

Diversification Strategy and Sustainable Competitive Advantage in Cement Manufacturing Companies in Kenya

Mucheru Stephen¹, Nyamboga Evans, PhD², Mwiti Evans, PhD³

¹Mount Kenya University, Kenya

²Senior Lecturer, Mount Kenya University, Kenya

³Associate Lecturer, Mount Kenya University, Kenya

Abstract

Manufacturing companies are currently opting to various strategies to deal with emerging competitive issues. Through sustainable competitive advantage attained by adoption of the right corporate strategies, companies can enjoy better returns, large market share and attract well-trained employees. The objective of the study was to establish contribution of diversification strategy on sustainable competitive advantage in cement manufacturing companies in Kenya. The study employed a descriptive research design. The target population were all the six cement manufacturing companies in Kenya. Census sampling approach was adopted to encompass all the six cement manufacturing companies. A proportionate sample of 108 respondents was chosen as a representative of the whole. From the correlation analysis results, the research variable, Diversification Strategy, had a positive influence on sustainable competitive advantage in cement manufacturing companies in Kenya. From the regression analysis results, a coefficient of correlation of 0.770 was obtained indicating that diversification strategy had a positive effect on sustainable competitive advantage in the cement manufacturing companies. The study recommended that management should assess the strategy's suitability considering company's structure, culture, and policies, as well as the overall targeted goals, before implementing it. The study recommended that adequate strategic planning be done and that regular monitoring be done periodically to guarantee they do not deviate from the plans. The study also recommended that cement manufacturers should adhere strictly to the rules set forth, and the relevant ministries should make sure that all businesses do the same.

Key Words: *Diversification Strategy, Sustainable Competitive Advantage, Manufacturing Companies.*

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1.0 Introduction

1.1 Background to the Study

Cement industry in Kenya is oligopolistic in nature and few players generally characterize the industry which results in intensified competition in the sector (Seboru, 2013). In Kenya, cement manufacturing companies recorded a drop in revenues in the last financial year 2017. Portland cement sales dropped by 5% to 2.92 billion due to increase in cost of coal and electricity. Athi

River Mining which is East African second biggest cement producer after Bamburi recorded a 13.1 % drop in group revenue to KShs12.79 billion compared to KShs14.73 billion in 2015. The drop was attributed to increased competition and lower selling prices in Tanzania (KAM, 2019). Kenya's major cement companies are locally owned namely Bamburi Ltd, Portland Ltd, Savanna, Athi River Mining Ltd, Mombasa Cement Ltd and National Cement Ltd (Dyer & Blair Investment Bank, 2017). Founded in 1933, East Africa Portland Cement Company Limited is the first in terms of market share followed by Bamburi Cement formed in 1951. This is followed by Athi River Mining Limited, Mombasa Cement Limited and Savannah Cement Company that were started in 1974, 2007 and 2012 respectively. Lastly is National Cement Company Limited with the least market share of 7% and was started in 2008.

Competitive strategies are put to gain a competitive edge against the rivals. Ouma, (2016) termed competitive strategy as dealing exclusively with the management action plan for competing successfully and providing superior value to customers. Strategic management measures are therefore of importance in strategic alignment in promoting sustainability in these companies (David & David, 2019). Strategy is termed as action employed by a firm in attaining the set goals over a specified time frame (Hill & Jones, 2013). Ouma, (2016) defines strategies as management action plans essential in achieving the desired value and quality in firms' undertakings. In a similar manner, Thompson, and Strickland, (2015) perceived strategy as combined moves and approaches employed in accomplishment of the vision and objectives of an organization. Corporate strategy is therefore an approach geared towards attainment of superiority in performance. The principal concern is identification of the key priority areas to be focused by a firm in order to ensure maximization of profits. Strategies help organization to exercise the choice of direction for strategic actions (Hill & Jones, 2012). Their role is proper direction of the companies' resources as per the objectives and goals (Kutllovci, *et al.*, 2012).

