growth strategies were less popular. The use of product development and diversification strategies did not have a statistically significant influence on company performance. The use of market development strategies had a statistically significant and negative influence on performance while integration strategies had a statistically significant and positive influence. The findings led to the conclusion that product development and diversification growth strategies do not have a significant influence on the performance of dairy processing companies in Kenya. On the other hand, market development growth strategies have a negative influence on performance while integration strategies have a positive influence. Based on the findings, the study recommends that managers should create awareness and promote new products for the product development strategy to have a significant impact on performance. They should also increase promotion in new markets and add the number of products sold in these markets for the market development strategy to have a positive influence on performance. Managers of dairy processing companies should also strengthen their relationship with farmers and other prayers above and below them in the production chain in order to enhance the impact of integration strategies. The processors should also forge partnerships among themselves to enhance growth of the industries.

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ABBREVIATIONS AND ACRONYMS

BSC	Balanced Scorecard
EABL	East African Breweries Limited
GDP	Gross Domestic Product
NACOSTI	National Commission of Science, Technology, and Innovation
New KCC	New Kenya Cooperative Creameries
NSE	Nairobi Securities Exchange
R&D	Research and Development
ROA	Return on Assets
SMEs	Small and Medium Enterprises
SPSS	Statistical Packages for Social Sciences
SSA	Sub-Saharan Africa
UHT	Ultra-High Temperature
USA	United States of America

DEFINITION OF OPERATIONAL TERMS

Diversification	A growth strategy that involves creating new products and taking them to a new market where the company had not been operating before. In this study, the study will specifically look at the development of new dairy products and selling them in the foreign markets.
Growth Strategies	Plans and approaches used by dairy processing companies to expand their enterprise.
Market Development	A growth strategy that involves selling the company's existing product in a new market. In this case, the term specifically refers to the strategy of venturing into foreign markets using the company's existing products.
Market Penetration	A growth strategy that entails increasing the infiltration of the dairy processing company's existing products within its existing market. In this case, the study will look at strategies that dairy farm use to increase the infiltration of existing products in the Kenyan market.
Performance	The extent to which dairy processing companies have met financial, customer, business process, and learning and innovation goals that are important in the dairy industry.
Product Development	A growth strategy that entails developing new products and selling them to the company's existing market; in this case, the Kenyan market.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The dairy industry provides livelihood for over 1 billion people globally and accounts for 14% of agricultural trade (Gilbert, Gell, Cairole, Rinne & Wurzbacher, 2016). Therefore, the performance of the industry has a significant implication on the global economy and food system. Jenatabadi (2015) defines performance as a measure of the quality and quantity of a firm's output vis-à-vis its objectives, inputs used to generate the output, and the output of similar organizations. This definition suggests that performance has to do with the deliverables of an organization, which may vary from financial outputs such as profits and assets to qualitative outputs such as customer satisfaction or delivery of excellent services. Jenatabadi's (2015) definition also suggests that performance is comparative concept that entails comparing the outputs of an organization with invested inputs as well as the outputs of similar organizations. Performance has also been defined as the extent to which a company is successful in realizing important goals such as increase in market share and customer satisfaction (Esmaeel *et al.,* 2018).

The global dairy industry has grown over the last five years to 2020 marked by a 1.2% annual growth in revenues and a net increase in the prices of milk. New value-added products and alternative products have emerged leading to intensified competition (Gilbert et al., 2016). In the United States of America (USA), dairy processing companies have resulted to development of alternative products like organic dairy products, milk formula, Greek yogurt, and non-dairy alternatives (McKinsey, 2019). Gilles (2012) also observed that some dairy processors have adopted the vertical backwards integration strategy that entails establishing dairy farms. Some processors establish partnership with farmers where they provide farm inputs and other services in exchange for exclusive right to buy the farmers dairy products. This strategy has not only guaranteed stable supply of raw milk, but has also given the processors greater control over the quality of input.

Hanf (2014) also found that some small and medium-sized dairy processors in five European countries have made effective use of the forward integration strategy to penetrate the market and increase their market share. The strategy entails establishing

own retail chains in order to ward-off competition from large processors that have dominated the conventional retail channels. Barbe, Triay, and Hughes (2011) noted that vertical integration is one of major strategic decisions that dairy producers in the UK have to make. These authors noted that while this strategy presents benefits such as higher margin, increased control over the supply chain, and diversification of the company's revenue stream, it is associated with several disadvantages including increased overall costs of operations, loss of focus and specialization, and increased exit barrier. Consequently, players in the industry have to weigh all benefits against the cost when considering this strategy. Petrick and Gotz (2019) observed that vertical and horizontal integration strategies were associated with faster growth of dairy firms as well as higher prices for dairy products in Russia and Kazakhstan. The study provides a case for the adoption of these strategies for promoting growth and performance of dairy enterprises.

Lee, Zijlstra, Wouters and Vugt (2014) noted that growth in the dairy processing industry in developing countries has been hampered by lack of an efficient go-to-market strategy. Because of the perishability nature of most dairy products, processors need a distribution channel that has rock-solid efficiency. Most processors in the emerging economies have turned to the ultra-high temperature (UHT) technology to improve distribution of milk products. However, these companies have not devised effective strategies for distributing fresh products. Vertical integration is one the strategies that have been proposed for improving market entry and distribution of dairy product. Patil (2014) observed that vertical integration through establishment of milk retailing outlets present far more benefits to a dairy processing farm than the cost entailed in running the outlets.

Mattiello, Caroprese, Matteo, Fortina, Martin & Zecchini (2017) noted that major constraints that hinders the expansion of the African dairy industry in the global market is poor hygiene in milk production and processing and absence of starter culture that limits processors capacity to develop products with long shelf life. Making production processes safer and improving the value addition process could significantly improve the performance of the industry in the global market. In Nigeria, Asoko Insight (2020) observed that about 90% of the milk is processed and sold informally on the street. Commercial processors are compelled to use imported milk due to the limited portion obtained from local pastoralists. These commercial

processors have resorted to backward integration as a strategy for achieving growth through strengthening local supply of raw milk.

1.1.1 Growth Strategies

In business, the term growth refers to the expansion of the enterprise by seeking additional options for generating profits (Duggush, Aki, & Oke, 2018). It may entail obtaining new resources, identifying and capturing new sales opportunities, expanding the range of product or services, forging new partnerships, expanding to a different location, and venturing to a new market. Growth is vital to the long-term performance and survival of an enterprise as it makes a firm more resilient in a market, reduces costs due to economies of scale, increases market dominance and bargaining power, and mitigates risks through diversification (Absanto & Nnko, 2013). Growth also reduces the threat of competition, enhances the firm's ability to withstand market fluctuations, and boosts an organization's capacity to attract the best talent. It is also through growth that small businesses transform into large enterprises creating employment for more people and increasing their contribution to the economy (Neneh & Vanzyl, 2014).

Companies can use different strategies such as increasing the sales of an existing product in an existing market (market penetration), launching new products to its existing market (product development), taking an existing product to a new market (market development), and launching a new product in a new market (diversification) (Durmaz & Ilhan, 2015). The four strategies were proposed by Igor Ansoff in 1957 in his article "Strategies for Diversification'. Each of the four strategies has its own risks and benefits and is therefore upon an organization to select the strategy that best suit the goals, resources, and competencies of the organization (Hussain, Khattak, Rizwan, & Latif, 2013). A company may also grow by combining any of these strategies.

A firm may also grow by acquiring a rival firm (horizontal integration), acquiring a firm that is above it in the supply chain (backward integration) or acquiring a firm that is below it in the supply chain (forward integration) (Gerald & Elisifa, 2013). According to Stankova, Papadaki and Dvorsky (2018), vertical integration assures reliability of supplies and/ or distribution while horizontal insertion is meant to manage competition by eliminating some competitors from the market. Horizontal integration also increases scale efficiency. Zavalniuk (2017) noted that while pursuing

any growth strategy exposes an organization to risks, the greatest risks for an enterprise is to do nothing. Failure to take action increases the risks of being overtaken by competitor and changes in the business environment.

1.1.2 Dairy Industry in Kenya

Kenyan has one of the highest milk consumption per capita in Africa and demand for dairy product has increased due to population growth, urbanization, and rise in income (Mutura, Nyairo, Mwangi, & Wambugu, 2016). Kenya is also the highest milk producing country in the Sub-Saharan Africa (SSA) region accounting for 15% of the continent output. Despite this trend, the milk processing industry is characterized by slow growth and average performance. Research and Markets (2018) observed that the performance of Kenyan dairy processing industry is hampered by high production costs that make the final product uncompetitive, import of dairy products from Europe and Uganda, and difficulty to access market due to hawking of raw milk. Lokuruka (2016) observed that hawking of raw milk has also disrupted the milk processors supply chain as farmers prefer to sell milk to hawkers rather than milk processors because the hawkers pay higher prices and pay on delivery.

The study by Joto and Odock (2019) revealed that over 80% of milk produced by Kenyan farmers is distributed and marketed in raw form through informal channels meaning that there is low penetration of processed dairy products. Mathae, Paul, and Mbura (2018) also found that there is stiff rivalry among existing milk processors as they compete for a share of the market for processed milk. According to USAID (2018), there were over 30 milk processors and 67 mini dairies with a total processing capability of 3.75 million litres per day in 2018, but only 46% of this capacity was utilized. USAID (2018) also found that Kenya's processed milk is domestic-oriented with very small proportion being exported totalling 11 million litres in 2012.

Mathae *et al.* (2018) also noted that most processed are characterized by narrow product line mainly UHT milk and yoghurt with consumption of other dairy products such as cheese and butter being very low. Most processors are also preoccupied with the manufacturing of cow milk with very few focusing on milk from other sources such as goat and camel (Kibogy, 2019). These statistics suggests that milk processing companies are yet to exploit most of the opportunities that are available to them. They also raise questions about the growth strategies used by the dairy processing

companies. Mugo (2017) observed that Kenyan dairy processors rely heavily on supermarkets to distribute their products. This channel limits the processors access to only the 40% of Kenyans who shop in supermarkets.

1.1.3 New Kenya Cooperative Creameries

New Kenya Cooperative Creameries (New KCC) was established by Hugh Cholmondoley (Lord Delamere) as its chairman under the name Kenya Cooperative Creamery (New KCC, 2015). The first factory was launched in Naivasha running two hand churns. It was later upgraded when the supply of butter go beyond 150000 pounds. It was registered under the Co-operative Societies Ordinances in 1932 after merging with Kipkelion and Nanyuki Creameries. It opened another factor in Nyahururu in 1934 and another one in Eldoret in 1935. The name was changed into Kenya Cooperative Creameries (KCC) Limited in 1945. It became the first company to start packing milk using 'tetra pak' in 1956. Between 1979 and 1992, KCC partnered with the government of Kenya to implement the School Milk Program. In 2005, the company was registered as a state corporation and renamed New Kenya Co-operative Creameries (New KCC). However, according to Kamencu (2018), the company has not been performing as expected despite being modernized and repurchased by the government in 2005. The company has also encountered a number of challenges that threaten its growth. Some of the challenges include stiff competition from other dairy processors and raw milk vendors and saturation of the Kenyan milk market.

1.2 Statement of the Problem

Despite its potential to develop rural areas and contribute to poverty reduction, job creation, and nutrition security; the performance dairy sector in Africa remains underdeveloped (Bingi & Tondel, 2015). In Kenya, the dairy sub-sector contributes about 8% of the country's Gross Domestic Product (GDP), provides livelihood to 1.8 million farmers, creates about 1.2 million direct and indirect jobs, and has an annual production of 5.2 billion litres (Kibogy, 2019). However, Kenya's footprint in the global dairy market is very small as most of the milk produced in Kenya is sold locally and is mainly distributed through informal channels (USAID, 2018). Locally, the market is dominated by milk hawkers with processed milk accounting for less than 50% of the market share (Lokuruka, 2016).

Studies by Duggush *et al.* (2018), McKinsey (2019), and Petrick and Gotz (2019) indicate that adoption of appropriate growth strategy can help milk processing companies to find alternative market for its existing product, develop new product using existing resources, reduce cost, and increase market dominance leading to enhanced performance. From the review of literature, only two studies examining growth strategies in the Kenya dairy industry were found. The first study is by Mutura et al. (2016) however examined factors influencing the application of vertical and horizontal integration strategies by dairy farmers rather dairy processing factories. On the other hand, Mwangi (2018) examined how market penetration, production expansion, and mergers and acquisition. This current study sought to advance research in this area by exploring a different set of strategies including product development, market development, integration, and diversification.

1.3 General Objective

To assess the influence of growth strategies on the performance of milk processing companies in Kenya with a specific focus on the New Kenya Cooperative Creameries.

1.3.1 Specific Objectives

i. To evaluate the influence of product development strategy on the performance of the New Kenya Cooperative Creameries.

ii. To examine the influence market development strategy on the performance of the New Kenya Cooperative Creameries.

iii. To assess the influence of integration strategies on the performance of the New Kenya Cooperatives Creameries.

iv. To determine the influence of diversification strategy on the performance of the New Kenya Cooperative Creameries.

1.4 Research Questions

i. What is the influence of product development strategy on the performance of the New Kenya Cooperative Creameries?

ii. What is the influence of market development strategy on the performance of the New Kenya Cooperative Creameries?

iii. What is the influence of integration strategy on the performance of the New Kenya Cooperative Creameries?

iv. What is the influence of diversification strategy on the performance of the New Kenya Cooperative Creameries?

1.5 Justification of the Study

This study is justified by the reason that it has generated knowledge regarding the growth strategies used by milk processing companies in Kenya. Specifically, the study has pinpointed the main strategies of growth utilized by the New KCC. The study has also established how each of the growth strategy influences the performance of the milk processors. It has stipulated the growth strategies that have more impact on the performance of milk processors.

1.6 Significance of the Study

The study is significant in a number of ways. First, it presents new knowledge that is useful to policy makers at the Ministry of Agriculture, National and regional legislative bodies. This knowledge highlights policies and programme that they need to put in place to promote growth and performance of the milk processing industry. Second, the study presents evidence to milk processing companies in the country that may guide them in developing appropriate growth strategies that will improve their performance. Third, the study has generated knowledge that is useful to management consultant in the agro-processing area as it may help them to develop suitable growth plans on behalf of their client. Lastly, the study has generated knowledge that adds to existing theories and literature on growth strategies and performance of enterprises. This addition will be useful to scholars and researchers in the field of management.

