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GROWTH STRATEGIES AND PERFORMANCE OF FOOD AND BEVERAGE MANUFACTURING FIRMS IN NAIROBI COUNTY, KENYA

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ABSTRACT

The performance of food and beverage manufacturing firms in Nairobi County has been on a decline in recent years. According to the Kenya National Bureau of Statistics (KNBS) Economic Survey of 2023, the growth rate of the food and beverage manufacturing sub-sector slowed from 4.3% in 2020 to 2.9% in 2022. The main objective of this research was to determine the effect of growth strategies on the Performance of food and beverage manufacturing firms in Nairobi County, Kenya. Specifically, the study focused on the effect of market development on performance of food and beverage manufacturing firms in Nairobi County, Kenya and establishing the effect with which diversification affects performance of food and beverage manufacturing firms in Nairobi County, Kenya. The study employed descriptive research design. According to KAM (2022) report, there are 76 are food and beverage manufacturing firms in Nairobi City County, Kenya. This study therefore target 456 management employees working in the 76 food and beverage manufacturing firms in Nairobi City County, Kenya. The study's sample size was reached at using Krejcie and Morgan sample size determination formula. The sample size was 209 respondents. Stratified random sampling was applied in selecting the sample for this study. The study then used simple random sampling in selecting the sample. Questionnaire was used for data collection. Administration of the questionnaires was done by the research assistant using the drop and pick later techniques. The study used a total of 21 individuals in the pilot test. Quantitative data collected was analyzed using descriptive statistics techniques such as means, standard deviation, frequencies and percentages. SPSS version 23 was used to analyze the quantitative data. Qualitative data was analyzed using content analysis and presented in prose form. The study also analyzed the data using inferential statistics which include correlation and regression analysis. The study concludes that market development has a positive and significant effect on performance of food and beverage manufacturing firms in Nairobi County, Kenya. The study also concludes that diversification affects has a positive and significant effect on performance of food and beverage manufacturing firms in Nairobi County, Kenya. Based on the findings, the study recommends that the management of food and beverage manufacturing firms should intensify their focus on expanding their distribution networks and enhancing their market reach. This can be achieved by establishing strategic partnerships with local distributors and retailers to improve product availability and visibility across diverse geographic regions

Key Words: Growth Strategies, Market Development, Diversification Affects

Background of the Study

Adhaya *et al* (2024) argue that firm performance is mediated by an interplay of many factors, which can be categorized as internal and external business environmental factors. They noted that the performance of manufacturing firms in Kenya has been a concern lately. Samad (2022) noted that internal resources such as innovation capabilities and external factors such as technology and the environmental system positively affect firm performance. Gaya *et al* (2013) added that firm performance reflects a firm's success, that is, the degree to which it has achieved preset goals.

The concept of strategy has been defined differently by various scholars. According to Johnson (2019), a strategy is the long term objective of the organization that is achieved through correct utilization of resources and hiring of competent staff so as to fulfill the expectations of the stakeholders. Moreover, strategy is defined as a notion that integrates all the main objectives of a firm and policies to form interrelated systems for effective functioning of an organization (Mintzberg & Lampel, 2019). Furthermore, strategy is labelled as the formation of an excellent situation of tradeoffs in competition that is prone to risk (Porter, 2019).This encompasses activities that are consistent and complement each other well in effort optimization. Therefore, strategy can be viewed as a projected course of actions that are conducted by an organization in a bid to achieve the set objectives hence strategy can help insurance companies in gaining competitive advantage over its competitors.

Growth strategy is defined as a well-articulated vision that shows the direction in which a business intends to go and the approaches that will be used to get there (Fink & Kraus, 2019).The growth strategies are usually incorporated in the goals and objective of an organization and are usually aimed at gaining a bigger market share. According to Andrews (2019), a growth strategy is a predetermined plan that is developed and implemented with the aim of improving the performance of a firm or a business. Storey (2019) positions that a growth strategy is a set of activities that are put together to enable long-term survival of a firm, accomplishment of the goals of a business and the enhancement of activities carried out in the firm. Furthermore, Westerlund and Leminen (2018) assert that growth strategy is a means in which organizations to achieve its objective which is to increase in size, volume and turnover. Thompson (2019) on the other hand postulates that business growth strategy entails the creation and execution of measures that will lead to increased profit in the business, appeal more customers, enable successful business operation with other competitors in the sector and enhance the financial and market performance of an organization. Mckeown (2019) summarizes a growth strategy as a situation that shapes the future and the human attempt to get to desirable ends with available means.

Growth strategies play a vital role in organizations and businesses as it gives them a platform to establish the direction in which they want their business to go and determine the means of achieving their goals (Gibcus & Kemp, 2019).Growth strategies allow organizations to grow their business operations through market penetration and product diversification in order to improve their performance. Additionally, growth strategies allow organizations to access new markets, expand their geographical reach, and acquire front line technology, matching skills and key capabilities (Gilinsky, McCline & Eyler, 2019). In doing so, they increase their shareholders' or investors' value. Therefore, growth strategies form part of the factors of change management in an organization hence affects the operations of the firm and business performance. The growth strategies that are common to most organizations include; product development, market penetration strategy, market development, diversification and acquisition. This study will focus on product development, market penetration strategy, market development and diversification.