Cement consumption in Kenya increased by 26.6 percent in the first five months of 2020, owing to continuing infrastructure projects like the Nairobi Expressway and increased real estate activity, and it is expected to continue to rise as the economy expands (KAM, 2020). Imposing higher import duties and requiring enterprises to obtain clinker from a small number of suppliers is backward for an industry that has expanded organically over time. As a result, a cement market that provides a fair playing field for all participants and delivers goods at the proper price to customers is required. In this regard, majority of cement companies support the Competition Authority of Kenya's (CAK) decision to reject the proposal to raise the clinker tax (CAK, 2020). The manufacturing sector contributes to 8% of the country's GDP since 2016 (RoK, 2017). Specifically, the cement manufacturing industry in Kenya is characterized by having only few players which sensitizes the importance of attainment of competitive advantage by the cement manufacturing companies so as to remain profitable. The cement manufacturing companies must ensure that their strategies are well aligned with internal and external factors (Nyasimi, & Gitau, 2016).

Diversification is defined by Johnson *et al.*, (2018) as a strategy that allows a business to enter new markets for their goods or services. Diversification is used by businesses for a variety of reasons. Diversification, for starters, improves efficiency and this is created by a company's current resources or competencies being applied to new markets for their products, or services. It introduces scope economies, which are savings realized by broadening the scope of an organization's activity. It introduces synergy, which indicates that when activities or assets are employed together, they are more effective than when they are used. It also expands the possibilities

of corporate parenting into new markets, goods, and services accomplished by putting current skills to use in new areas. Diversification can take the form of linked diversification, which involves growing the company's capabilities beyond current goods and markets while remaining inside the organization's value network. This can be accomplished by vertical or horizontal integration (concentric strategy). Diversification can also be achieved through disconnected diversification, which requires the development of products and services that exceed current capabilities and value networks - conglomerate method (Johnson & Whittington, 2018). Diversification is seen as a solid business strategy since it broadens a company's investment possibilities and enables it to capitalize on more profitable investment opportunities inside its own industry as well as in sectors of the economy where it previously had no presence. Diversification strategies include mergers and acquisitions, internal start-ups, and joint ventures. These are often followed with the same technical, financial, and merchandising resources as the initial product line. Diversification requires a corporation to acquire new skills, techniques, and facilities (Makokha, *et al*, 2016). Theoretical grounds suggest the existence of a favourable relationship between business diversification and performance. Companies that diversify by purchasing or integrating with other enterprises (corporate diversifications) perform much better than companies that do not diversify, according to synergy theories (Markides, 2016). As a result, the relationship between diversification and financial performance is u-shaped, with synergy contributing to good financial performance until diversification leads to high operational costs and inefficiency. Palich *et al.* (2018) discovered that variety is related to both accounting and market performance outcomes, and that diversification is beneficial to enterprises to some extent, collaborating the point stated by synergy theories.

2.0 Literature Review

2.1 Theoretical Review

The study adopted Theory of Competitive Advantage by David Ricardo (1817). This theory was introduced by David Ricardo, (1817) in describing how competitive advantage may be attained in companies. The theory holds that through specialization, the company is able to gain a competitive edge against the rivals. According to this theory, trade may increase value created only when gains from the trade are well balanced. This is whereby a company is able to produce all goods using less resources compared to others (Ricardo, 1817). The theory is based on the principle that only national level is core for the amount of productivity received. However, the main limitation for this theory is that it assumes that there exists perfect competition in the organizations surrounded with constant opportunity costs and mobility of factors of production, which is rarely the case. The strategies adopted should focus mainly on those sectors that they have an upper hand against the rivals. The theory provides a framework for ability of the companies to produce goods and services at a lower opportunity cost hence gaining competitive advantage. The theory thus formed basis of understanding how innovation, diversification and process re-engineering strategies are adopted.

2.2 Empirical Review

Arasa (2014), conducted research on diversification strategies adopted by KCB bank. The main findings of the study were that increased diversification led to higher performance. The study however was limited only to KCB which has a different setting from the cement manufacturing companies. In another study, Wu, et al. (2015) examined the association between diversification and innovative performance of Chinese companies. The study showed that diversification was a main determinant of innovation performance of these companies. The study was not able to

investigate the impact on competitive advantage. The entry of a company into new areas of business through a process of internal development is how diversification is defined by Afonso (2015), in his study on the effects of diversification on firm value. Businesses that have expanded their product lines to include goods that make use of their current internal resources or capabilities profit from economies of scale and generate higher returns. Although rivals may provide products that are comparable, the differentiation strategy emphasizes the variations in design or quality. Customers will see the product as unique in this situation, giving the business an advantage in the market. Offering distinctive products distinguished by valuable attributes like quality, innovation, and customer service is the goal of the diversification through differentiation strategy.