1.7 Scope of the Study

The study focused on the New KCC. This company was selected because it is one of the largest players in the Kenyan dairy industry accounting for 35% of the market for processed milk (Research and Markets, 2018). The study focused on the New KCC Nairobi Branch, because this is where the head office that deals with strategic issues is located. The study also narrowed down to the assessment of four growth strategies namely market penetration, product development, market development, and diversification. Literature from other parts of the world shows that these are the most

commonly utilized growth strategy in the dairy industry (Duggush *et al.*, 2018; McKinsey, 2019; Petrick and Gotz, 2019). The study was conducted between November 2020 and May 2021.

1.8 Limitations of the Study

Being a public company, New KCC has bureaucracies that made it difficult to access the target population and collect data. Access to the organization was also be constrained by the on-going COVID-19 pandemic. The study overcame these access limitations by seeking all requisite authorization to conduct the research including a permit from the National Commission for Science, Technology and Innovation (NACOSTI). The study also made use of data collection methods that minimized physical interaction such as sending questionnaires through email and posts and conducting telephone interviews.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter examines literature related to the subjects of growth strategies and performance of organizations. First, it examines theoretical literature related to these issues and then examines empirical studies conducted by other authors on the same. Lastly, the chapter presents the conceptual framework, summary of the review, and the research gaps.

2.2 Theoretical Literature Review

The study was guided by the balanced scorecard (BSC), the Igor Ansoff growth matrix, and the theory of the growth of the firm.

2.2.1 Balanced Scorecard Model

The balanced scorecard (BSC) was proposed by Robert Kaplan and David Norton in 1992 as a model for measuring the performance of organizations (Kaplan and Norton, 1992). The model emphasizes the importance of measuring business performance with the premise that what a business measures is what it gets. The model further asserts that although financial indicators are good objective measures of a company's performance, they do not provide a comprehensive view of performance (Quesado, Guzman, & Rodrigues, 2018). These indicators provide evidence of company current financial position but do not capture the company ability to generate revenues and value in future.

To address the weaknesses of financial indicator, the BCS model introduced three other perspectives from which the performance of organizations should be evaluated. The three additional perspectives include customer perspective, business processes perspective, and learning and innovation perspective (Kaplan & Norton, 1992). The customer perspective emphasizes the evaluation of a company performance in meeting customers' needs and giving the best experience. It focuses on indicators such as quality of products, availability of products at convenient locations, and prices of product (Quesado *et al.,* 2018). The BCS model opines that meeting customers' needs and providing them with superior experiences guarantees good future financial performance.

The business process perspective focuses the effectiveness and efficiency of a company's business processes such as production, procurement and purchasing, and marketing. BSC model asserts that business processes are a critical determinant of company performance as it is through these processes that a company produces its products and deliver it to the customers (Esmaeel, Zakuan, Jamal, & Taherdoost, 2018). Indicators commonly used to assess this performance perspective include product defect rates, manufacturing cycle time, turnaround time, burst time, waiting time, process cost, surplus inventory, inventory turnover, order execution, throughput, order cycle time, average order collection time, and average order loading time among others (Looy & Shafagatova, 2016).

The learning and innovation perspective is concerned with the companies initiatives aimed at improving human capital, enhancing information capital and providing the climate needed to create value (Kaplan & Norton, 1992). Indicators used to assess performance from this perspective include employees' skills and development, employee satisfaction, organizational learning, leadership style, corporate culture and values (Berkova, Adamova, & Nyvltova, 2017).

2.2.2 Igor Ansoff Growth Matrix

The Igor Ansoff Growth Matrix was conceptualized by Igor Ansoff in 1957 to describe strategies that companies use or can use to grow (Ansoff, 1957). The model suggests that there are two main ways through which companies can grow. The first is by varying the product that the company sells while the second is by varying the market to which they sell their products. Using these two approaches, Ansoff developed four growth strategies.

The first strategy is market penetration, which entails increasing the usage of the company's existing products in the company's existing markets (Ansoff, 1957). For example, a dairy processing company may penetrate the market by running promotional campaign that encourages customers to purchase its products. This strategy is suitable for a company operating in a market where products are yet to reach most individuals (Yin, 2016). A dairy processor can also find new use for its product such as encouraging customers to consume milk during other meals such as lunch and dinner rather than using it during breakfast only. It may also buy-off other companies that offer similar product in the same market, which is a form of horizontal

integration (Loredana, 2017). The company can also penetrate the market by establishing its own retail operations such milk bars and dairy shops with the view selling directly to the customers, which is a form of vertical integration.

The second strategy is product development, which involves developing a new product for the company's existing market (Ansoff, 1957). For instance, a milk processing company may develop other products such as cheese and butter and sell it to its existing customers. This strategy is suitable for a company that has the internal capability to develop and market new products. Company Z may also achieve product development by purchasing companies that have specialized in developing the new products that company Z wishes to introduce to its market (Loredana, 2017). Product development is riskier than the market penetration strategy as it entails dealing with new products. It may also require the company to change its production technology and promotional tactics. This strategy however reduces the risk associated with reliance on a single product and increases the company's revenue streams.

The third strategy is market development, which concerns taking the company's existing products to a new market (Ansoff, 1957). A good case in point is a milk processing company that was predominantly operating in Kenya taking its product to other East African countries such as Uganda, Tanzania, Rwanda, or Burundi. This strategy is riskier than market penetration and product development as it entails dealing with customers that the company has little knowledge of. It also requires a company to develop new distribution channels, which means that the company must make additional investment and deal with new distributors that it has little knowledge of (Yin, 2016). The company may also require complying with new regulations that apply in the new market. Nonetheless, this strategy reduces the company exposure to systemic risks such as change in purchasing power of consumers or passing of unfavourable laws in one of its markets.

The final strategy in the Ansoff Matrix is diversification, which demands the development of new products and selling them in a new market (Ansoff, 1957). For instance, a milk processor in Kenya may develop new products such as cheese and butter and direct them to a new market such as the European market. This strategy is suitable in a situation where the company's existing market may not receive the new products very well and thus the company has to find a new market. It is the riskiest

strategy because it entails dealing with both unfamiliar products and unfamiliar markets (Yin, 2016). This strategy however reduces the risk associated with reliance on a few product or markets.

2.2.3 The Theory of the Growth of the Firm

This theory was developed by Edith Penrose in 1959, who studied for-profit organizations that had exhibited growth over the years. She identified several factors that contribute to growth. The first factor is the capacity of existing managerial personnel that encompasses the imagination and vision of managers, fundraising ingenuity, entrepreneurial ambition, sense of timing, and entrepreneurial judgment (Kor, Mahoney, Siemsen, & Tan, 2016). The second factor that determines growth is inducements and obstacles. Inducements include emergence of new markets, new technological changes, innovation, and pool of unused resources. Obstacles include trade restrictions, competition, and monopolies.

Penrose (1959) further identified various ways in which organizations grow including increasing variety of products (product diversification), increase in vertical integration, increasing the basic areas of production, and acquisition and mergers. The theory asserts that the type of diversification strategy used is also dependent on the experience of managers, inducements and obstacles (Kor et al., 2016). For instance, Penrose (1959) observed that firms with highly experienced managers were more likely to pursue unrelated growth than their counterparts with inexperienced managers. The theory also emphasizes the need to match the company resources with environmental opportunities.

The theory particularly applies to the integration and diversification growth strategies. It opines that integration and diversification can be achieved through two pathways: internally and through acquisitions (Kor *et al.,* 2016). Internal also known as organic growth entails development of new equipment, plants, raw materials, skills, and knowledge internally. It enables an organization to establish new operations that match its culture and knowledge. On the other hand, acquisition entails purchasing of already established ventures. It enables a company to obtain knowledge and services that a firm need to establish itself in a new field. However, Penrose (1959) observed that this approach is riskier as it requires the company to integrate and coordinate with its subsidiaries.

Apart from elaborating the integration and diversification strategies, Penrose's theory may also explain the link between growth strategies and performance. The theory suggests that the outcome of growth is determined by managerial capacity (Peng, Lebedev, Vlas, Wang, & Shay, 2018). It argues that a firm that expands faster than its managerial capabilities is likely to encounter difficulties particularly lack of coordination and inefficiency. It also posits that successful growth is also determined by how effectively a company matches its resources with environmental opportunities (Kor *et al.,* 2016).

2.3 Empirical Literature Review

2.3.1 Product Development and Performance

Product development is one of the growth strategy proposed by the Ansoff matrix model. The aim of this strategy is to increase the company's revenue streams and value by creating a broad portfolio of products rather than relying on a few products (Yin, 2012). According to Azigbo (2019), the product development strategy also entails improving existing products so as to enhance their capacity to meet the requirement of customers leading to growth in sales. It may also entail making improvements on the production process so as to reduce cost or enhance the quality of product.

The study by Zedek (2016) examined the effect of product development strategy on the performance in a sample of 794 banks from 17 Western European countries. Product development was measured in terms of number or diversity of income streams (loans, money transfer, securities and investments, etc) while performance was measured using ROA. Results showed that product development was positively associated with both the profitability and risk scores of the banks. This implies that although this strategy increases a firms' profitability, it also increases the risks to which the banks are exposed. The study by Zedek (2016) was however conducted in Europe and focused on the banking industry and thus findings may not reflect the situation in dairy processing companies in Kenya. The study also used financial measures of performance mainly the ROA and thus did not capture other performance perspectives.

On the other hand, the study Xu, Liu, and Chen (2019) found that the influence of product development on performance of listed firms in Korea was moderated by the size of the company. The study used a longitudinal design where data five year data for the 2012 to 2016 period was analysed. Results showed that product development through R&D had a positive influence on performance of large organizations but had a negative influence on the performance of small organizations. The explanation given by the author is that product development may exceed the coordinating and financial capacity in small organization leading to negative outcomes. However, this study analysed performance from a financial perspective and thus did not capture other elements of performance such as customers' experiences and efficiency in business processes. The current study considered these other perspective of performance because they reflect the future wellbeing of a company.

On the other hand, Canh, Liem, Thu, and Khuong (2019) found that product development did not have a significant influence on the performance of manufacturing organizations in Vietnam. The authors observed that while the product development strategy make a company's product more appealing in terms of features and options, it may take time before these benefits could translate to tangible performance outcome such increased profits. This study however measured performance using ROA, which is a financial indicator. Consequently, the study did not assess other performance perspective of performance such as customers' satisfaction. The current study sought to address this gap

In another study, Abolarinwa, Asogwa, Ezenwakwelu, Court, and Adedoyin (2020) found that internal product development strategies mainly through research and development have a positive effect on performance of manufacturing companies during normal times and a negative effect during global economic crises. On the other hand, external product development strategies such as acquisition of companies offering different products had a significant and negative effect during normal economic times and a significant and positive effect during times of economic crises. The findings imply that company should use internal product development strategies to spur growth during normal economic condition and use external product development strategy during economic crises. However, the study by Abolarinwa *et al.* (2020) was done among listed manufacturing firms in Nigeria and thus may not reflect the situation on milk processing companies in Kenya. The study also used

financial measure only (return on assets) to assess the performance of the company and thus did capture how the product development strategies affect other perspective of performance such as customer satisfaction and business processes.

In Kenya, Mbithi, Muturi, and Rambo (2015) found that development of new products other than sugar by Sugar Milling Factories was minimal, but the companies had adopted different strategies for improving existing products such as packaging and branding. Improvement in product processing procedures through adoption of new technologies was also noted. Product improvement strategies had a significant and positive influence on output turnover, sales quantities, and capacity utilization. Improvement in product processing procedures also had a positive influence on the performance indicators. This study provides evidence that support the existence of positive and statistically significant relationship between product development and performance. However, Mbithi *et al.* (2015) have focused on the sugar processing industry whose dynamic are quite different from the dairy processing industry. Therefore, their findings may not reflect the situation in the dairy sector. In addition, Mbithi *et al.* (2015) have largely relied on financial measures of performance that only provide an indication of the companies' performance in the short run. The proposed study seeks to address this gap by integrated other measures of performance including customer perspective, business process, and the growth perspective.

In the dairy processing sector, Kariuki, Iravo, and Kihoro (2015) examined the influence of value addition on the performance of informal dairy enterprises in Kenya. Results revealed that there is a little product diversification and value addition in this market. Results further showed that value added products such as yoghurt performed better in terms of profit per litre than non-value added products. These results suggest that there is little product development in the Kenya dairy market and that product development has a positive influence on performance of dairy enterprises. However, Kariuki et al. (2015) focused on informal dairy enterprises that are bound to have limited value addition and product development capacity. Therefore, findings may not reflect the level of product development and value addition in formal dairy enterprises such as the New KCC.

2.3.2 Market Development and Performance

Market development is another growth strategy proposed by the Ansoff Matrix model. This strategy focused on increases benefits and value by increasing the number of markets served by the company. The study by Jang, Kwon, Ahn, Lee, and Park (2019) examined the influence of market development strategy on the performance of 72 construction companies from Asia, Australia, Europe, and North America. Market development was measured in terms of the ratio of revenue earned on companies' foreign operations to the companies' total revenues. Results showed that there is a U shaped relationship between market development and performance. In the initial stage, market development negatively shapes performance because the company lacks knowledge of the foreign markets and regulatory environment. However, the companies learn how to adjust to the new markets and become acquainted with new condition leading to improved performance. The study by Jang *et al.* (2019) did not however analyse any data from African countries and thus findings may not apply to firms in this region. In addition, the study was conducted among construction companies whose operations differ from those of dairy companies.

In Africa, the study by Osifo and Osagie (2020) examined the effect of market development on performance in a sample of 50 deposit taking banks across 11 SSA countries. The study utilized a longitudinal design where secondary data for the banks for the 2007-2017 period were analysed. Market diversification was measured in terms of number of foreign subsidiaries owned by each bank. Results revealed that there is a statistically significant and negative association between the number of foreign subsidiaries owned by a bank and the performance of the bank. This finding implies that market development has a negative influence on company performance. One of the reasons that may explain this relationship is that market diversification increases cost of operation and exposes a company to the risks of operating in unfamiliar territories. The study by Osifo and Osagie (2020) however focused on banks and thus may not reflect the situation in dairy processing companies due to industry differences. The study also limited it assessment of performance to financial metrics and thus did provide a comprehensive verdict of how market development affects the overall performance of a firm.