Product development strategy involves the modification of an existing product or how the product is presented, or formulation of an entirely new product that satisfies a newly defined customer want or market niche (Greve, 2018). Market penetration strategy is a growth strategy whereby a business entity engages in activities with an aim of increasing its market share by exploiting its present product range in its present market. A business entity aims to penetrate deeper into the market so as to capture a larger share of the market**.** This growth strategy is the least risky among other growth strategies since it leverages many of the firm's existing resources and capabilities (Fink & Kraus, 2019).Market development strategy involves selling existing products into new markets. According to Brien (2019), market development strategy creates growth through the introduction of current products to new markets. He adds that this strategy is used when a company has identified markets that were previously unidentified or when it wants to expand its market reach. Diversification is a growth strategy that involves creating new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge. Diversification is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm. However, diversification maybe a reasonable choice if the high risk is compensated by the chance of a high rate of return. Other advantages of diversification include the potential to gain a foothold in an attractive industry and the reduction of overall business portfolio risk (Henderson & Cockburn, 2015).

Manufacturing firms in Kenya are a vital component of the country's economy, contributing significantly to industrialization and economic development. The sector is considered one of the Big Four Agenda pillars under Kenya's Vision 2030, which aims to transform Kenya into a newly industrializing, middle-income country. The manufacturing sector is diverse, encompassing various sub-sectors such as food and beverages, textiles and apparel, chemicals, construction materials, and consumer goods (Luvusi, & Muthoni, 2019).

The manufacturing sector contributes approximately 7.5% to Kenya's Gross Domestic Product (GDP), according to recent reports from the Kenya National Bureau of Statistics (KNBS). The sector is also a major employer, providing jobs to millions of Kenyans directly and indirectly through associated industries such as logistics, wholesale, and retail trade. The food and beverage sub-sector is particularly significant, as it not only supports agriculture by adding value to raw agricultural products but also plays a crucial role in ensuring food security and meeting the growing consumer demand for processed foods and drinks (Mwiti, 2023).

Despite its importance, the manufacturing sector in Kenya faces several challenges that hinder its growth and potential. High production costs, driven by expensive energy, raw materials, and logistical inefficiencies, have made it difficult for Kenyan manufacturing firms to compete with cheaper imports. The sector also struggles with regulatory hurdles, including complex and sometimes inconsistent policies that create uncertainty for investors. Additionally, the sector has been hit hard by global economic disruptions such as the COVID-19 pandemic, which disrupted supply chains and reduced consumer demand, leading to a slowdown in production (Gecheo, Thuo & Byaruhanga, 2022).

Statement of the Problem

Manufacturing firms play a crucial role in the economic development of any country by driving industrialization, creating employment opportunities, and contributing to GDP growth. In Kenya, the manufacturing sector is considered a key pillar under the Vision 2030 development blueprint, aiming to increase its contribution to GDP from the current 7.5% to 15% by 2030 (Rono & Moronge, 2018). Food and beverage manufacturing firms, in particular, are vital as they not only provide essential consumer goods but also stimulate agricultural production, supply chain activities, and export revenues. The sector is instrumental in addressing food security, enhancing value addition in agriculture, and fostering technological innovation (Gecheo *et al*, 2022). Kimario *et al* (2023) studied performance from a green procurement perspective in Tanzania.

Reports show that about 30 manufacturing firms have closed in under a decade in the country, while others have seen a decline in performance (Munda, 2023). The Kenya Association of Manufacturers, 2022) attributes this to external environmental factors such as a high cost of doing business, high energy costs, high taxation rates, and high competition from imports (Munda, 2023), while a recent study conducted by Alex *et al.* (2023) attributes the poor performance to issues in production and operation management. This performance decline threatens the sector's sustainability, with potential adverse effects on employment and economic stability (Mwiti, 2023).

Growth strategies, such as market penetration, product development, market development, and diversification, are critical for enhancing the performance of manufacturing firms. These strategies enable firms to expand their market share, innovate new products, enter new markets, and diversify their product portfolios, which can lead to improved financial performance and competitiveness. However, there is limited empirical evidence on the effectiveness of these growth strategies within the context of food and beverage manufacturing firms in Nairobi County (Luvusi, & Muthoni, 2019). This study, therefore, sought to determine the effect of growth strategies on the performance of these firms, providing insights that could guide future strategic decisions in the sector.

General Objective

The main objective of this research was to determine the effect of growth strategies on the Performance of food and beverage manufacturing firms in Nairobi County, Kenya.

Specific Objectives

(i) To ascertain the effect of Market development on performance of food and beverage manufacturing firms in Nairobi County, Kenya

(ii) To establish the effect with which diversification affects performance of food and beverage manufacturing firms in Nairobi County, Kenya

Theoretical review

Dynamic Capabilities Theory

Dynamic capabilities theory was developed by David Teece, Gary Pisano and Amy Shuen in 1997 (Teece, Pisano, & Shuen, 1997).The dynamic capabilities approach arose from a key shortcoming of the resource based view of the firm. Teece et al. (1997) defined dynamic capabilities as the ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environment. Capabilities enable firms to utilize their resources effectively. An example of a capability is the ability to bring a product to the market faster than competitors. Such capabilities are embedded in the routines of the organization and are not easily documented as procedures and thus are difficult for competitors to replicate. The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage (Porter, 2017).The applicability of the firm's bundle of resources and capabilities to a particular industry setting, will determine its competitive advantage. Dynamic resources help a firm adjust its resource mix and thereby maintain the sustainability of the firm's competitive advantage (Barney, 2016).