Ogada (2016) researched diversification strategies among merged institutions. The study population was all the 51 merged financial companies in the country sampled using purposive sampling, showed that diversification did not significantly affect the performance. The study however was not able to establish any effect on the competitive advantage. This tends to contradict Chen (2017) who using US based companies concluded a positive relationship. However, these studies were done from an international setting hence cannot be compared locally. Wanjiru, (2016) examined the impact of concentric product diversity on business success. The Balance Scorecard Model was utilized to guide the study. The adoption of an explanatory study design allowed for the search for explanations of the nature of specific correlations between the independent and dependent variables—in this example, the product diversification strategy and company performance. 231 respondents made up the target population. Data was collected using structured questionnaires, and SPSS was used to analyse the results. Although not statistically significant, the study found that concentric product diversification improved business performance. Vertical product diversity has a large impact on company performance, whereas horizontal product diversification has no significant impact. Conglomerate product diversification has a big impact on company's performance.

According to a study by Grossmann (2017), when a major company experiences internal coordination issues, diversification is a way to expand the company's limits. By engaging in cross-subsidization strategies, multiproduct companies can strengthen their position in the market. For example, market dominance in one sector can be utilized to support low-price strategies in other markets. As a result, given that diversification is a strategic decision, it is essential to discuss a modelling of diversification to ensure an appropriate strategy option that takes into consideration a number of factors. Kago, et al, (2018) examined petroleum companies in Kenya and found that incorporation of competitive strategies positively improved the performance of these companies. A similar positive effect was obtained by Maury (2018) who examined competitiveness of multinationals in developed countries. The study found out that increased competitive advantage was attained after adoption of these strategies.

Chen Zhang, Jinchang Zhu, and Xinming He (2021) examined the relationship between diversification strategy and firm performance, and the moderating role of sustainable competitive advantage in this relationship. The authors define diversification strategy as a firm's expansion into new product lines, industries, or geographic markets, and sustainable competitive advantage as a long-term advantage that allows a firm to outperform its competitors. The study uses survey data from 258 Chinese firms to test their hypotheses and finds that diversification strategy has a positive effect on firm performance. The authors also find that the positive effect of diversification strategy on firm performance is stronger for firms with higher levels of sustainable competitive advantage.

Kyeong Hun Lee and Sunyoung Lee (2020) investigated the impact of related and unrelated diversification on firm performance in the Korean manufacturing industry. The authors define related diversification as a firm's expansion into new product lines or industries that are related to its existing business, and unrelated diversification as a firm's expansion into new product lines or industries that are not related to its existing business. The study uses data from 477 Korean manufacturing firms over the period 2010-2015 to test their hypotheses and finds that related diversification has a positive effect on firm performance, while unrelated diversification has a negative effect on firm performance. The authors also find that sustainable competitive advantage mediates the relationship between related diversification and firm performance.

Linyan Guo and Qi Zhang (2019) examined the relationship between diversification and sustainable competitive advantage, and the moderating role of market dynamism in this relationship. The authors define market dynamism as the degree of change and uncertainty in the external environment. The study uses survey data from 311 Chinese firms to test their hypotheses and finds that diversification has a positive effect on sustainable competitive advantage. The authors also find that market dynamism moderates the relationship between diversification and sustainable competitive advantage, such that the positive effect of diversification on sustainable competitive advantage is stronger in more dynamic markets. Shuping Chen, Hui Zhang, and Xi Wu (2018) investigated the effect of product diversification on firm performance in Chinese manufacturing firms. The authors define product diversification as a firm's expansion into new product lines or industries. The study uses data from 327 Chinese manufacturing firms to test their hypotheses and finds that product diversification has a positive effect on firm performance. The authors also find that sustainable competitive advantage mediates the relationship between product diversification and firm performance. According to Kuwari (2020), when a company diversifies into unrelated industries, it lowers its risk. Because a company's earnings can be stable and its cash flows can be correlated when it enters a business that is distinct from its core operation. A company must keep all of its divisions totally separate while diversifying into unrelated business. In contrast to a company that does not diversify from its primary activity, it will then be simpler for a corporation to reallocate its capital. They discovered various players that influence businesses to diversify in unrelated ways. They are the primary game planner in charge of this tactic. Organizational managers have their own personal goals and gains, and when a company diversifies in a way that is unrelated to their core business, they cede their rights and authority to other managers.