The study by Chandola and Fu (2017) assessed the use of the market development strategy by Chinese smartphone manufacturing companies in the India market. It

utilized the multiple case study design that entailed interviewing managers from four Chinese phone manufactures. Results revealed that the companies were using a wide array of market development strategies to enter the Indian market including affordable pricing and integrated marketing communication on Facebook, Twitter, festivals, and mass media. Although the study by Chandola and Fu (2017) accurately captured the market development strategies used by the smartphone manufactures, it did not examine how these strategies affect the performance of the companies. In addition, the study was conducted outside Africa and thus findings may not reflect the situation in companies operating the African context.

In Kenya, Njari and Muathe (2018) assessed the effect of market development strategy on the growth of the East African Breweries Limited (EABL). The study used two parameters to assess market development namely; establishing distribution channels in other countries and recruitment of agencies in foreign countries to market and sell its products. It adopted a descriptive research design that involved using questionnaires to collect data from 140 employees and interviewing 4 managers. Results revealed that the market development strategies had positively influenced the growth of EABL by enabling it to acquire new clients and spread risk across different geographical regions. The study by Njari and Muathe (2018) however used descriptive and qualitative method to explore the influence of market development strategies on EABL. The proposed study intends to use more robust inferential statistics to test the significant of the relationship between market development and performance of companies.

2.3.3 Integration Growth Strategy and Performance

Integration growth strategy focuses on expanding an organization by combining it with other organizations (Zapata & Ulbinaite, 2018). Integration can either be horizontal or vertical. Horizontal integration is the joining of companies that operate at the same level in the supply chain. In the milk processing context, horizontal integration may entail merging with or acquiring other milk processors. On the other hand, vertical integration is the joining of companies that are at different levels in the supply chain. The strategy can further be broken down into two categories: vertical forward integration and vertical backwards integration. Forward vertical integration entails a company joining other entities that are below it in the supply chain. In the

milk processing context, it may entail a processor acquiring or merging with a milk distribution or retail organization. Vertical backwards integration entails a company joining with other entities that are above it in the supply chain. In the milk processing context, this strategy may entail a dairy processors acquiring or merging with a dairy farm.

The study by Patak, Branska, and Pecinova (2019) examined the impact of horizontal integration on retail stores in the Czech Republic. The paper employed a descriptive research design and collected data from managers in 142 retail stores. Results showed that horizontal integration was associated with less optimal visual style of the stores, limited influence over the breadth of products, limited influence on prices and margins, and lower quality of delivered goods. These findings suggest that horizontal integration has negative impact on performance of the retail chain. However, Patak *et al.* (2019) focused on the retail industry in a European country and thus findings may not reflect how horizontal growth strategy influence performance of dairy processors in Kenya.

On the other hand, the study by Sarka and Pavla (2016) linked horizontal integration to positive outcomes. The study examined the impact of horizontal integration on the effectiveness of hospitals in the Czech Republic. The study utilized the longitudinal research design that entailed analysis of the financial records of five hospital holdings for a 10 year period spanning between 2004 and 2013. Results revealed that horizontal integration led to reduction in cost per treatment day and duration of stay in the sampled hospitals. This implies that this strategy has a positive influence on the efficiency of the hospitals. However, Sarka and Pavla (2016) conducted their study in the healthcare industry in Europe and thus results may not apply to the dairy processing industry in Kenya. In addition, the authors noted that some of the holdings that were analyzed had integrated a long time ago making it difficult to find specific comparable information.

The study by Kim, Park, and Lee (2017) examined the influence of vertical and horizontal integration strategies on the survival of cable network companies in South Korea. The study used the case control design where cable network companies that closed operations between 2002 and 2010 were compared with cable network companies that continued to operate after 2010. Results showed that vertical

integration has no significant influence on the survival of the cable network companies (Kim *et al.*, 2017). Results showed that vertically integrated companies were not significantly more sustainable than companies that are not despite this strategy leading to enhanced efficiency. On the other hand, horizontal integration has a significant and positive influence on the survival of these companies. Companies that were horizontally integrated were significantly more sustainable than those that were not as the former enjoyed economy of scale and risk reduction cause by the portfolio effect. The influence of horizontal integration on the companies' survival was moderated by the similarity of the integrating entities with greater survival being noted among companies that have integrated in the same genres. However, Kim *et al.* (2017) have focused on the cable network companies that fall in the telecommunication industry and thus the findings may not apply to the dairy industry in Kenya. In addition, the study delved into the influence of integration of firm survival rather than firm performance, which is the aim of the proposed study.

On the contrary, the study by Navarro, Hernandez, and Jaime (2017) found that vertical integration (both vertical backwards and forward integration) had a positive influence on firm expansion. The study focused on a sample of 1848 manufacturing companies from Spain. Results showed that companies that had greater vertical forward integration or vertical backward integration exhibited greater regional expansion than companies that had lower scores for either two integration dimensions. Results also showed that companies that had greater horizontal integration also had greater geographical expansion. This implies that horizontal integration also has a positive influence on geographical expansion. However, the study by Navarro *et al.* (2017) focused on manufacturing organizations in Spain and thus findings may not reflect the situation in the Kenyan dairy industry. The study also investigated the link between integration strategies and firms' geographical expansion rather the relationship between integration strategies and firm performance. The proposed study seeks to address these gaps.

2.3.4 Diversification and Performance

Diversification entails creating new products and selling them in new markets (Loredana, 2017). This strategy combines both product and market development strategies leading to both market (geographical) and product diversification. The

effect of this strategy on performance was examined in the study by Osorio, Colino, Martin, and Vincente (2020) that a sample of 2,217 SMEs in the Spanish manufacturing sector. The study utilized a longitudinal design where the SMEs secondary data for a ten-year period (1994-2014) was analysed. The study considered the effect of two forms of diversification namely related and unrelated diversification.

Results showed that development of closely related products had a positive influence on the performance SMEs operating in diverse markets (Osorio *et al.,* 2020). On the other hand, developing unrelated products negatively influenced the performance of the SMEs operating in diverse markets. The findings imply that related diversification has a positive influence on performance while unrelated diversification has a negative influence on performance. The study by Osorio *et al.* (2020) is however conducted in Europe where the business environment is notably different from that of Kenya and thus findings may not reflect the situation in Kenyan companies.

Also in Spain, Prada, Rodriguez, and Jordan (2019) examined the effect of diversification on performance but with a focus on listed nonfinancial companies. Results showed that when used alone, market development has a U-shaped relationship with performance where performance decline initially then increases after some time. On the other hand, product development alone (within a single market) does not have a significant effect on performance, unless when combined with high level of market diversification. Results showed that combining market and product development strategies significantly improves performance with the relationship between these combined strategies and performance remaining robust after controlling for extraneous variables such as company size and ownership. The contextual difference between Kenya and Spain also limits the applicability of the findings by Prada *et al.* (2019) in explaining growth and performance in the Kenyan dairy industry.

Doeei, Anuar, Ismail (2014) examined the relationship between diversification and financial performance in a sample of 102 manufacturing companies in the city of Bursa in Malaysia. The study used a longitudinal design where secondary data of the companies for a 5-year period (2006-2010) was analysed. Results showed that companies that had diversified both their products and markets had better performance than companies that rely on product or market diversification alone. This

finding implies the diversification strategy has a positive influence on performance even among companies operating in the Asian markets. However, there are questions regarding the relevance of Doeei *et al.* (2014) findings to Kenyan companies given the differences between the Kenyan and Malaysian business environments. The study also used financial measures of performance and thus did not establish the effect of diversification on other performance perspectives.

On the other hand, Anil and Yigit (2011) found that diversification (both concentric and conglomerate) were not significantly associated with the performance indicators in a sample of 318 companies listed on the Istanbul Stock Exchange in Turkey. The author explained that the insignificant association stems from macro environmental conditions in Turkey such as privatization policies, absence of perfect competition conditions, and crises conditions during the period of research. Wanjira (2019) also found that conglomerate diversification did not have any significant influence on state owned firms in Kenya. However, concentric diversification had a statistically significant influence on performance. These studies illustrate that the relationship between various forms of diversification and performance various from industry to industry as well as from one context to the next.

The study by Adeleke, Odebeatu, and Adeoye (2018) examined the influence of diversification strategies on the survival of banks in Nigeria during economic crises. The study utilized the survey method that entailed collecting data from 372 staff from several banks using closed-ended questionnaires. Results showed that both unrelated and related diversification strategies had a positive influence on the performance of the banks. Banks that were involved in related or unrelated diversification performed better than those that remained undiversified. However, Adeleke *et al.* (2018) have focused on banks and limited their analysis to period of economic crises. In addition, the study has assessed performance from only one perspective namely profit growth. The proposed study will focus on the dairy processing industry and will assess performance from four perspectives provided by the BSC model.

2.4 Conceptual Framework

Figure 2.1 presents the conceptual framework showcasing the presumed relationship between growth strategies and the performance of dairy processing companies in Kenya.

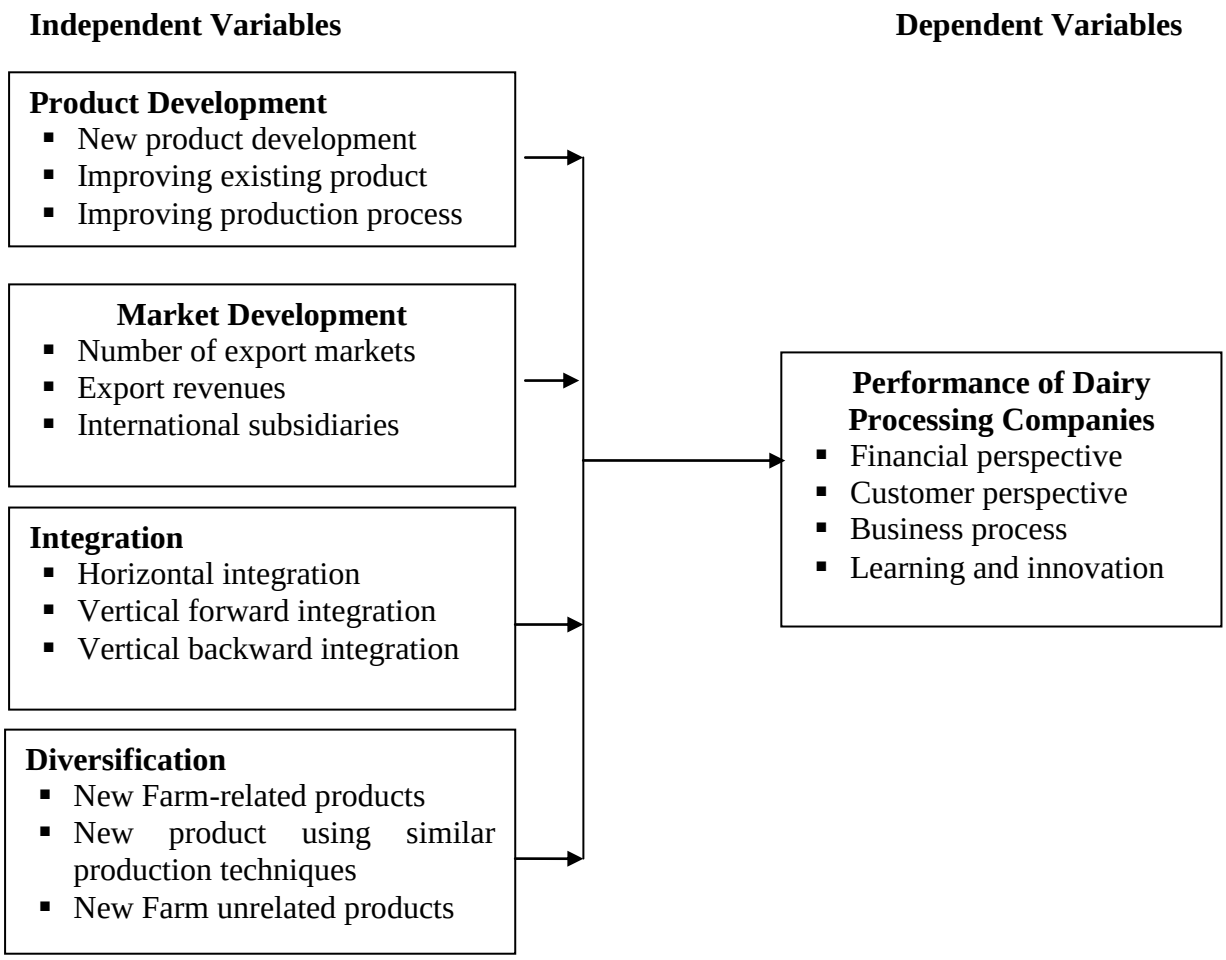


Figure 2.1: Influence of Growth Strategies on Performance of Dairy Processing Companies

Figure 2.1 illustrates that the study had four independent variables namely product development, market development, integration, and diversification. Product development was measured by examining the company new product development trends, improvements in existing products, and improvement in production process. The study theorized that product diversification affects performance by increasing the sources of revenues for the company. It may also affect performance negatively as the new product may require additional equipment and workers to produce and sell.

Market development strategy was examined by looking at the number of export markets for the New KCC, value of revenues earned from export market, and number of international subsidiaries or partnerships if any. The study presumed that market diversification positively influences performance by creating additional revenue streams and reducing the company reliance on a single market. It could also affect performance negatively by increasing the cost of operations as the new market needs new distribution network, promotional campaigns, and regulatory compliance.

Integration was measured using three parameters namely horizontal integration, vertical forward integration, and vertical backward integration. Horizontal integration entails acquisition of firms that are at the same level in the value chain such as other milk processing companies. Vertical forward integration entails merging or acquiring business that are below New KCC in the value chain such as wholesalers and retailers. Vertical backward integration entails acquiring or merging with businesses that above New KCC in the value chain such as dairy farms.

Diversification was assessed by interrogating the number of farm-related products that have been developed by New KCC such as eggs, cattle feeds, and credit services to farmers. It has also assessed the creation of new products that use similar production technologies as dairy products such as production of juices or bottled water. Diversification was also measured in terms of development of products that are completely unrelated to farming such as investment in real estate. The study theorized that diversification improves performance by reducing the company's reliance on a single product and a single market. It may also reduce performance by reducing coordination and focus.