A study by Irene (2015) used dynamic capabilities theory to explain how insurance companies use market development strategy to enhance their competitive advantage. The study established that market development practices influence performance insurance companies with the major influence being caused by market segmentation. Aliata, et al., (2017) found that sales promotion through new packaging was the highest ranked promotional mix element with regards to its effect on sales volume of banks in Kenya and dynamic capabilities theory was used to explain the need for new packaging in a dynamic environment. A survey conducted by Kyeva (2015)on the marketing mix used by life insurance companies in Kenya in responding to the challenge of HIV/AIDs pandemic adopted the dynamic capabilities theory in explaining the 7ps(product benefits, price, place, promotion, people, process and physical evidence) of service marketing in a changing environment.

Dynamic capabilities theory explains the market development strategy in this study because market development creates growth through the introduction of current products to new markets. It is used when a company has identified markets that were previously unidentified or when it wants to expand its market reach which is the main idea of dynamic capabilities theory. A number of tactics used to enter and develop a new market for existing products include turning to new and untapped geographical areas, introducing new pricing procedures to attract new target audiences and creating new distribution channels can to offer products in new ways and to new customers. In conclusion, sustainable competitive advantage is the outcome of resource selection, accumulation and deployment (through organization capabilities) and is based upon the premise of firm's resource heterogeneity.

Knowledge Based Theory

The Knowledge Based Theory of a firm was developed by Robert Grant in 1996(Grant, 1996).The knowledge based view model considers firms' ability to incorporate human, social and organizational resources together with economic and technical resources. Narasamha, (2002) and Miller, (2002) considered firms as bodies that are involved in generating, integrating and distributing knowledge. They argue that the ability of a firm to create value does not necessarily depend on physical and monetary resources but depends on a combination of capabilities related to knowledge. Performance of a firm is achieved by the organizations ability to come up with new technological knowhow as an asset that will help to create core competencies. Sustainability requires that a company considers their intangible resources in the form of accumulated experience, knowledge articulation and making it explicit.

Knowledge based view is about the firm's resources in terms of knowledge and not more about the tangible assets that the firm has. These assets include technological knowledge, intellectual property, business process knowledge, customer business relationship, reputations and the overall organizational culture and values (Stewart, Chris, Kornberger and Schweitzer, 2011). Organizations have to have the right processes, paths and market positions in order to attain distinctive competence.Barney (1991) argues that that extent to which competitive advantage last over time is depended on the capabilities which cannot be imitated and which are depicted in the same competitive advantage. This is dependent on the employees involved in generating, storing, sharing and employing the required generic and specific knowledge which will facilitate competitive advantage.

Murguiya (2018) used the Knowledge based view theory of a firm in explaining the influence of diversification strategies on organizational growth in the steel industry in Kenya. The study findings indicated that diversification strategies were methods used in steel companies to enhance organizational growth. It was also found that there was high use of product and market diversification in improving the organizational growth.Nzomo (2019) adopted the Knowledge Based View Theory of a firm in studying the effect of expansion strategies on performance of insurance industry in Kenya. The study concluded that insurance firms in Kenya are significantly and positively affected by diversification. Therefore, insurance firms in Kenya need to concentrate on diversification activities as it has proved to have a significance effect on performance. This theory is relevant to the diversification strategy in this study because diversification entails the creation of new products, product lines, new services or new markets using new skills and technology. This indicates that the knowledge and technology in an organization is essential in the development of products and markets that will penetrate into the market.

Conceptual framework

Young (2019) defines conceptual framework as a diagrammatic representation that shows the relationship between dependent variable and independent variables and when clearly articulated it has a potential adequacy in assisting the researcher to make meaningful ensuing findings. In order to ensure that the main aims of this study will be achieved the researcher will be guided by the following conceptual framework. The conceptual framework uses key prepositions from Ansoff's (1958) product market matrix. The independent variables that have been developed from the model include market development and diversification. These growth strategies are aligned towards measuring their effect on the Performance of a firm.