The effect of diversification strategy on the financial performance of energy and petroleum companies listed on the Nairobi Securities Exchange was studied by Abdi, (2021). This study depended on a descriptive research design since it allowed the researcher to give a clear picture, an empirical evaluation, numerical data, and a statistical analysis of the data that had been gathered. For the statistical analysis, SPSS version 24 was utilized (Statistical Package for Social Sciences). In order to highlight the conclusions obtained from the respondents, tables and figures were employed. This study concluded that the financial performance of conglomerates and their diversification approach are statistically related. Conglomerate diversification strategy affects financial performance in that the company tries to promote growth by tapping into other markets to boost revenues. The business can reach out to new clients thanks to the conglomerate's diversification plan. The study concluded that a horizontal diversification strategy and financial performance have a good and significant relationship. By extending its offerings outside of the sector it serves, a business can expand its market share through the use of a horizontal strategy.

Diversification is defined by Johnson et al., (2018) as a strategy that allows a business to enter new markets for their goods or services. Diversification is used by businesses for a variety of reasons. Diversification, for starters, improves efficiency and this is created by a company's current resources or competencies being applied to new markets for their products, or services. It introduces scope economies, which are savings realized by broadening the scope of an organization's activity. It introduces synergy, which indicates that when activities or assets are employed together, they are more effective than when they are used. It also expands the possibilities of corporate parenting into new markets, goods, and services accomplished by putting current skills to use in new areas. Diversification can take the form of linked diversification, which involves growing the company's capabilities beyond current goods and markets while remaining inside the organization's value network. This can be accomplished by vertical or horizontal integration (concentric strategy). Diversification can also be achieved through disconnected diversification, which requires the development of products and services that exceed current capabilities and value networks - conglomerate method (Johnson & Whittington, 2018).

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3.0 Research Methodology

The main research philosophy paradigms include positivism, experimental, realism and relativism (Creswell and Creswell, 2017). Realism is quantitative by nature and focuses more on figures; relativism is the paradigm that advocates for experimental data collection methods while experimental design falls under relativism and include laboratory data collection. The study will be approached from positivism philosophy. This study took a positivist philosophical approach. Positivist paradigm posits that, to empirically establish the correlation between two variables in a study, it is necessary to formulate and test hypotheses. This philosophy is based on the assumption that scientific propositions are factual only if the observed effects are validated by empirical tests. It adopts a clear independent and objective quantitative approach to investigating phenomena (Eriksson, & Kovalainen, 2015). This choice is informed by the fact the study will be anchored on theories reviewed and requires quantitative data and corresponding analytical techniques. The hypothetic-deductive method has six minimal components which comprise of: theory, hypothesis, operational definition, measurement, testing and verification.

Some of the assumptions underlying this research philosophy include events can be objectively measured and the findings can be generalized to the larger population. The principles of positivism comprise an observable social reality therefore making it the preferred paradigm for this study (Saunders, et al, 2009). According Sekaran and Bougie (2016) assumptions produced in research are comparable to generalization produced by natural scientists' positivism also emphasizes on quantifiable observations that are used for statistical analysis. The methodological implications of positivism are evident in this study. The research design should be comprehensive enough to allow conducting of the research in a smooth and organized way through collection of all the required information (Polit & Becker, 2016). This study adopted a descriptive research design. As described by Kothari, (2017) descriptive research design refers to a research approach tailored towards providing a detailed profile of the study topic while describing the study constructs. The research design enables precise determination of situations, events and persons hence considered the best approach to address the study objectives (Aaker, 2011). The study adopted this research design since the researcher intended to analyse corporate strategies on sustainable competitive advantage in cement manufacturing companies in Kenya. The research design also enabled capturing of the qualitative aspects of the study through the open-ended questions.