Performance of the dairy processing companies was assessed from the four BSC perspectives: financial, customer, business processes, and learning and innovation.

2.5 Summary and Research Gaps

From the review, it is evident that one of the theoretical frameworks that have shaped research on growth strategies is the Ansoff Matrix. This model suggests that companies can use four strategies to grow namely market penetration, product development, market development, and diversification. This theory was useful in identifying and operationalizing growth strategies to be examined in the study. Another theory that was found to be relevant to this study is the theory of the growth of the firm. This theory was instrumental in predicting the relationship between growth strategies and performance. It proposes that the influence of growth strategies on performance is shaped by managerial capacity and the firm's ability to respond to growth obstacles and inducements. Although many theories and models for explaining performance have been advanced, the review has established that the BSC is most widely accepted framework. The BSC has become popular because it goes

beyond the financial standpoint when assessing performance and looks at other perspectives namely customers, business processes, and learning and innovation.

The empirical review has established that there are quite a number of studies that have explored the link between product development, market development, and performance, but most of these studies have dwelled on financial indicators when assessing performance. This study sought to address this gap by using the four BSC perspectives in assessing the performance of dairy processing companies. Lastly, the review has established that there are very few studies examining the use of diversification strategy as defined by Ansoff matrix (combination of product and market diversification) in the African context. This study intends to solve this gap by examining how diversification strategies influence the performance of dairy processors in Kenya.

Table 2.1: Summary of Reviewed Literature

Variables	Author/Year	Purpose of the Study	Methodology	Findings	Gaps	How current study filled the gap
Product Development	Zedek (2016)	To establish the relationship between product diversification and bank performance as well as how ownership structure moderate this relationship	The study analyzed longitudinal data for 710 commercial banks in Western Europe	Product diversification was positively associated with both the profitability and risk scores of the banks. The effect of product diversification on performance is enhanced when bank have controlling shareholders than when shareholders have little voice	Study was conducted in Europe and focused on the banking industry. Study used financial measures of performance only (the ROA)	Proposed study will focus on the dairy processing industry in Kenya. It will include non-financial measures of performance such as customer perspective and business process efficiency.
	Abolarinwa, Asogwa, Ezenwakwelu, Court and Adedoyin (2020)	To examine the relationship between corporate growth strategies and financial performance of listed manufacturing companies in Nigeria as well as the mediating role of global economic crises	The study analyzed longitudinal data belonging to 120 listed manufacturing companies	Internal growth strategies such as product development had a statistically significant and positive influence on both ROA and ROE during calm economic periods. External growth strategies had a negative effect on ROA and a positive effect on ROE during calm economic periods. However, internal growth strategies such product development have a negative effect on performance during economic crises	Study focused on the financial sector in Nigeria and thus may not reflect the reality on the dairy industry in Kenya. Performance was also measured using financial indicators only.	Proposed study will focus on the Kenya dairy processing industry and will incorporate non-financial measures of performance.
	Kariuki, Iravo, and Kihiro (2015)	To establish the performance of value added dairy products in the Kenyan market	The study used a correlational survey design where data was collected from384 informal dairy enterprises	There is little diversification and value addition in the informal dairy market. Value added dairy products perform better in terms of profitability compared to products that are sold in primary form.	Study focused on informal milk enterprises that have little capacity for value addition	Proposed study will assess the issue of value addition and product diversification at New KCC, which a formal dairy enterprise

	Mbithi, Muturi, and Rambo (2015)	To examine empirically the effect of new product development strategy on company performance	Study utilized cross-sectional survey design that entailed collecting data from 72 managers of sugar companies in Kenya	Development of new product by the sugar companies was limited but the companies were involved in the improvement of exiting products and product processing procedures. These improvements had a positive and significant influence on performance.	The study focused on sugar companies and thus findings may not reflect the situation in the dairy industry. The study use financial indicators only to measure performance	Proposed study will focus on the dairy processing industry. It will use the BSC approach to measure performance.
Market Development	Jang, Kwon, Ahn, Lee and Park (2019)	To examine the relationship between international diversification and the performance of construction companies as well as the moderating effect of regional, product and industry diversifications	The study utilized a longitudinal design that entailed assessing 6-year data from 72 construction companies from different parts of the globe.	There is a U shaped relationship between market development and performance. In the initial stage, market development negatively shapes performance because the company lacks knowledge of the foreign markets and regulatory environment. However, the companies learn how to adjust to the new markets and become acquainted with new condition leading to improved performance.	Study did not however analyse any data from African countries and thus findings may not apply to firms in this region. It also focused on the construction industry	Current study will focus on the dairy industry in Kenya.
	Osifo and Osagie (2020)	To investigate the effect of market diversification on performance of listed deposit taking banks in selected SSA countries	The study used the longitudinal design where 10 years secondary data from 50 banks operating in 11 SSA countries was analyzed	There is a statistically significant and negative association between the number of foreign subsidiaries owned by a bank and the performance of the bank.	Study focused on banks and thus may not reflect the situation in dairy processing companies due to industry differences. The study also limited it assessment of performance to financial metrics and thus did provide a comprehensive	Proposed study will focus on the dairy industry in Kenya and use the BSC perspective to measure performance

					verdict of how market development affects the overall performance of a firm	
	Chandola and Fu (2017)	To examine strategies that Chinese phone manufacturers use to enter the Indian market	The study utilized the multiple case study design that entailed examining the strategies used by 4 Chinese phone manufacturers	The companies were using a wide array of market development strategies to enter the Indian market including affordable pricing and integrated marketing communication on Facebook, Twitter, festivals, and mass media.	Study did not examine how these strategies affect the performance of the companies. In addition, the study was conducted outside Africa and thus findings may not reflect the situation in companies operating the African context.	Proposed study will use inferential statistics to test the relationship between market development strategies and performance of dairy processing companies.
	Njari and Muathe (2018	To establish the influence of market expansion strategy on the growth of East African Breweries Limited (EABL) in Kenya	Study employed descriptive research design that entails collecting data from 144 employees of EABL using questionnaires	The market development strategies had positively influenced the growth of EABL by enabling it to acquire new clients and spread risk across different geographical regions.	The study used descriptive and qualitative method to explore the influence of market development strategies on EABL. The dependent variable was growth which is just one aspect of performance	The proposed study intends to use more robust inferential statistics to test the significant of the relationship between market development and performance of companies.
Integration Growth Strategies	Patak, Branska, and Pecinova (2019)	Influence of horizontal integration of Czech retail stores	The study utilized descriptive design that entailed	Horizontal integration was associated with less optimal visual style of the stores, limited influence	Study focused on the retail industry in a European country	Proposed study will focus on dairy processing

			collecting data from 142 retail store managers using questionnaires	over the breadth of products, limited influence on prices and margins, and lower quality of delivered goods. These findings suggest that horizontal integration has negative impact on performance of the retail chain.	and thus findings may not reflect how horizontal growth strategy influence performance of dairy processors in Kenya	companies in Kenya
	Sarka and Pavla (2016)	To establish the effect of horizontal integration on efficiency of hospital	The study used the longitudinal design that entailed examining records of five hospital holdings for the 2004-2013 period	Horizontal integration led to reduction in cost per treatment day and duration of stay in the sampled hospitals.	Study focused on the healthcare industry in Europe and thus results may not apply to the dairy processing industry in Kenya. The study also assessed influence of integration on efficiency and not performance	Proposed study will be conducted in the Kenyan dairy processing industry. It will assess the influence of integration strategies on performance.
	Kim, Park, and Lee (2017)	To examine the influence of vertical and horizontal integration on survival of Korean cable network companies	Utilized case control design that entail comparing companies that collapsed with a certain a period with those that did not collapse	Vertically integrated companies were not significantly more sustainable than companies that are not despite this strategy leading to enhanced efficiency. On the other hand, horizontal integration has a significant and positive influence on the survival of these companies. Companies that were horizontally integrated were significantly more sustainable than those that were not as the former enjoyed economy of scale and risk reduction cause by the portfolio effect. The influence of horizontal integration on the companies' survival was moderated	Study focused on the cable network companies that fall in the telecommunication industry and thus the findings may not apply to the dairy industry in Kenya. In addition, the study delved into the influence of integration of firm survival rather than firm performance, which is the aim of	Proposed study will focus on the Kenyan dairy industry. It will assess influence of horizontal and vertical integration on performance

				by the similarity of the integrating entities with greater survival being noted among companies that have integrated in the same genres	the proposed study.	
	Navarro, Hernandez, and Jaime (2017)	To examine the relationship between partnerships and geographical expansion in family firms in the Spanish manufacturing sector	The study utilized cross-sectional design that entailed analysis of secondary data for 1848 companies of which 824 were family firms	Companies that had greater vertical forward integration or vertical backward integration exhibited greater regional expansion than companies that had lower scores for either two integration dimensions. Results also showed that companies that had greater horizontal integration also had greater geographical expansion. This implies that horizontal integration also has a positive influence on geographical expansion.	Study focused on manufacturing organizations in Spain and thus findings may not reflect the situation in the Kenyan dairy industry. The study also investigated the link between integration strategies and firms' geographical expansion rather the relationship between integration strategies and firm performance.	Proposed study will assess the situation in the Kenyan dairy processing industry. It will analyze the link between integration strategies and firm performance
Diversification	Osorio, Colino, Martin, and Vicente (2020)	To explore the impact of combining geographical diversification with product diversification	The study utilize longitudinal design that entailed analyzing 20-year data for Spanish SMEs	Development of closely related products had a positive influence on the performance SMEs operating in diverse markets (Osorio *et al.*, 2020). On the other hand, developing unrelated products negatively influenced the performance of the SMEs operating in diverse markets. The findings imply that related diversification has a positive influence on performance while unrelated diversification has a negative influence on performance.	Study is conducted in Europe where the business environment is notably different from that of Kenya and thus findings may not reflect the situation in Kenyan companies.	Proposed study will focus on the Kenyan set-up

	Prada, Rodriguez, and Jordan (2019)	To explore the effect of product and geographic diversification on company performance during an economic downturn	Study employed longitudinal design that entailed assessing 5-year data of non-financial Spanish companies	When used alone, market development has a U-shaped relationship with performance where performance decline initially then increases after some time. On the other hand, product development alone (within a single market) does not have a significant effect on performance, unless when combined with high level of market diversification. Results showed that combining market and product development strategies significantly improves performance with the relationship between these combined strategies and performance remaining robust after controlling for extraneous variables such as company size and ownership	The contextual difference between Kenya and Spain also limits the applicability of the findings in explaining growth and performance in the Kenyan dairy industry.	Proposed study will provide evidence that is specific to the Kenyan dairy industry context
	Doaei, Anuar, and Ismail	To examine the relationship between product diversification and international diversification with financial performance in manufacturing firms listed in Bursa Malaysia	Study utilized the longitudinal design that entailed analyzing 5-year data for 102 manufacturing firms	Companies that had diversified both their products and markets had better performance than companies that rely on product or market diversification alone. This finding implies the diversification strategy has a positive influence on performance even among companies operating in the Asian markets.	There are questions regarding the relevance of findings to Kenyan companies given the differences between the Kenyan and Malaysian business environments. The study also used financial measures of performance and thus did not establish the effect of diversification on other performance	Proposed study will focus on the Kenyan context and will use the BSC approach to capture the effect of diversification on different performance perspectives.

					perspectives.	
	Adeleke, Odebeatu, and Adeoye (2018)	To examine the influence of diversification strategies on performance of sampled Nigerian Banks	Study utilized the survey design that involved collecting data from bank employees using questionnaires	Both related and unrelated diversification had a positive and significant influence on the performance of the banks.	Study focused on banks and limited their analysis to period of economic crises. In addition, the study has assessed performance from only one perspective namely profit growth.	The proposed study will focus on the dairy processing industry and will assess performance from four perspectives provided by the BSC model.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research design, the population that was targeted by the study, the determination of sample size and techniques that were used to select the sample. It also deliberates on the data collection instruments, piloting of the instruments, and the procedures that were followed during data collection. It culminates with a discussion of the data analysis and presentation methods as well as the ethical considerations.

3.2 Research Design

The study employed the descriptive design because the purpose of the study was to describe the growth strategies used by New KCC, the performance of the organization as well as test the relationship between the two variables. This design was appropriate for the study because the researcher had little control over the study variables and thus the only way to study them is by describing as they exist in the study setting (Bryman, 2016). The study combined both quantitative and qualitative research methods.

3.3 Target Population

The study targeted senior and middle management employees working at the New KCC Nairobi Branch. According to the New KCC Human Resource Department (2020), the company had 12 senior managers and 159 middle management employees at the Nairobi Branch, which bring the total population to 171 employees. Although New KCC has 16 other branches, the Nairobi Branch was deemed to be the most appropriate because it gave the researcher access to employees who are directly involved in the management of strategic issues

3.4 Sample Size and Sampling Techniques

The sample size for the study was determined using the Nassiuma (2000) sample size formula:

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

Where:

n is the sample size

N is the target population (171)

C is the coefficient of variance (30% or 0.3)

E= standard error (2% or 0.02)

Therefore, the appropriate sample size was determined to be:

$$n = \frac{171\,(0.3)^2}{0.3^2 + (171-1)0.02^2}$$

$$n = 97.41 \approx 97 \text{ employees}$$

The stratified random sampling technique was used to select the 97 respondents from the target population. Three strata were formed from the departments at the New KCC namely: Operations, Administrative, and Sales. The operations strata comprised of employees dealing with production (N=74), the administrative strata comprised of employees dealing with administrative issues such human resource management and finance (N=43), and the sale strata comprised of the marketing and sales employees (54). According to Bryman (2016), stratified sampling increases the representativeness of the sample by ensuring that respondents are selected from all sub-groups that make-up the study population. Table 3.1 presents a breakdown of number of respondents that were selected in each stratum.

Table 3.1: Sampling Plan

Division	Population of Senior Managers	Sample size for Senior Managers	Population of Middle Managers	Sample Size for Middle Managers	Total sample
Operations	4	4	70	38	42
Administrative	5	5	38	20	25
Sales	3	3	51	27	30
Total	**12**	**12**	**159**	**85**	**97**

As illustrated in Table 3.1, all the 12 senior management employees were involved in the study. Therefore, their sample size was equal to their population and thus no sampling was done. The sample size for middle level managers in each stratum was proportional to the total population of middle level staff in the strata. In each stratum,

the middle managers were selected from the employee register using the simple random sampling method.