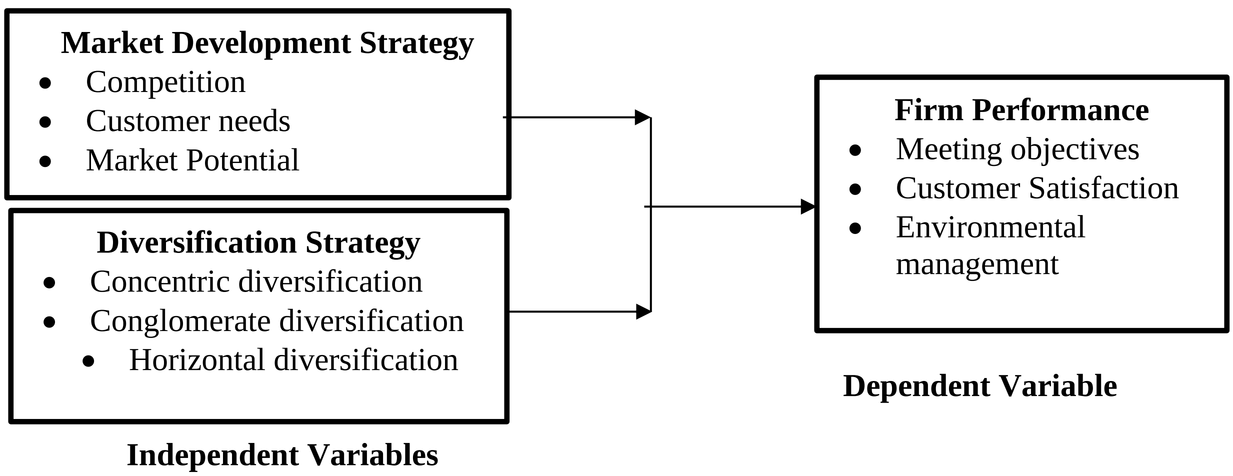

Figure 2. 1: Conceptual Framework

Market Development

A Market Development Strategy is a business approach aimed at expanding a company's market reach by introducing existing products or services into new geographic regions or new customer segments. The goal is to grow the company's market share and revenue by tapping into untapped or under-served markets. This strategy focuses on finding new markets for current offerings, rather than developing new products (Voss & Voss, 2020). Competition refers to the presence of other firms in the same market that offer similar products or services. Understanding the competitive landscape is crucial for any market development strategy, as it influences how a company positions itself and differentiates its offerings. Intense competition can drive companies to innovate and improve their products, adjust pricing strategies, and enhance customer service to maintain or grow their market share. To effectively navigate competition, firms must analyze their competitors' strengths, weaknesses, market strategies, and customer feedback. This analysis helps identify gaps in the market, opportunities for differentiation, and potential threats. By developing a competitive advantage—such as unique product features, superior quality, or exceptional customer service—companies can better position themselves to attract and retain customers in both existing and new markets (Zott & Amit, 2019).

Location plays a critical role in market development, affecting both the accessibility of products to consumers and the operational efficiency of a business. Selecting the right geographic areas for expansion involves evaluating factors such as the local infrastructure, transportation networks, and proximity to suppliers and customers. In new market regions, the location can impact distribution costs, delivery times, and overall logistical effectiveness. Additionally, a firm must consider local regulations, economic conditions, and market demand specific to the location. For instance, entering a densely populated urban area might offer high sales potential but also come with higher competition and costs. Conversely, expanding into less saturated or emerging regions might present opportunities for growth with potentially lower initial costs and competition. Strategically choosing locations that align with market potential and operational needs can significantly enhance the success of a market development strategy (Mbithi Muturi, & Rambo, 2018).

Market potential refers to the capacity of a new market to generate revenue and growth opportunities for a company. It is determined by factors such as the size of the target market, growth trends, consumer demand, and economic conditions. Assessing market potential involves analyzing demographic data, purchasing power, and market trends to estimate the demand for the company's products or services (Kim & Clark, 2019). A high market potential indicates a promising opportunity for expansion, with potential for significant sales and profitability. Conversely, a market with limited potential might require more cautious entry or a different approach to market development. By thoroughly evaluating market potential, companies can make informed decisions about where to focus their expansion efforts, allocate resources effectively, and tailor their strategies to maximize returns and achieve sustainable growth (Rono & Moronge, 2018).

Diversification

A Diversification Strategy is a business approach that involves expanding a company's operations into new markets, industries, or product lines that are different from its existing operations. The primary goal of diversification is to spread risk and create growth opportunities by entering new areas of business that are distinct from the company's current core activities (Li & Wong, 2019). Concentric diversification refers to a strategy where a company expands its product line or services by adding new products or services that are related to its existing business activities but are not currently offered. This type of diversification leverages the company's core competencies, technological capabilities, or market knowledge to enter new but related markets. For instance, a company specializing in dairy products might diversify into producing yogurt or cheese, capitalizing on its existing knowledge of dairy processing and customer base (Oladimeji, & Udosen, 2019). The advantage of concentric diversification is that it allows the company to build on its existing strengths and resources while minimizing the risks associated with entering entirely new industries. It also helps to create synergies within the organization, such as shared marketing channels or distribution networks, which can enhance overall efficiency and profitability (Khanna & Palepu, 2020).

Conglomerate diversification involves expanding into business areas that are completely unrelated to the company’s current operations. This strategy is aimed at reducing risk by spreading investments across different industries, thus insulating the company from market fluctuations in any single sector (Kering, 2019). For example, a technology firm might diversify into the real estate or food and beverage industries. The primary benefit of conglomerate diversification is risk reduction through a diversified portfolio of businesses that can perform independently of each other. However, this type of diversification can also present challenges, such as a lack of synergy between the new and existing businesses and potential difficulties in managing diverse operations effectively. The success of conglomerate diversification often depends on the company’s ability to manage unrelated businesses efficiently and integrate new acquisitions into its overall strategy (Marangu, Oyagi & Gongera, 2018).