3.6 Data Collection Instruments

Data was collected using questionnaires and interview guides. Questionnaires were deemed to be the most appropriate tools for collecting data from the middle level managers because they enable the researcher to cover a large number of respondents within a reasonable time. This was possible because the questionnaires were completed by the respondents in the absence of the researcher which also enabled the study to overcome the barrier created by the Covid-19 pandemic. The use of questionnaires also made the data collection processes less disruptive to the work of the employees. The questionnaire comprised of closed-ended questions because its goal was to collect quantitative data that would facilitate statistical analyses. Most of the questions were in the Likert format where respondents were asked to indicate their agreement with the statements provided on a five-point scale. It was divided into six sections: Section A for demographic information, section B for information relating to the performance of New KCC, section C for product development, Section D for market development, section E for integration strategies, and section F for diversification. The questionnaires delivered to the human resource office for onward distribution to the staff due to COVID-19 concerns, which made it personal interaction difficult.

Interview guides were used to collected data from the senior management staff. The tool was deemed appropriate for this group because they were likely to be more informed about the company's strategic issues (Creswell, 2014). Consequently, the interview guide enabled the researcher to engage these staff in-depth leading to generating of rich data regarding the company's growth strategies and performance. The interview guide was semi-structured because it had a set of uniform questions for all the HODs, but also allowed the researcher to ask follow-up questions that varied from one HOD to another depending on their responses to initial set of uniform questions. The follow-up question aided in probing and encouraging open discussions with the interviewees leading to collection of in-depth data. The interview guide was also divided into six sections in line with the variables of the study. The interviews were conducted over the telephone due to COVID-19 concerns.

3.7 Pilot Study

A pilot study was conducted at KCC Nairobi Branch to assess the validity and reliability of the instruments. The pre-test involved 10 respondents mainly the middle level managers. Those who participated in the pilot study were excluded from the main study.

3.7.1 Validity of the Instruments

The pilot test data helped to assess the content validity of the instrument; whether the content measures the variables that the study intends to measure (Ghazali, 2016). The data obtained from the sample confirmed that the instrument was adequate in providing the information needed to achieve the objectives of the study. The pilot study was also useful in determining face validity of the instrument; how well the instrument makes the respondents feel comfortable to answer the questions. From the pilot study, no questions were left answered meaning that respondents were comfortable in answering the questions.

Content, criterion, and face validity of the instrument was also assessed by consulting university research supervisors who have in-depth knowledge of the research issue (Ghazali, 2016). The university supervisors made several recommendations aimed at improving validity including the provision of a ranking scale on top of each set of scale items. They also recommended changes to questions in the diversification scale. Content validity was enhanced by dividing the instrument into sections that correspond to each variable of the study to ensure that all variable are comprehensively covered.

3.7.2 Reliability of the Instruments

The Cronbach alpha method was used to assess the reliability of the questionnaire. This method entailed assessing the pilot test data and computing an alpha value for set of questions assessing each of the variables of the study. A threshold of 0.7 was used to distinguish sets of questions that have acceptable levels of reliability from those that need to be restructured. Only the close-ended questions within the questionnaires were subjected to reliability test as these are the only items that yield quantitative data that can be assessed for reliability. Results of the reliability analysis are presented in Table 3.2.

Scale/ Variable	No. of Items	Cronbach Alpha
Product development	5	0.952
Market development	5	0.821
Integration	8	0.848
Diversification	7	0.701
Performance	4	0.831

Table 3.2 illustrates that that all the scales measuring the five variables of the study had a Cronbach alpha value that is greater than the 0.7 threshold. This implies that they had an acceptable level of reliability.

3.8 Data Collection Procedure

The researcher sought authorization to conduct the study from the Board of Postgraduate Studies at St. Paul's University and the National Commission for Science, Technology and Innovation (NACOSTI). The researcher then approached the human resource management team at the New KCC Nairobi Branch, informed them about the study, and sought their assistance in data collection. The study indulged the human resource manager in identifying and selecting respondents, seeking their consent, and distributing the questionnaire. The respondents were also requested to drop-off their completed questions in the HR department comment box without including any information that could identify them to protect their anonymity. The researcher then collected the completed questionnaire from the HR department. For the interview, the researcher obtained the telephone contacts of the managers, which were used to contact the manager and conduct the interviews.

3.9 Data Analysis and Presentation Methods

Quantitative data obtained through questionnaires was sorted, coded and entered into the Statistical Packages for Social Sciences (SPSS). Descriptive statistics were used to describe the existing growth strategies at New KCC and the performance of the organization. Multiple regression analysis was used to assess the influence of growth strategies on the performance of the organization. The following model guided the analysis:

$$Y= \beta_0+ \beta_1X_1+ \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$$

Where,

Y= Performance of New KCC,

β_0 = constant,

β_1, β_2, $\beta 3$, and $\beta 3$ = coefficients for the independent variables,

X_1 = Product development,

X_2 = Market development,

X_3 = Integration strategies,

X_4 = Diversification strategies,

e= error term.

The relationship between the independent and dependent variables will be tested at the 0.05 level of significance. Three multiple regression outputs were analysed namely: the model summary statistics including the coefficient of determination, the ANOVA statistics, and the regression beta coefficient table (Schneider, Hommel, and Blettner, 2010). Results of the quantitative data analysis were presented in tables and figures. Qualitative data collected through interviews was organized into themes that relate to the research questions. Results are presented using illustrative quotes.

3.10 Ethical Considerations

To assure quality and safety of the research process, the researcher obtained authorization to conduct the study from NACOSTI and Board of Postgraduate at St. Paul's University. The researcher also obtained approval from the management of New KCC. According to Gelling (2016), research approval process helps to evaluate and minimize possible risks that the study may pose to participants and ensure that the study meets acceptable ethical standards.

To fulfil the ethical requirement of informed consent, the researcher included an introductory section in the questionnaire that contained details about the research including its purpose, objective, potential benefits and risk, and what is expected of them. The introductory letter also informed respondent regarding the voluntary nature

of participation and their right to refuse to participate without being subjected to any negative consequences.

To protect respondents from harm such as embarrassment or victimization, their identity was kept anonymous. The respondents were instructed not to write their names, employment number, national identity number or any other detail that may disclose their identity. They were also instructed to deposit the completed questionnaire at the Human Resource Department comment box at their own time to further ensure anonymity. This anonymity was instrument in encouraging the respondents to complete the questionnaire truthfully without fear of being victimized by their seniors. The anonymity aspect was particularly important in this study due to the active involvement of the human resource manager in the distribution of the questionnaire and collection of completed questionnaires. Anonymity of the interviewees was safeguarded by using codes in reporting qualitative findings.

The researcher maintained a high level of integrity and objectivity during the study. Information obtained from other sources was appropriately documented using in-text citations and in the list of references. An anti-plagiarism test was also done to ensure that not more than 30% of the content of the study is obtained from other sources. Findings are reported accurately and without bias.

CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTEPRETATION

4.1 Introduction

This chapter describes the methods used to analyse data, presents the results of the data analysis, and interpret these results in the context of existing literature. The chapter is organized into four major sections namely: response rate, respondents' demographic profile, descriptive and qualitative analyses, and the multiple regression analysis.

4.2 Response Rate

Out of the 97 individuals that were targeted by the study, a total of 81 were able to complete the study by either completing a questionnaire or participating in the interview. This figure translates to a response rate of 83.5%, which is above the mean response rate for published organizational rate which Fulton (2016) found to be about 50%. A high response rate improves the quality of data being collected by reducing nonresponse bias. Table 4.1 presents a further analysis of the response rate for specific categories of respondents.

Table 4.1: Response Rate

Respondent category	Expected Number	Actual Number	Response Rate
Senior managers	12	7	58.3%
Mid-level managers	85	74	87.1%
Total	97	81	83.5%

Table 4.1 illustrates that the response rate for senior managers was 58.3%, which is lower than the general response rate (83.5%). This scenario was also observed by Fulton (2016), who found that published organizational studies targeting senior managers of organization had an average response rate of 34%. This implies that it is common to get low response rate in studies that involve senior major due to accessibility challenges. The response rate for mid-level managers was 87.1%, which is higher than the genera response rate.

4.3 Respondents Demographic Profile

The demographic profile of respondents was assessed in terms of their gender, age, education level, and length of stay at the New KCC with the aim of establishing the representativeness of the sample. This information is summarized in Table 4.2.

Table 4.2: Respondents Demographic Profile

Demographic Trait	Categories	Senior Managers	Mid-Level Managers
Gender	Male	71.4%	63.5%
	Female	28.6%	36.5%
Age	Mean	46.32 years	37.8 years
	Minimum	38 years	24 years
	Maximum	61 years	52 years
Work Years	Mean	19.4 years	10.8 years
	Minimum	7 years	1 years
	Maximum	33 years	30 years
Highest Education Level	Secondary or below		25.7%
	Tertiary college		28.4%
	University Degree	100.0%	45.9%

Table 4.2 illustrates that there were more male respondents (71.4%) than female respondents (28.6%) in the sample for senior managers. The same trend was also observed in the mid-level managers' sample where male comprised of 63.5% while female comprised of 36.5%. These findings are consistent with the study by Ng'ang'a (2015), which found that women account for 36% of wage employment in Kenya. The findings are also congruent with the study by Njahia (2017), which found that female representation in the boards of listed companies in Kenya was 21%. The gender representation of the sample for the current study is thus representative of the general labour population.

In terms of age, mid-level managers had a mean age of 37.8 years with the youngest being 24 years old and the oldest being 52 years. Senior manager had a higher average age of 46.32 years with the youngest being 38 years and the oldest being 61 years. This finding is congruent with the study by Kiragu, Muhoho, and Gesimba (2020), which found that average of mid-level employees in Kenyan manufacturing organizations is 37.96 years while that of senior managers is 47.43 years. This implies that the sample for the current study is consistent with age distribution in the manufacturing workforce.

The mid-level managers had worked at the New KCC at an average age 10.8 years while senior managers had an average length of stay at the company of 19.4%. This implies that most of the respondents were in a position to provide informed opinion about the company's growth strategies and performance because they have worked in the company for a number of years. There was education level diversity in the sample of mid-level manager with 25.7% having the secondary level of education, 28.4% having tertiary level of education, and 45.9% having a bachelor degree or above. All senior level managers had university level of education.

4.4 Descriptive and Qualitative Analyses

Descriptive and qualitative analyses sought to determine the extent to which each of the four growth strategies is applied at the New KCC. The analyses also sought to determine the financial performance of the organization.

4.4.1 Product Development at New KCC

Product development at New KCC was assessed by presenting respondents with a set of five statement and ask them to rate them on a five-point scale (1=strongly disagree to 5 = strongly agree). Table 4.3 presents the results.

Table 4.3: Respondents views on Product Development at New KCC

S/N	Statement	N	Mean	S.D.
1	New KCC has developed new products in the last five years	74	4.76	.569
2	New KCC has made improvement to existing product in the last five years	74	4.66	.603
3	New KCC has introduced a new production technology in the last five years	74	4.65	.766
4	New KCC has a functional research and development department	74	4.18	1.102
5	The research and development department at New KCC is adequately funded	74	3.97	1.122
	Product Development Aggregate score	**74**	**4.44**	**.751**

Table 4.3 illustrates that respondents on average strongly agreed (mean=4.76) with the first statements, which claimed that New KCC has developed new products in the last five years. The standard deviation (SD=.569) is also less than 1 suggesting that there was little dispersion in respondents' views on this issue from the average

position. These findings confirm that New KCC has been involved in the development of new products in the last five years and; thus, product development is part of its growth strategy. The findings are not congruent with the study by Kairuki, et al. (2015), which found that there is little product diversity in the Kenyan dairy market. However, the inconsistent can be explained by the fact that the earlier study focused on informal dairy enterprises rather than formal milk processing companies. Current findings suggest the formal milk processing companies particularly, the new KCC have diversified their products. Kinuthia and Maina (2019) also found that the number of product sold by New KCC increased from 5 to 19 between 2015 and 2017 indicating that the company had developed a number of new products within this period. This position was reinforced by the qualitative data collected during the interview. One the interviewee listed about 11 products that the New KCC produces:

> *"We product a wide variety of products include fresh milk, fat free milk, skimmed milk powder, butter, yoghurt, long life milk, cream milk powder, milk shakes, cheese, and ghee." (Interviewee 3, 2021)*

Another interviewee also affirmed the position that New KCC has introduced new products in the last five years:

> *"In 2019, we launched the 100% lactose-free milk in the country, which made us the first processor in the East African region to produce this product." (Interviewee 5, 2021)*

Respondents also average strongly agreed (mean= 4.66) with the second statement, which specified that New KCC has made improvement to existing product. There was also little dispersion in the respondents' views from the average position as suggested by the low standard deviation value (SD= 0.603). These results confirm that New KCC has also implemented product improvement initiatives, which is also an aspect of the product development growth strategy. These findings are consistent with the study by Mbithi *et al.* (2015), who also found that product improvement was a popular product development strategy in the Kenyan sugar processing industry where most companies were making improvements such developing innovative packaging or enhancing product branding.

In addition, respondents strongly agreed (mean=4.65) with the third statement, which detailed that New KCC had introduced new production technology in the last five years. The standard deviation value (SD= 0.766) indicates that there was a high level

of consensus among respondents on this issue. These results affirm that New KCC has introduced new production technology, which is another component of product development strategy. These findings are consistent with the report by Kibogy (2019), which acknowledged that the Kenya dairy processing sector have increased its raw milk cooling capacity through the procurement and distribution of over 350 coolers leading to enhanced microbiological quality of raw milk. The author cited that the country had over 500 milk coolers located in different parts of the country in 2019 with a capacity of 3.4 million litres per day. This position is also supported by the interview data where one of manager explained how New KCC had turned to information technology to streamline its production processes and improve the management of suppliers:

> *"In 2018, we installed an enterprise resource planning software that helps us to track supplies, pay farmers on time, control finances, and manage material and human resources. This has significantly improved the reliability and efficiency of our production process." (Interviewee1, 2021)*

Another manager explained that the company had plans to install a production line for processing camel and goat milk.