Horizontal diversification occurs when a company expands its product or service offerings into areas that are similar to or complement its existing products or services but are targeted at new customer segments or markets. This strategy typically involves introducing new products that cater to the same market or similar customer base. For instance, a company that produces high-end electronics might introduce a line of consumer electronics accessories, such as headphones or smart home devices (Marangu, Oyagi & Gongera, 2018). The key advantage of horizontal diversification is the ability to leverage existing brand equity, customer relationships, and distribution channels to reach new customer segments. This type of diversification can drive growth by capitalizing on established market presence and addressing a broader range of customer needs. It also helps to mitigate risks by expanding the product portfolio and enhancing competitive positioning within the same industry (Kering, 2019).

Empirical Review

Market Development and Organization Performance

A study on strategic orientation and firm performance in an artistic environment building on the market orientation research was explored by (Voss & Voss, 2020). The study examined the impact of three alternative strategic orientations—customer orientation, competitor orientation and product orientation—on a variety of subjective and objective measures of performance in the nonprofit professional theater industry. The study instituted a two-stage research design in conjunction with Theatre Communications Group (TCG), a national service organization for the nonprofit professional theater field. To test the hypotheses, the study conducted a series of regression analyses that substituted the various performance measures as dependent variables. For each performance measure, the study conducted a hierarchical, moderated regression analysis that tests for independent and interaction effects for the hypothesized moderator. The results indicated that the association between strategic orientation and performance varies depending on the type of performance measure used (Voss & Voss, 2020). However, the most unambiguous result was that a customer orientation exhibits a negative association with subscriber ticket sales, total income, and net surplus/deficit. The study's focus on a single artistic industry limited the generalizability of the findings.

The study by Zott and Amit (2019) examined the fit between a firm's product market strategy and its business model. Data was collected on a sample of firms that had gone public in Europe or in the United States between April 2006 and May 2015. The study randomly sampled 170 firms on their business model characteristics and product market strategies. Analysis for the study was done through descriptive statistics, confirmatory factor analysis and partial least squares regression. The study manually collected dataset and found that novelty-centered business models—coupled with product market strategies that emphasize differentiation, cost leadership, or early market entry—can enhance firm performance. Data suggested that business model and product market strategy are complements, not substitutes (Zott & Amit, 2017). The study was however limited in addressing how business models evolve and in particular how they co-evolve with the product market strategy of the firm.

Mbithi Muturi, and Rambo (2018) studied the effect of market development strategy on performance in sugar industry in Kenya. There is undeniable interest in the adoption of marketing strategy in almost all sectors of economies to counter growing local and global competition. This study investigates the performance implications of using majorly two market strategy approaches; developing new market segments and extending geographically. Specifically, the study uses a model in which market development strategy indicators are regressed on performance measures. The relationship between marketing development strategy and firm performance and given mixed outcomes with developing new market segments being found to have influence on sales volume and total turnover though not statistically significant while extensions into new geographical areas having influence in sales volume with statistically significant results. Based on the outcome both extending to new regions and developing new market segments does not result to increased profitability but increased market share which would eventually positively affect profitability. Rebranding, promotions, different quantity packaging enables accessing new segments of the market while opening outlets or agencies could boost extending geographically for sugar companies. This study contributes significantly to the current marketing strategy literature by examining how the two aspects of marketing strategies relates different performance measures in the context of sugar industry

Rono and Moronge (2018) studied the effect of growth strategies on the Performance of firms in Kenyan cement industry: a case study of east African Portland Cement Company limited. The study sought to get an insight, understand and be able to describe the attitudes and opinions on the growth strategies and their effect on Performance of firms in respect to the modern-day challenges such as the increased demand for cement. This research was guided by the following objectives: effects of market development, market penetration on the Performance of companies in the Kenyan cement industry. The study adopted descriptive research design. The sample size for the study was 150 participants which is approximately 10% of the total population of 1472. To address the research questions, primary data was collected by use of questionnaires and complemented by that obtained from various secondary sources. The study found out that that growth strategies had enhanced increased efficiency and increased the company’s market share.

Diversification and Organization Performance

Khanna and Palepu (2020) examined the extent of diversification and firm value, arguing that beyond a threshold diversification is beneficial. The predominant rationale for the existence of groups that researchers explore in literature relates to transaction cost economics and weaknesses in market institutions. The resource perspective which is our focus is relatively underutilized perspective by researchers, and we believe has a potential to enhance our understanding of group existence and performance link. Also, Li and Wong (2019) suggested the lack of well-established product markets, financial markets, and labor markets, coupled with the lack of necessary laws and regulations and inconsistent enforcement of contracts may make it difficult for firms to pursue resource building and leverage alone in emerging economies.