> *"We are planning on installing a camel and goat milk production line in our plant in Nanyuki to cater for increasing demand for these products." (Interviewee7, 2021)*

Furthermore, respondents on average agreed (mean=4.18) with the fourth statement, which alleged that New KCC has a functional research and development department. Respondents also on average agreed (mean= 3.97) with the last statement, which claimed that the research and development department at the New KCC is adequately funded. However, the standard deviations for these two statements were greater than 1 suggesting the respondents held diverse views on these issues. However, the findings points towards the conclusion that New KCC has a research and development department that is adequately funded. This position is supported by the interview data where one of the participants explained how New KCC has enhanced its R&D activities in order to increase its competitiveness. This study is consistent with Abolarinwa *et al.* (2020), who found that research and development activities were a major component of product development strategies among manufacturing organizations in Nigeria.

The product development aggregate mean score was 4.44. This score was obtained by getting the statistical mean of the five items used to measure product development. Since the highest possible score was 5, this score translates to a percentage score of 88.8%. This implies that according to the respondents New KCC exhibits 88.8% of the indicators that were used to assess the use of the product development growth strategy. This finding leads to the conclusion that product development is a dominant growth strategy at the New KCC.

4.4.2 Market Development at New KCC

To assess the use of the market development growth strategy at the New KCC, respondents were presented with a list of five statements and ask to indicate their agreement with each on five-point scale (1=strongly disagree to 5 = strongly agree). Their responses are summarized in Table 4.4.

Table 4.4: Respondents view of Market Development at New KCC

S/N	Statement	N	Mean	S.D.
1	New KCC exports its products to other countries	74	3.24	1.637
2	New KCC has increased the number of foreign markets in the last five years	74	2.96	1.339
3	New KCC has factors, cooling plants, or deports in other countries	74	2.43	.684
4	New KCC production and distribution infrastructure in foreign countries has expanded in the last five years	74	2.36	.674
5	New KCC revenues from new markets have increased in the last five years	74	2.89	1.601
	Market Development Aggregate Score	**74**	**2.78**	**.969**

Table 4.4 illustrates that respondents were on average not certain (mean=3.24) with the first statement, which alleged that New KCC exports its products to other countries. The standard deviation is greater than 1 (SD=1.637) suggesting that respondents held diverse views on this issue. It indicates that there was no consensus among respondents on whether New KCC exports its products. According to Lokuruka (2016), most of the milk produced in Kenya is consumed locally. However, Kibogy (2019) reports that Kenya is net exporter of dairy products. The exportation of dairy products by New KCC was confirmed by the interview data where two managers affirmed that the company exports long-life products, gee, and butter:

> *"We export long-life products to Uganda, Tanzania, and South Sudan. We are building up stocks with plans to start exporting to the Middle East." (Interviewee 2, 2021)*
>
> *We have several exports products including long-life milk, gee, and butter. Currently, our main export markets are the East African countries." (Interviewee5, 2021)*

Respondents were also on average indifferent (mean= 2.96) to the second statement, which claimed that New KCC had increased it export market in the last five years. The relative large standard deviation value (SD= 1.339) suggests that respondents held divergent views on this issue. The account providing by the two interviewees above however point to the conclusion that New KCC has expanded its export markets. The excerpt from Interviewee2 makes clear the company's plan to start exporting long-life products to the Middle East.

Respondents on average disagreed (mean= 2.43) with the third statement, which specified that New KCC has processing plants, cooling plants, or depots in other countries. There was a high level of consensus among respondents on this issue as indicated by the low standard deviation value (SD = 0.684). These results suggest that New KCC activities in foreign markets are largely restricted to export of products. The use of advance entry strategies such as franchising, licensing, joint ventures, and foreign direct investment is limited. According to Osano (2019), export is the first stage of a company internationalization process and; thus, current findings suggest that New KCC is at the initial stages expanding its operations to international markets.

Similarly, respondents on average disagreed (mean= 2.36) with the fourth statement, which detailed that New KCC's production and distribution infrastructure in foreign countries has expanded in the last five years. The standard deviation (SD= 0.674) suggest a high level of consensus among respondents on this issue. These results further confirm that New KCC operations in foreign markets have mainly been through the export of products.

Lastly, respondents were on average uncertain (mean= 2.89) with the claim that New KCC revenues from new markets have increased in the last five years. The standard deviation (SD= 1.601) suggest that respondents held diverse views on this issue. However, the interview data confirmed that revenues from export markets had in deed

increased. One of the interviewees reported that New KCC revenues from export markets had risen to Ksh. 400 million in the past decades.

> *"Ten years ago, New KCC was not exporting any product. Today, we make Ksh. 400 million from export of products like long-life milk, gee, and butter." (Interviewee5, 2021)*

The mean aggregate score for market development was 2.78 out of a highest possible score of 5. This translates to a percentage score of 55.6, which implies that from the respondents' perspectives, New KCC exhibits 55.6% of the indicators that the study used to measure the use of market development growth strategy. This outcome leads to the conclusion that market development is a not a widely used growth strategy at the New KCC.

4.4.3 Integration Strategies at New KCC

The use of integration strategies at the New KCC was assessed by asking respondents to rate a set of eight statements related to these strategies on a five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree). Table 4.6 summarizes the respondents' views.

Table 4.5: Respondents of Views of Integration Strategies at New KCC

S/N	Statement	N	Mean	S.D
1	New KCC has formed new partnerships with dairy farmers in the last five years	74	4.14	.689
2	New KCC has established its own dairy farms in the last five years	74	3.77	1.014
3	New KCC has established new partnerships with its products distributors in the last five years	74	4.00	.597
4	New KCC has established new distribution channels of its own in the last five years	74	3.55	.622
5	New KCC has established new partnership with it product retailers in the last five years	74	3.65	.607
6	New KCC has established its own channels for retailing its product such as milk bars and dairy shops.	74	2.82	.627
7	New KCC has established partnerships with other milk processing companies in the last five years	74	2.81	.771
8	New KCC has acquired another milk processing factory in the last five years	74	2.99	.692
	Integration Strategies Aggregate score	**74**	**3.47**	**.492**

Table 4.5 shows that on average, respondents agreed (mean= 4.14) with the first statement, which alleged that New KCC has formed new partnerships with dairy farmers in the last five years. The standard deviation (SD=0.689) indicates that there was high level of consensus in the respondents' views on this issue. These results suggest that New KCC makes use of backward integration strategy that entails partnering with farmers, who are their main suppliers, in order to ensure reliable supply of quality milk. The results are consistent with the study by Mutura (2015), which found that dairy processors in Kenya engage in vertical integration to control the supply of product. The use of partnership with farmers as a form of backward integration strategies was also confirmed by the interview data where the managers detailed initiatives that the company has started in partnership with farmers.

> *"We are strengthening our engagement with farmers with the aim of providing with the support that they need to increase the production. We have deployed extension teams in 18 different locations that serve as our source of milk supply to provide extension services to farmers such as artificial insemination services. We also offer training to farmers through field days, exchange programs, and visits by international group trainings." (Interviewee2, 2021)*

> *"We value our relationship with farmers because without them our business would come to halt. Very soon we are introducing a bonus scheme that will reward farmers supplying milk to KCC just as it happens with coffee and tea." (Interviewee4, 2021)*

> *"We have partnered with farmers and organized them into groups with the view of providing them with satellite milk coolers that will improve collection and storage of milk. So far, we have distributed over 30 satellite milk coolers and plans are underway to increase this number in milk producing areas. We also provide farmers with transportation services for their milk and help them gain more value through initiative such biogas production." (Interviewee7, 2021)*

Respondents also on average agreed (mean=3.77) with the second statement, which specified that New KCC its own dairy farms in the last five years. Starting own dairy farm is also a form of backward integration and; thus, current findings suggest that New KCC has engaged this strategy. However, the large standard deviation value (SD= 1.014) suggests that responds had divergent views on this issue. The findings are consistent with Gilles (2012), who also found that dairy processing farms in the USA were also pursuing backward integration strategies through establishing own farms with the aim of stabilizing the supply of milk. The findings are also congruent with Mutura (2015) who observed that vertical integration strategy was common in

the Kenya dairy sector but particularly among farmers who form cooperatives through which they begin to process their own milk. Githunguri Dairy Farmers Cooperative Limited that produces Fresha milk is an example of a milk process facility that was started by dairy farmers in Kenya. Current finding suggest that processors are also considering the same strategy.

Table 4.5 further shows that respondents on average agreed (mean=4.00) with the third statement, which detailed that New KCC has established new partnerships with product distributors in the last five years. There was a high level of agreement in respondents' views about this issue as indicated by the low standard deviation (SD= 0.597). This finding suggests that the New KCC has pursued the forward integration growth strategies by entering into partnership with distributors. The findings are congruent with Hanf (2014), who also found that some small and medium-sized dairy processors in five European countries were making use of the forward integration strategy to penetrate the market and increase their market share. Mutura (2015) also found that dairy farmers in Kenya were using vertical forward integration as a strategy for increasing their income and control of the market. New KCC partnership with distributors was also confirmed in the interview data where the managers explained that they have developed a network of over 200 sales and distribution agents.

> *"We have a network of over 200 sales and distribution agents. We try to support them through training and credit facilities. This has been instrument in improving our market reach." (Interviewee4, 2021)*

Respondents also on average agreed (mean=3.55) with statement 4, which connotes that the New KCC has established new distribution channels of its own in the last five years. There was also a high level of consensus among respondents on this issue (SD=0.622). This position is also reinforced by the interview data where it emerged that New KCC operates 11 sales depots in different parts of the country that act as its point of distribution. Six of these sales depots were established in the last five years. The finding is not congruent with Lee et al. (2014), who found the growth of dairy processors in developing countries is hampered by the lack of efficient go-to-market strategy and rock-solid efficient distribution channel that respond to the perishable nature of dairy products. Current findings suggest that New KCC has implemented initiatives aimed at improving the distribution of its products.

Respondents further agreed (mean= 3.65) with statement 5, which suggests that New KCC has established new partnership with it product retailers in the last five years. The standard deviation (SD= 0.607) denotes little dispersion in respondents' views from average position. This position was reinforced by the interview data, which revealed that New KCC has partnered with various large retail chains in the country in order to enhance the sale of its product. However, respondents on average were not certain about statement 6 (mean=2.82, SD=0.627), which alleged that New KCC has established its own channels for retailing its product such as milk bars and dairy shops. This finding implies that New KCC does not sell its product directly to consumer but instead relies on independent retailers. Establishing outlets such as milk bar and coffee chains can be an effective strategy for expanding the company penetration into the Kenyan market.

In addition, respondents were on average not sure about the claims made in statement 7 (mean= 2.81, SD=0.771) and statement 8 (mean= 2.99, SD=6.92). The two items measured the use of horizontal integration strategy by the New KCC. These statistics suggests that this strategy may not be quite popular in the organization. Qualitative data also failed to provide any hint that point to the use of any of the two horizontal integration strategies.

The mean aggregate score for the use of integration strategies at the New KCC was 3.47 out of a possible highest score of 5. This translates to a percentage score of 69.4, which implies that according to the respondents, New KCC exhibits 69.4% of the indicators that the study used to assess the use of integration strategies. This statistic leads to the conclusion that the use of integration growth strategies is more dominant than the use of market development but less dominant than the use of product development strategies. However, findings on specific items reveal that some integration strategies such as partnerships with farmers are more dominant than others.

4.4.4 Diversification Strategies at New KCC

The use of diversification growth strategy at New KCC was assessed using a set of seven statements. Respondents were asked to indicate their level of agreement with each of the statements on five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree). Results are summarized in Table 4.6.

Table 4.6: Respondents view on Diversification Strategy at New KCC

S/N	Statement	N	Mean	S.D
1	New KCC has developed different products that are related to farming such meat or eggs	74	2.18	.690
2	New KCC is planning to introduce different products related to framing such as meat and eggs in the near future	74	2.43	.760
3	New KCC has established a new business segment that seek to produce sell feeds to dairy farmers	74	2.74	.937
4	New KCC has establish a new business segment that seeks to advance credit facilities to dairy farmers at a profit	74	2.62	1.030
5	New KCC has begun developing different products that use similar production technology such bottled water or juices	74	2.49	.895
6	New KCC is planning to develop different products that use similar production technology such bottled water or juices	74	2.78	1.185
7	New KCC has established new businesses that are completely unrelated to farming such as real estate	74	2.49	1.208
	Diversification Strategies Aggregate score	**74**	**2.53**	**.599**

Table 4.6 illustrates that respondents on average disagreed (mean= 2.18) with the first statement, which alleged that New KCC has developed different products that are related to farming. There was consensus among respondents on this issue (SD=0.69). This item sought to assess the use of concentric diversification strategy that entails venturing into new products that are related to existing products. Results suggest that this strategy has not been implemented at the New KCC. Respondents also on average disagreed (mean=2.43) with the second statement with a high degree of consensus in their views (SD=0.760). This item was futurist and sought to determine whether New KCC planned to introduce new related product in the near future. Current findings suggest that no such plans are in the pipeline at the New KCC. These findings are not consistent with Wanjira (2019), who found that concentric diversification was a popular strategy in the sugar processing industry in Kenya where the sugar factors were producing other products related to sugar such as ethanol and mineral water.

On the other hand, respondents on average were not certain about the claim in statement 3 (mean= 2.74) that New KCC had established a new business segment that seek to produce feeds. They were also indifferent to statement 4 (mean= 2.62), which

alleged that New KCC has established a new business segment that seeks to advance credit facilities to fairy farmers at a profit. The standard deviation for these items suggests divergence of views on the issues. The lack of definitive response on the two issues was clarified by interview data, which revealed that while New KCC has not established its own ventures that produce feeds or advance credit facilities to farmers, it has partnered with other prayers to ensure farmers access quality feeds and credit.

> *"We have an Agri-Life Business platform that brings together a wide variety of essential service provides who provide continuous services to farmers including Agro Vet, financial products, animal feeds, and dairy cattle insurance." (Interviewee3, 2021)*

Respondents on average disagreed (mean=2.49, SD= 0.895) with statement 5, which specified that the New KCC has begun developing different products that use similar production technology such bottled water or juices. However, respondents were not sure (Statement 6, mean= 2.78, SD= 1.185) on whether New KCC was considering introducing such products in the future. The interview data did not provide any evidence that support the existence of any plans by New KCC to produce other beverages that use similar production technologies as dairy products.