Oladimeji, and Udosen, (2019) researched on the effect of diversification strategy on organizational performance. In today’s dynamic and turbulent business environment, diversification has become a catalyst for achieving competitive advantages and the creation of synergy in market operations. This study examined the effect of a diversification strategy on an organization’s performance in the manufacturing sector. A quasi-experimental study with an ex-post facto research design were used for the study. The respondent population consists of thirty-one organizations listed in Nigerian Stock Exchange (NSE) for a period of 20 years (1997-2017), while the sample size is comprised of six organizations purposively selected based on their life-span and level of diversification. Three hypotheses were formulated and tested using ratio analysis, while performance was measured in terms of ROA, ROI and ROE; organization size, organization value and growth; as well as leverage and liquidity. Data was drawn from the financial reports of the selected organizations, with E-View version 9 used for the data analysis. The study revealed that diversified organizations outperform undiversified ones in terms of ROA and ROI. While related diversified organizations were discovered to be positive in terms of ROA (26.8%), unrelated and hybrid diversified organizations were positive in ROE (81.7% and 20.5%). A diversification strategy leads to growth and profitability (20%) and a strong capital structure to cover liabilities (26%). The study concluded that diversification is a strategic tool for achieving strategic relevance and spontaneous performance.

Kering (2019) researched on the influence of diversification on the Performance of Safaricom (K) Ltd. The research used a case study approach to give an in-depth understanding of the diversification as a competitive strategy by Safaricom Company Limited in Kenya. Primary data was collected from 5 senior managers using an interview guide and data collected was analysed using content analysis. Data was then organized into various thematic areas so as to build a profile on how Safaricom Limited has used diversification as a competitive strategy and a report generated to show how successful Safaricom has applied diversification strategy as a competitive strategy. The study established diversification had been a key factor in the success of Safaricom and that the innovative culture within the organization had highly contributed to the success of the diversification strategy. The study also established that through diversification, the company has been able to increase its revenue streams and hence increased profitability.

Marangu, Oyagi and Gongera (2018) conducted an analysis of concentric diversification strategy on Organization Performance: Case of sugar firms in Kenya. The paper analyzes the contribution of concentric strategies on sugar firm Performance in Kenya. The study adopted descriptive correlational survey design and this being a census study; all the nine main sugar firms in the Kenya were studied. Using a questionnaire, primary data was collected from the production and marketing managers as key informants of each of the sugar firms. The production and marketing managers of every sugar firm were selected to take part in the study as they are perceived to be knowledgeable on the issues under study and for which they are either responsible for their execution or they personally execute them. The data collected was analyzed using descriptive and inferential statistics. Cronbach's alpha coefficient was used to measure the reliability of the scale, which was used to assess the interval consistency among the research instrument items. In order to determine the strength and the direction of the relationship between the study variables, the researcher used simple regression analysis. The study concluded that the adoption of concentric diversification positively and significantly affects Performance of sugar firms. The regression results further indicated that 54.8 percent of the increments of sugar firm Performance was attributed to concentric diversification.

RESEARCH METHODOLOGY

Research Design

A research design is a framework used in choosing the source and the kind of information that are used to answer the research question. It's a framework that is used to specify the association among variables being studied and also acts as a blue print outlining procedure to be used from the start until the data is analyzed (Kerlinger, 2019). The study employed descriptive research design. This research design assists the researcher to establish whether there exists a significant association between the variables at a particular point in time (Mugenda & Mugenda, 2008). According to Creswell and Clark (2019) a descriptive design is a design whose main concern is 'what, how and who' which is the concern of this research study.

Descriptive research design was used in this study because it allows collection of information as is without manipulating it. It also allows information to be collected through asking of questions to the sample selected for the research, using standard procedure of questioning with the focus of identifying the association of the variables (Saunders *et al*, 2019).

Target Population

According to Orodho, (2019) target population is a well-defined or specified set of people, group of things, households, firms, services, elements or events which are being investigated. Target population should suit a certain specification, which the research is studying and the population should be homogenous. Mugenda and Mugenda, (2021), explain that the target population should have some observable characteristics, to which the research intends to generalize the results of the study. According to KAM (2022) report, there are 76 are food and beverage manufacturing firms in Nairobi City County, Kenya. This study therefore target 456 management employees working in the 76 food and beverage manufacturing firms in Nairobi City County, Kenya

Table 3. 1: Target Population

Category	Target Population
Top Managers	76
Middle Managers	152
Lower Level Managers	228
Total	**456**

Source: KAM, 2022

Sample and Sampling Techniques

The study's sample size was reached at using Krejcie and Morgan sample size determination formula (Russell, 2019). Using this formula a representative sample was obtained. The study's total population is 456.

The formula used for arriving at the sample size is;

$$n = \frac{x^2NP(1-P)}{\left(ME^2(N-1)\right) + (x^2P(1-P))}$$

Where:

n=sample size

x^2=Chi-square for the specified confidence level at 1 degree of freedom

N=Population size (456)

P = is the proportion in the target population estimated to have characteristics being studied. As the proportion was unknown, 0.5 was used.