Lastly, respondents on average disagreed (mean= 2.49) with the last statement, which connotes that New KCC has established new businesses that are completely unrelated to farming such as real estate. This statement sought to assess the use of unrelated or conglomerate diversification strategy by New KCC. The findings imply that this strategy is not utilized at the company. However, the standard deviation (SD= 1.208) indicates that there were major variations in the respondents' views on this issue. The findings are not consistent with Wanjira (2019), who found that sugar milling factories were engaging in conglomerate diversification by engaging in commercial activities that are not related to sugar processing such as generation of electricity, dairy farming, and leasing out construction machines.

The mean aggregate score for the use of diversification strategies at the New KCC is 2.53 out of a highest possible score of 5. This translates to a percentage score of 50.6%, which implies according to the respondents, New KCC exhibits 50.6% of the indicators that the study used to assess the use of diversification growth strategies. This outcome implies that diversification is the least utilized growth strategy at the

New KCC. Failure to diversify denies the company opportunities to utilize excess capacity to generate extra income. It also makes the company vulnerable to risks.

4.4.5 Performance at New KCC

The performance of New KCC was assessed using four items based on the four perspectives of the BSC. Respondents were asked to indicate their level of agreement with these statements. Their views are summarized in Table 4.7

Table 4.7: Respondents views on the Performance of New KCC

S/N	Statement	N	Mean	S.D.
1	New KCC profits have increased in the last five years	74	3.72	.454
2	New KCC's share in the dairy products market has expanded in the last five years	74	3.82	.383
3	The number of downtimes and stoppages in the company's manufacturing processes have decreased in the last five years	74	3.19	.805
4	The level of satisfaction among New KCC employees has increased in the last five years	74	3.82	.876
	Performance of New KCC	**74**	**3.75**	**.306**

Table 4.7 shows that respondents on average agreed (mean=3.72) with the first statement, which alleged that New KCC's profits have increased in the last five years. The standard deviation (SD=0.454) indicates that there was little dispersion in respondents' views from the average position. This item assessed the financial performance of the company. Results suggest that the financial performance of New KCC has improved in the last five years. This finding is consistent with the study by Tendwa (2016), which also found that New KCC had recorded improvements in profitability as well as sales turnover in the five years preceding their study. The finding is also congruent with the study by Kinuthia and Maina (2019), which found that pre-tax profits for New KCC had growth from Ksh. 23.1 million to Ksh. 93.9 million between 2015 and 2017 while sales turnover had growth Ksh. 3.49 billion to Ksh. 3.864 billion during the same period.

Respondents on average agreed (mean= 3.82) with the second statement, which specified that the New KCC's share in the dairy products market has expanded in the last five years. There was little divergence in the views of respondents on this issue as indicated by the standard deviation (SD= 0.383). The item assessed New KCC

performance from the customer perspective of the BSC. These findings are consistent with the study by Kinuthia and Maina (2019), who found that New KCC market share had increased from 17% to 35% between 2015 and 2017. The respondents surveyed in the study by Tendwa (2016) also affirmed that the market share for New KCC had expanded in the past five years.

However, respondents were on average not sure (mean= 3.19) about statement 3, which detailed that the number of downtimes and stoppages in the company's manufacturing processes have decreased in the last five years. This item sought to assess the performance of New KCC from the business process perspective of the BSC. Although the quantitative findings in Table 4.8 are indeterminate on this issue, the interview data affirmed that internal business processes of New KCC have improved in recent years. One of the interviewee expressed that production processes have become more efficient and reliable due to expansion of milk cooling infrastructure and enhanced partnership with farmers that has ensured consistent supply of milk. Another manager expressed that KCC technology for produced milk powder has stabilized its ability to meet market demand throughout the year including during dry season when the supply of raw milk declines.

> *"Our production processes have become more reliable nowadays due to improved intake of raw milk. Expansion of our milk cooling infrastructure and establishment of better partnership with farmers has improved our access to raw milk." (Interviewee1, 2021)*

> *Our production process has become more consistent. Even during the dry season when supply of raw milk decline, we now reconstitute milk powder enabling us to meet market demands and avoid increases in prices of milk." (Interviewee6, 2021)*

Respondents on average agreed (mean= 3.82) with the last statement, which detailed that the level of satisfaction of New KCC employees has increased in the last five years. This item assessed New KCC performance from the learning and innovation perspective. It was founded on the rationale that satisfied employees are likely to be more productive and innovative leading to improved performances in the future. Current findings indicate that the level of employees' performance has increased in the last five years.

4.5 Multiple Regression Analysis

Multiple regression analysis was done to determine the influence of the four growth strategies on the performance of New KCC. A model comprising of the four growth strategy as predictors and performance as the dependent variable was formulated. Table 4.8 presents a summary of the predictive power of the model.

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.880[a]	.774	.761	.14974
a. Predictors: (Constant), Diversification Strategies, Product Development, Market Development, Integration Strategies				

Table 4.8 illustrates that model had an r-square value of 0.774, which means that 77.4% of variation in New KCC performances was predicted by the four growth strategies (product development, market development, integration, and diversification). According to Schneider, Hommel, and Blettner (2010), an r-square of 0.7 and above signifies that the model has a strong predictive power. The significance of the influence of the four independent variables on performance was analysed using the ANOVA statistics presented in Table 4.9.

Table 4.9: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.288	4	1.322	58.959	.000[b]
	Residual	1.547	69	.022		
	Total	6.835	73			
a. Dependent Variable: Performance of New KCC						
b. Predictors: (Constant), Diversification Strategies, Product Development , Market Development, Integration Strategies						

The ANOVA results in Table 4.9 suggest that the four growth strategies in the model (Diversification Strategies, Product Development, Market Development, Integration Strategies) significantly explain the variation in performance at the New KCC $F(4, 69) = 58.959$, $p < .001$. This implies that when considered jointly, the four growth strategies have a significant influence on the performance of the organization. The individual influence of each growth strategy was analysed using the regression beta coefficients presented in Table 4.10.

Table 4.10: Multiple Regression Beta Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.209	.127		17.437	.000
	Product Development	.050	.040	.122	1.246	.217
	Market Development	-.290	.021	-.919	-13.843	.000
	Integration Strategies	.230	.072	.370	3.202	.002
	Diversification Strategies	.046	.042	.091	1.106	.273
a. Dependent Variable: Performance of New KCC						

4.5.1 Product Development and Performance

Results in Table 4.10 indicate that the significance value for product development (p=.217) is greater than the alpha value that was set for this study (0.05). This implies that the unstandardized beta coefficient (.050) and standardized beta coefficients (.122) for product development are not statistically significantly different from 0. These results infer that product development does not have a statistically significant influence on the performance of New KCC.

These findings are in agreement with Canh *et al.* (2019), who also observed that development of new products by manufacturing organizations in Vietnam was not significantly associated with performance improvement in the firms. The authors noted that although product development give consumers more choices and make the products more appealing, it may take time for these benefits turn into profits. In addition, development of new products is an expensive affair that requires investment in research and development as well as advertising in order to promote the new products. Consequently, product development may not have an immediate impact on performance.

The insignificant influence of product development on the performance of the New KCC may thus be explained by the reason that most of the newly introduced product are yet to reach their optimal positioning. Results of the current study have revealed that a large number of the products offered by the New KCC were introduced in the last five years. This position was also confirmed in the study by Kinuthia and Maina

(2019), who also found that the number of product sold by New KCC increased from 5 to 19 in the two years spanning from 2015 to 2017. It is thus reasonable to expect the development of the new products will have a more significant influence on performance in the long-term.

The insignificant effect could also be subject to the timing of the study. The element of timing was capture in the study by Abolarinwa *et al.* (2020), who found that internal product development strategies through research and development have a positive effect on performance of manufacturing companies during normal times and a negative effect during times of economic crises. The current study was conducted during the Covid-19 pandemic that has also created an economic crisis not just in Kenya but in all parts of the world. The crises may have diminished the contribution of new products towards the performance of the company. This explanation is also supported by Penrose (1959) theory of the growth of the firm, which advances that outcomes of growth strategies are also determined by obstacles in a company operating environment. The Covid-19 pandemic can be considered an obstacle in New KCC operating environment as it has altered the purchasing power of consumers and thus it could explain the insignificant impact of adding new products.

Another explanation is that on its own, developing new products does not result in a significant change in the performance of the company and thus managers ought to explore other growth strategies or combine product development with other growth strategies. This position is supported in the study by Prada et al. (2019), who observed that when used alone, product development alone (within a single market) does not have a significant effect on the performance of listed nonfinancial companies in Spain, unless when combined with high level of market diversification. Results showed that combining market and product development strategies significantly improves performance with the relationship between these combined strategies and performance remaining robust after controlling for extraneous variables such as company size and ownership.

4.5.2 Market Development and Performance

Results in Table 4.10 further indicates that the significance value for market development ($p<.001$) is less than the alpha value that was set for this study (0.05). This implies that the unstandardized beta coefficient (-.290) and standardized beta coefficient (-.919) for market development are statistically significantly different from 0. These results infer that market development strategies have a statistically significant influence on the performance of New KCC. Both the unstandardized and standardized beta coefficients are negative, which indicates that market development strategies have a negative influence on the performance of New KCC. This means that the development of new markets leads to a decline in the performance of company when other factors are held constant.

These findings are in agreement with the study by Osifo and Osagie (2020), which also found that market development strategies in a sample of 50 deposit taking banks across 11 SSA countries was statistically and negatively associated with the performance of the bank. The authors explained that market diversification increases cost of operation and exposes a company to the risks of operating in unfamiliar territories. Consequently, the use of this strategy may results in a decline in company performance. This explanation is also supported by the Theory of the Growth of the Firm which proposes that any growth strategy is bound to have a negative impact on performance when a company lacks the managerial capacity and experience to manage and coordinate expanded operations (Penrose, 1959).

Another factor that can explain the negative influence observed in the current study is length of time that has lapsed since the company ventured into new markets. This explanation is supported in the study Jang *et al.* (2019) who observed that there is a U shaped relationship between market development and the performance of 72 construction companies from Asia, Australia, Europe, and North America. The authors observed that, in the initial stage, market development negatively shapes performance because the company lacks knowledge of the foreign markets and regulatory environment. However, the companies learn how to adjust to the new markets with time, and become acquainted with new condition leading to improved performance. This could be the case with market development strategy at New KCC. Current data suggest that New KCC began to venture into foreign markets in recent years. In fact, the company heavily relies on exports to access the foreign market,

which according to Osano (2019) indicates that it is in the initial stages of entry to the international markets.

4.5.3 Integration Strategies and Performance

Results in Table 4.10 also shows that the significance value for integration strategies (p=.002) is less than the alpha value that was set for this study (0.05). This implies that the unstandardized beta coefficient (.230) and standardized beta coefficient (.370) for integration strategies are statistically significantly different from 0. These results infer that integration strategies have a statistically significant influence on the performance of New KCC. Both the unstandardized and standardized beta coefficients are positive, which indicates that integration strategies have a positive influence on the performance of New KCC. This means that the adoption of these strategies leads to improvements in the performance of company when other factors are held constant.

These findings are consistent with the study by Navarro *et al.* (2017), who found that vertical integration (both vertical backwards and forward integration) had a positive influence on firm expansion in a sample of 1848 manufacturing companies from Spain. Results showed that companies that had greater vertical forward integration or vertical backward integration exhibited greater regional expansion than companies that had lower scores for either two integration dimensions. The explanation given is that vertical integration gives an organization greater control over its supply and distribution channels leading to enhanced reliability. It also increases the organization's margin especially where when the strategy involves direct investment in ventures that are above or below organization level in the supply chain leading to elimination of either a supplier or distributors.

However, current findings are not consistent with the study by Kim *et al.* (2017), who found that vertical integration has no significant influence on the survival of cable network companies in South Korea while horizontal integration strategies have a significant and positive influence on survival rate. Although the current study did not separate the horizontal and vertical integration items when conducting the regression analysis, descriptive results showed that there was wide application of vertical integration strategies at New KCC while the application of horizontal integration was minimal. Consequently, the regression analysis results challenges the premise that

vertical integration has no significant influence on performance. The inconsistency in the two studies suggest that the link between integration strategies and performance may be moderate by industry type because the study by Kim *et al.* (2017) focused on the media industry while the current study focused on the agro processing industry. The inconsistency may also be explained by contextual differences between Kenya and South Korea.

4.5.4 Diversification Strategies and Performance

On the other hand, the significance value for diversification strategies (p=.273) is greater than the alpha value that was set for this study (0.05). This implies that the unstandardized beta coefficient (.046) and standardized beta coefficient (.091) for diversification strategies are not statistically significantly different from 0. These results infer that diversification strategies do not have a statistically significant influence on the performance of New KCC.

These results are congruent with the study by Anil and Yigit (2011), who found that both concentric and conglomerate diversification, did not have a statistically significant influence on the performance of firms listed on the Istanbul Stock Exchange market. The authors attributed the insignificant effect to business environment factors such as imperfect competition in the market, economic crises that prevailed in the region during the period of study, and government privatization policies. The author argues that these environment factors may have had a more adverse impact on performance that counters the advantages created by diversification. Environment factors may explain the insignificant effect observed in the current study. Particular attention is drawn to the Covid-19 pandemic that has affected the purchasing power of consumers. The pandemic has also disrupted supply and distribution channels with some large retail operators that were instrumental in selling KCC products such as Tuskys Supermarket going down.

Current findings are also consistent with Wanjira (2019), who found that conglomerate diversification has an insignificant influence on the performance of state-owned sugar farmers in Kenya. However, the study found that concentric diversification had a positive influence on the performance of the companies. Current study did not separate concentric and conglomerate diversification items during the

regression analysis, which may explain the insignificant effect for the overall diversification strategy.

Another plausible explanation for the insignificant effect is the low utilization of diversification strategy at the New KCC. Descriptive and qualitative analysis revealed that there is little application of both concentric and conglomerate diversifications at the organization. The aggregate diversification score was 50.6%, which was the lowest of all the four growth strategies. Minimal application of these strategies could explain its insignificant influence on the performance of the company. It is also possible that implementing diversification strategies on their own does not result in a significant change in the performance of the company and; thus, the analysis ought to consider how diversification interact with the other growth strategies to drive performance.