Chuan and Penyelidikan (2016) indicate that the use of 0.5 provides the maximum sample size and hence it is the most preferable. 437.9424/2.1004

ME=desired margin of Error (Expressed as a proportion)

$$\frac{1.96^2 456 * 0.5 * 0.5}{(0.05^2 * 456) + (1.96^2 * 0.5 * 0.5)}$$

$$n = 209$$

Table 3. 2: Sample Size

Category	Target Population	Sample Size
Top Managers	76	35
Middle Managers	152	70
Lower Level Managers	228	105
Total	**456**	**209**

Data Collection Instruments

Questionnaire was selected in gathering information to be used in the study. According to Chandran et, al. (2018) a questionnaire is a measuring tool intended at communicating to the researcher what he/she requires and obtaining information from the respondents with the focus of attaining the objective of the study. Kothari (2019) stated that structured questionnaires best suits a descriptive study because of ease of use and the skills needed are less.
Creation of the questionnaire was done in line with the objective of the study and it comprised both open and closed ended questions. Through the open-ended questions, the study obtained responses that are more structured and therefore facilitating recommendations that are tangible. Through the open-ended questions, the researcher is able to measure various attributes and therefore obtain responses that are varied. Areas that are not covered by the closed ended questions were covered by the open-ended questions.

Pilot Test

Pilot study facilitates pre-testing and validation of the questionnaire. The main aim of the pilot test is testing how reliable the data collection tool is. The study used a total of 21 individuals in the pilot test which represent 10% of study sample size. Findings of pilot test were not included in the actual study.

Data Analysis and Presentation

To facilitate data analysis, the collected data was coded and entered into SPSS software. The study collected both quantitative and qualitative data. Quantitative data collected was analyzed using descriptive statistics techniques such as means, standard deviation, frequencies and percentages. SPSS version 23 was used to analyze the quantitative data. Qualitative data was analyzed using content analysis and presented in prose form.

The study also analyzed the data using inferential statistics which include correlation and regression analysis. Pearson R correlation was used to measure strength and the direction of linear relationship between variables. If the Correlation coefficient is zero, then it suggests the variables are not related, if the value is ±1 the variables are strongly associated (Hair et al., 2010). Multiple regression models were fitted to the data in order to determine how the independent variables affect the dependent variable. It was used to determine the effect of growth strategies on performance of food and beverage manufacturing firms in Nairobi County, Kenya. The regession model adopted will be:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where;

Y = Performance of food and beverage manufacturing firms in Nairobi County, Kenya
X_1= Market Development Strategy
X_2= Diversification Strategy
ε = Error term

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

Descriptive Statistics

Market Development and Firm Performance

The first specific objective of the study was to ascertain the effect of market development on performance of food and beverage manufacturing firms in Nairobi County, Kenya. The respondents were requested to indicate their level of agreement on market development and performance of food and beverage manufacturing firms in Nairobi County, Kenya. The results were as shown in Table 4.1

From the results, the respondents agreed that their firm actively seeks new market opportunities beyond their current customer base (M=3.983, SD= 0.765). In addition, the respondents agreed that they regularly conduct market research to identify potential new markets for their products (M=3.806, SD=0.845). Further, the respondents agreed that their company invests in developing new products tailored to emerging market needs (M=3.785, SD=0.688). The respondents also agreed that they engage in strategic partnerships or alliances to enter new market segments (M=3.718, SD=0.788). In addition, the respondents agreed that their marketing efforts are designed to appeal to different demographics and regions (M=3.698, SD=0.686).

The respondents agreed that their firm develops new distribution channels to reach untapped market segments (M=3.662, SD=0.617). Further, the respondents agreed that market development initiatives leads to an increase in their sales volume in new regions (M=3.600, SD=0.788). In addition, the respondents agreed that their market development efforts contribute to overall business growth and stability (M=3.598, SD=0.764).

Table 4. 1: Market Development and Firm Performance

	Mean	**Std. Deviation**
Our firm actively seeks new market opportunities beyond our current customer base.	3.983	0.765
We regularly conduct market research to identify potential new markets for our products.	3.806	0.845
Our company invests in developing new products tailored to emerging market needs.	3.785	0.688
We engage in strategic partnerships or alliances to enter new market segments.	3.718	0.788
Our marketing efforts are designed to appeal to different demographics and regions.	3.698	0.686
Our firm develops new distribution channels to reach untapped market segments	3.662	0.617
Market development initiatives leads to an increase in our sales volume in new regions.	3.600	0.788
Our market development efforts contribute to overall business growth and stability.	3.598	0.764
Aggregate	**3.731**	**0.743**

Diversification Affects and Firm Performance

The second specific objective of the study was to establish the effect with which diversification affects performance of food and beverage manufacturing firms in Nairobi County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to diversification affects performance of food and beverage manufacturing firms in Nairobi County, Kenya. The results were as presented in Table 4.2.

From the results, the respondents agreed that their firm diversifies its product range to include new food and beverage categories (M=3.955, SD= 0.895). In addition, the respondents agreed that they enter new markets or segments as part of their diversification strategy (M=3.946, SD=0.886). Further, the respondents agreed that their diversification efforts include expanding into complementary products or services (M=3.907, SD= 0.725). The respondents also agreed that they regularly assess potential opportunities for diversification to enhance their market presence (M=3.902, SD= 0.881).

The respondents agreed that their firm invests in research and development to support successful diversification initiatives (M=3.898, SD=0.683). In addition, the respondents agreed that diversification helps them reduce dependency on a single product line or market segment (M=3.884, SD=0.796). Further, the respondents agreed that customer satisfaction increase due to the availability of a wider range of products (M=3.776, SD =0.546). The respondents also agreed that diversification enhances their competitive advantage in the food and beverage industry (M=3.754, SD=0.643).