4.6 Chapter Summary

Available data suggest that there is wide application of product development and integration growth strategies at the New KCC. On the other hand, there is little implementation of the market development and diversification growth strategies. The regression analysis has shown that when considered jointly, the four growth strategies have a significant influence on performance of the New KCC. However, when the strategies are considered individually, product development and diversification strategies do not have a statistically significant influence on performance. Market development has a significant and negative influence on performance while integration strategies have a significant and positive influence on performance. The next chapter presents a summary of key findings, conclusions of the study, and recommendations.

CHAPTER FIVE
SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of findings, conclusions made from the study findings, and recommendations to various stakeholders. It also suggests areas for further research.

5.2 Summary of Key Findings

The aim of the study was to assess the influence of growth strategies on the performance of milk processing companies in Kenya with a specific focus on the New Kenya Cooperative Creameries. The following are the key findings of the study:

5.2.1 Product Development and Performance

Findings showed that product development is widely used growth strategy at the New KCC. The company has introduced new products, makes improvement on existing products, and has a functional R&D department that adequately funded. Qualitative data also revealed that New KCC produces a wide array of dairy products including fresh milk, fat free milk, skimmed milk powder, butter, yoghurt, long life milk, cream milk powder, milk shakes, cheese, and ghee. However, the regression analysis showed that product development does not have a statistically significant influence on company performance (β=.122, t= 1.246, p= .217).

5.2.2 Market Development and Performance

The study found that market development is not a widely utilized growth strategy at the New KCC. The company's operations outside the Kenyan market are limited to export of long-life milk to Eastern Africa countries of Tanzania, Uganda, and South Sudan. However, qualitative data revealed that revenues from export operations have increased in recent years and that the company was planning to export product to the Middle East countries. Regression analysis showed that market development has a statistically significant and negative influence on company performance (β= -.919, t= -13.843, p=.000)

5.2.3 Integration Strategies and Performance

The study further established that integration growth strategies were widely applied at the New KCC. The company is involved in vertical backward integration by running own farms and forming partnership with farmers. It is also involved in vertical forward integration by establishing sales depots in different regions to act as distribution nodes. However, there was little evidence of the company's use of horizontal integration. Regression analysis revealed integration strategies have a statistically significant and positive influence on company performance (β= .370, t= 3.202, p=.002).

5.2.4 Diversification Strategies and Performance

In addition, the study found that there was little application of both concentric and conglomerate diversification strategies at the New KCC. These strategies received the lowest aggregate score of 50.6%. Regression analysis showed that diversification strategies do not have a statistically significant influence on the performance of the organization (β= .091, t=1.106, p=.271).

5.3 Conclusions of the Study

Based on the findings of the study, the study makes the following conclusions:

5.3.1 Product Development Strategies and Performance

The study concludes that product development in popular growth strategy in the dairy processing sector. However, the development of the new products currently does not have a statistically significant influence on the performance of dairy processing companies.

5.3.2 Market Development Strategies and Performance

The study also concludes that market development is a least explored strategy in the dairy processing sector. It also concludes that during the initial stages, market development strategies have significant and negative influence with the performance of dairy processing companies. The strategy may have a positive influence on performance in the long-term when the companies learn about the new markets and improve efficiency of foreign operations.

5.3.3 Integration Strategies and Performance

In addition, the study concludes that integration strategies, particularly vertical integration, are popular growth strategies among milk processors. The study further concludes that these strategies have a significant and positive influence on the performance of the dairy processing companies.

5.3.4 Diversification Strategies and Performance

Lastly, the study concludes that dairy processors in Kenya make little use of concentric and conglomerate diversification growth strategies. It also concludes that at current levels of application, diversification strategies do not have a statistically significant influence on the performance of the dairy processing companies.

5.4 Recommendations of the Study

Based on the findings and conclusions, the study makes the following recommendations:

5.4.1 Product Development Strategies and Performance

The study recommends that managers of dairy processing companies should combine product development with other strategies particularly marketing for this strategy to have a significant positive effect on performance. Company managers should initiate promotional programs aimed at create awareness and selling peripheral products such as ghee, lactose free milk, and butter. Currently, the companies are heavily dependent on fresh milk and yoghurt yet they have a handful of other products.

Policymakers at the national and county government should support programs aimed at promoting the consumption of the fridge product as way of supporting the dairy sector. For instance, the Ministry of Health may run awareness campaign on benefits of consuming cheese and butter as healthy alternatives for margarines. The Ministry of Education may consider including these products in the school feeding programme.

5.4.2 Market Development Strategies and Performance

For market development to have a positive effect on performance, managers of processing companies should find ways of making the export process more efficient. The revenues generated from export operations should exceed the cost involved in exporting the products.

Managers of dairy processing companies should also expand the breadth of products that they offer to the export market. Current data shows that long-life milk is the main export products. To improve the impact of market development on performance, the companies should also find foreign markets for other dairy products. This move will also reinforce the product development strategies by ensuring new products are sold in diverse markets.

Policymakers at the national government particularly those involved in promoting trade and branding Kenya should add dairy products to the list of products to be market abroad. Currently, these government bodies lay a lot of emphasis on tourism, tea, coffee, and horticultural products. Promoting dairy products in Kenya's key export market will not only add value to dairy processors but will also increase income for more than 1 million small-holder dairy farmers in the country.

5.4.3 Integration Strategies and Performance

Regarding integration strategies, managers of the dairy processors should continue to strength their relationship with farmers to increase the proportion of milk that is processed and sold through the formal markets. Literature showed that currently 80% of milk consumed in the country is sold through informal market. Dairy processors should find ways of reaching the farmers that are currently selling their milk through informal markets.

Managers of dairy processing companies should further explore opportunities for forward integration. For instance, the company should consider creating chain of outlets that serves dairy products such as yoghurt, fresh milk, milkshakes, sour milk and even coffee. They may position these outlets as healthy alternatives to fast food restaurants.

Managers of the dairy processing companies should also explore horizontal integration strategies especially by forming partnerships with other processors with the view of developing the dairy sector. The processors should embrace the concept of coopetition where they cooperate on issue of mutual interest such as training of dairy farmers while still competing against each other in the market.

5.4.4 Diversification Strategies and Performance

Concerning diversification, New KCC and other milk processors should consider diversifying their operations by producing products that use similar production technologies as milk. This strategy will be essential in utilizing the excess capacity that exists among the processors. It will also reduce the risk exposure of these processors by giving them alternative sources of income.

5.5 Suggestions for Future Studies

This study focused on a single milk processing companies, which limit the generalizability of findings. In future, researchers should consider replicating the study in other dairy processing companies in order to support the generalization of findings.

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APPENDICES

Appendix A: Research Questionnaire

My name is Agatha Kihiu, a Master's of Business Administration student at St. Paul's University. I am conducting a study on the ***Influence of Growth Strategies on Performance of Dairy Processing Companies in Kenya.*** This questionnaire is for the determination of this research. You are being requested to participate in this study by responding to every question as truthfully and accurately as possible. **DO NOT** write your name, national identity (ID) card number, employment number, telephone number or any other information that can easily lead to your identification. Participation in this study is on a voluntary basis and all information that you will only be used for purpose of this study.

Section A: Background Information

1. Please indicate your gender.

Male [ ] Female [ ]

2. Please indicate your age.

3. Please indicate your highest level of education.

Secondary level or below [ ] Tertiary College [ ]

Bachelors' Degree [ ] Master's degree or above [ ]

4. How many years have you worked at the New KCC?

Section B: Product Development

5. Please indicate the extent to which you agree with the following statements regarding the use of product development strategies at the New KCC. Use the following scale: 1= strong disagree, 2= disagree, 3 = not sure, 4 = agree, and 5= strongly agree.

Statement	**1**	**2**	**3**	**4**	**5**
New KCC has developed new products in the last five years					
New KCC has made improvement to existing product in the last five years					
New KCC has introduced a new production technology in the last five years					

New KCC has a functional research and development department					
The research and development department at New KCC is adequately funded					

Section C: Market Development

6. Please indicate the extent to which you agree with the following statements regarding the use of market development strategies at the New KCC. Use the following scale: 1= strong disagree, 2= disagree, 3 = not sure, 4 = agree, and 5= strongly agree.

Statement	**1**	**2**	**3**	**4**	**5**
New KCC exports its products to other countries					
New KCC has increased the number of foreign markets in the last five years					
New KCC has factories, cooling plants, or deports in other countries					
New KCC production and distribution infrastructure in foreign countries has expanded in the last five years					
New KCC revenues from new markets have increased in the last five years					

Section D: Integration strategies

7. Please indicate the extent to which you agree with the following statements regarding the use of integration strategies at the New KCC. Use the following scale: 1= strong disagree, 2= disagree, 3 = not sure, 4 = agree, and 5= strongly agree.

Statement	**1**	**2**	**3**	**4**	**5**
New KCC has formed new partnerships with dairy farmers in the last five years					
New KCC has established its own dairy farms in the last five years					
New KCC has established new partnerships with its products distributors in the last five years					
New KCC has established new distribution channels of its own in the last five years					
New KCC has established new partnership with it product retailers in the last five years					

New KCC has established its own channels for retailing its product such as milk bars and dairy shops.					
New KCC has established partnerships with other milk processing companies in the last five years					
New KCC has acquired another milk processing factory in the last five years					

Section E: Diversification Strategy

8. Please indicate the extent to which you agree with the following statements regarding the use of diversification growth strategy at the New KCC. Use the following scale: 1= strong disagree, 2= disagree, 3 = not sure, 4 = agree, and 5= strongly agree.

Statement	**1**	**2**	**3**	**4**	**5**
New KCC has developed different products that are related to farming such meat or eggs					
New KCC is planning to introduce different products related to framing such as meat and eggs in the near future					
New KCC has established a new business segment that seek to produce sell feeds to dairy farmers					
New KCC has establish a new business segment that seeks to advance credit facilities to dairy farmers at a profit					
New KCC has begun developing different products that use similar production technology such bottled water or juices					
New KCC is planning to develop different products that use similar production technology such bottled water or juices					
New KCC has established new businesses that are completely unrelated to farming such as real estate					

Section F: Performance

9. Please indicate the extent to which you agree with the following statements regarding the performance of the New KCC. Use the following scale: 1= strong disagree, 2= disagree, 3 = not sure, 4 = agree, and 5= strongly agree.

Statement	**1**	**2**	**3**	**4**	**5**
New KCC profits have increased in the last five years					
New KCC's share in the dairy products market has					

expanded in the last five years					
The number of downtimes and stoppages in the company's manufacturing processes have decreased in the last five years					
The level of satisfaction among New KCC employees has increased in the last five years					

Thank you for Participating

Appendix B: Interview Guide

Section A: Background Information

1. Gender of the respondent.

2. Would you mind telling me your age?

3. Would you mind telling me your highest level of education?

4. How many years have you worked at the New KCC?

Section B: Product Development

9. Please share on some of the products that New KCC produces and sells in the Kenyan market.

10. Please share some of the product, if any, that New KCC has developed in the last five years for Kenyan market.

11. Please share on some of the improvements, if any, that New KCC has made it its existing products.

12. Please share on some of the improvement, if any, that New KCC has made to its production technology.

13. What are your thoughts regarding the research and development activities of New KCC?

14. Please share your views regarding how the product development activities of New KCC have affected the performance of the firm.

Section C: Market Development

15. Please share on some of the countries to which the New KCC sells its products.

16. Has the company venture into any new market in the last five years? Kindly list them.

17. Please share your views regarding the revenue that New KCC generates from its activities in foreign markets.

18. From your perspective, how has the company's export activities influenced its performance?

Section D: Integration Strategies

18. Please share on some of the partnership that New KCC has developed with dairy farmers?

19. Is New KCC directly involved in upstream activities such as rarely of a animals? Please elaborate

20. Please share on some of the partnership that New KCC has established with players in its distribution chains (distributors, wholesalers and retailers)?

18. Is New KCC involved in any downstream activities such as distribution and selling of milk? Please elaborate

19. Please share on some of the partnerships that New KCC has established with other dairy processors.

20. In your opinion, how has the partnership established by New KCC affected its performance?

Section E: Diversification

21. Is new KCC involved in other agro-processing related business such as meat processing or egg processing? Please elaborate

22. Is new KCC involved in provision of services related to dairy farming such as credit to dairy farmers or extension services? Please elaborate

13. Is new KCC involved in other business that unrelated to farming such as real estate? Please elaborate

14. In your opinion, how has the diversity of the New KCC foreign operations affected the performance of the company?

Section F: Performance

5. Please share your views about the financial performance of the New KCC in the last five years?

6. What are your thoughts regarding the performance of New KCC in terms of satisfying its customers?

7. From your point of view, how have the production processes at the New KCC changed in the last five years?

8. Please share your opinion on the subject of employees' satisfaction at the New KCC?

Thank you for Participating

Appendix C: Letter from the University

ST. PAUL'S UNIVERSITY

Private Bag 00217 LIMURU, KENYA
Email: office@spu.ac.ke
Website: www.spu.ac.ke

Tel Office: +254 (0) 20-2020505/10
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(0) 736-424440

27th January 2021

National Commission for Science and Technology,
P.O. BOX 30623-00100,
Nairobi.

Dear Sir/Madam,

RE: RECOMMENDATION FOR AGATHA KIHIU - MBANKR469919 TO CONDUCT RESEARCH

This letter confirms the above named person is a student of the Master of Business Administration program at St. Paul's University.

The second year consists of a major research work leading to a dissertation. The student's selected topic is *'Growth strategies and performance of dairy processing companies in Kenya'.*

Kindly grant this student the required permit.

Yours Faithfully,

Dr. Julius Kahuthia
Director, Board of Postgraduate Studies

BOARD OF POSTGRADUATE STUDIES
ST. PAUL'S UNIVERSITY
27 JAN 2021
KENYA
TEL: 020 - 2020505 / 2020510
P.O. PRIVATE BAG - 00217, LIMURU.

Appendix D: NACOSTI Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **791413**

Date of Issue: **04/February/2021**

RESEARCH LICENSE



This is to Certify that Ms.. Agatha Wangari Kihiu of St. Paul's University, has been licensed to conduct research in Nairobi on the topic: GROWTH STRATEGIES AND PERFORMANCE OF DAIRY PROCESSING COMPANIES IN KENYA A CASE OF NEW KENYA COOPERATIVE CREAMERIES for the period ending : 04/February/2022.

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