Table 4. 2: Diversification Affects and Firm Performance

	Mean	**Std. Deviation**
Our firm diversifies its product range to include new food and beverage categories.	3.955	0.895
We enter new markets or segments as part of our diversification strategy.	3.946	0.886
Our diversification efforts include expanding into complementary products or services.	3.907	0.725
We regularly assess potential opportunities for diversification to enhance our market presence.	3.902	0.881
Our firm invests in research and development to support successful diversification initiatives.	3.898	0.683
Diversification helps us reduce dependency on a single product line or market segment.	3.884	0.796
Customer satisfaction increase due to the availability of a wider range of products.	3.776	0.546
Diversification enhances our competitive advantage in the food and beverage industry.	3.754	0.643
Aggregate	**3.878**	**0.757**

Inferential Statistics

Inferential statistics in the current study focused on correlation and regression analysis. Correlation analysis was used to determine the strength of the relationship while regression analysis was used to determine the relationship between dependent variable (performance of food and beverage manufacturing firms in Nairobi County, Kenya) and independent variables (market development and diversification affects).

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (market development and diversification affects) and the dependent variable (performance of food and beverage manufacturing firms in Nairobi County, Kenya).

Table 4. 3: Correlation Coefficients

		Firm Performance	Market Development	Diversification Affects
Firm Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	189		
Market Development	Pearson Correlation	.846**	1	
	Sig. (2-tailed)	.001		
	N	189	189	
Diversification Affects	Pearson Correlation	.869**	.179	1
	Sig. (2-tailed)	.000	.071	
	N	189	189	189

The results revealed that there is a very strong relationship between market development and performance of food and beverage manufacturing firms in Nairobi County, Kenya (r = 0.846, p value =0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings conform to the findings of Ekiyor, Amino, and Altan, (2019) that there is a very strong relationship between market development and firm performance.

The results also revealed that there was a very strong relationship between diversification affects and performance of food and beverage manufacturing firms in Nairobi County, Kenya (r = 0.869, p value =0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the results of Ajoke *et al* (2019) who revealed that there is a very strong relationship between diversification affects and firm performance.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (market development and diversification affects) and the dependent variable (performance of food and beverage manufacturing firms in Nairobi County, Kenya).

Table 4. 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.872	.760	.761	.10129

a. Predictors: (Constant), market development and diversification affects

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.760. This implied that 76% of the variation in the dependent variable (performance of food and beverage manufacturing firms in Nairobi County, Kenya) could be explained by independent variables (market development and diversification affects).

Table 4.5: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.027	2	6.013	83.83	.000b
	Residual	6.552	186	.036		
	Total	18.579	188			

a. Dependent Variable: performance of food and beverage manufacturing firms in Nairobi County, Kenya
b. Predictors: (Constant), market development and diversification affects

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 83.83 while the F critical was 2.421. The p value was 0.000. Since the F-calculated was greater than the F-critical and the p value 0.000 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of market development and diversification affects on performance of food and beverage manufacturing firms in Nairobi County, Kenya.

Table 4. 6: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	**Std. Error**	**Beta**		
1	**(Constant)**	0.330	0.084		3.929	0.002
	market development	0.376	0.095	0.375	3.958	0.002
	diversification affects	0.387	0.097	0.386	3.990	0.000

a Dependent Variable: performance of food and beverage manufacturing firms in Nairobi County, Kenya

The regression model was as follows:

$$\mathbf{Y = 0.330 + 0.376X_1 + 0.387X_2 + \varepsilon}$$

The results revealed that market development has significant effect on performance of food and beverage manufacturing firms in Nairobi County, Kenya, β1=0.376, p value= 0.002). The relationship was considered significant since the p value 0.002 was less than the significant level of 0.05. The findings conform to the findings of Ekiyor, Amino, and Altan, (2019) that there is a very strong relationship between market development and firm performance.

In addition, the results revealed that diversification affects has significant effect performance of food and beverage manufacturing firms in Nairobi County, Kenya β1=0.387, p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the results of Ajoke *et al* (2019) who revealed that there is a very strong relationship between diversification affects and firm performance.

Conclusions

The study concludes that market development has a positive and significant effect on performance of food and beverage manufacturing firms in Nairobi County, Kenya. Findings revealed that competition, location and market potential influences performance of food and beverage manufacturing firms in Nairobi County, Kenya.

The study also concludes that diversification affects has a positive and significant effect on performance of food and beverage manufacturing firms in Nairobi County, Kenya. Findings revealed that concentric diversification, conglomerate diversification and horizontal diversification influences performance of food and beverage manufacturing firms in Nairobi County, Kenya.

Recommendations

The study recommends that the management of food and beverage manufacturing firms should strategically invest in market research and consumer analysis to identify and capitalize on emerging market opportunities. By thoroughly understanding the evolving preferences and demands of different consumer segments, firms can tailor their product offerings and marketing strategies to meet these needs effectively

The study also recommends that the management of food and beverage manufacturing firms should strategically pursue diversification opportunities that align with their core competencies and market trends. Firms explore the introduction of complementary product lines or services that leverage existing resources and expertise while addressing emerging consumer demands. This approach allows firms to reduce dependency on a single product or market segment and mitigate risks associated with market fluctuations.

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