The unit of study constituted all the six cement manufacturing companies in the cement industry in Kenya. As such the managerial employees in each manufacturing firm were targeted. These respondents were selected due to their direct involvement in ensuring that sustainable competitive advantage is attained in these companies hence are the most appropriate for the study. This entailed a total of 108 respondents. Due to the population being small and manageable, census sampling approach was used so as to target these specific 108 respondents from the six cement manufacturing companies. This entailed a complete enumeration of all items in a population which meet the study criteria and is most recommended so as to ensure equal representation of all the study elements in a small population (Kothari, 2014). The respondents for the study were selected using simple random sampling so as to ensure equal representation of the study population with no bias.

Data for this study was collected using primary means. The primary means was through self-administered questionnaires as recommended by Frick (2009). The use of a questionnaire for data collection provided advantages such as versatility, speed and cost effectiveness. The questionnaire was semi-structured into sections; the first section of the questionnaire collected background information of the respondent; the second part collected data on the first objective of the study, the third part collected data on the second objective, the fourth part collected data on the third objective, the fifth part collected data on the fourth objective, the sixth part collected data on the fifth objective whereas the seventh part collected data on the dependent variable. A Likert Scale was employed in rating the responses of the respondents. Secondary data on the other hand was obtained from the audited reports of the cement manufacturing companies for the 5-year period between 2016 and 2020 (both years inclusive). These gave more detailed and refined information especially on the competitive advantage of the companies.

Descriptive statistics was used to check the central tendency and the dispersion of the data variables. Inferential statistics on the other hand was used in determination of the relationship and association between the research variables. The analysed data was summarized and presented in tables and figures. Tests were two tailed and were designed to check on equal relations. Every correlation greater than the positive critical values of ($\alpha=0.05$) and also less than their negative values lie within the accepted region of the two-tailed test and vice versa. Regression analysis on

the other hand was used in determination of the relationship between the dependent and independent variables.

4.0 Presentation of Research Findings

4.1 Descriptive Statistics

Table 1. Diversification Strategy and Sustainable Competitive Advantage

Statement	Mean	Std Dev
The company has embraced product diversification	3.99	1.222
The company has introduced corporate diversification	4.07	1.205
The company has been producing better and appealing products	3.74	1.368
The company has added new features to products	3.44	1.649
The company has introduced new products	3.54	1.209
The company has diversified marketing skills	3.41	1.756
The company has applied unrelated diversification	3.91	1.167
The company is constantly evaluating diversification opportunities	3.99	1.319
Average Mean score	3.76	1.362

The results reveal that the most adopted diversification practice was introduction of corporate diversification which is of relevance in allows for more variety and options for products and services as well as provides a tremendous boost to brand image and company profitability (Ghazi, 2016). The respondents further indicated that the least adopted diversification practice was marketing skills which could be due to the additional costs incurred. From the descriptive statistics results, it was also deduced that many respondents strongly agreed with the statements on diversification strategy implying a large extent of adoption among the cement manufacturing companies in Kenya as indicated by an overall mean of (\bar{x} =3.76). The average standard deviation of 1.362 indicates that the data points in a dataset are relatively close to the mean which is a relatively small amount of spread.

Chen (2017) who did a study using US based companies also concluded a positive relationship. Wanjiru, (2016) also found out that concentric product diversification improves business performance. According to a study by Grossmann (2017), when a major company experiences internal coordination issues, diversification is a way to expand the company's limits. By engaging in cross-subsidization strategies, multiproduct companies can strengthen their position in the market. For example, market dominance in one sector can be utilized to support low-price strategies in other markets. As a result, given that diversification is a strategic decision, it is essential to discuss a modelling of diversification to ensure an appropriate strategy option that takes into consideration a number of factors. The positive effect of diversification strategy on the financial performance of energy and petroleum companies listed on the Nairobi Securities Exchange was also established by Abdi, (2021).

Table 2. Sustainable competitive advantage in cement manufacturing companies

Statement	Mean	Std Dev
There has been increase in market share of the company	4.07	1.075
The company enjoy market brand strength on all products	3.87	1.003
The company enjoys positive corporate image	3.99	1.222
The company enjoys a strong market dominance	3.91	1.167
The company has accumulated cash adequate to run the operations	3.99	1.319
The company has attained consistent profits	4.11	1.042

Company is able to reduce labour costs over the years	3.55	1.834
The company has managed to own innovative modern capital equipment	4.11	1.042
The company is easily able to acquire working capital	3.55	1.834
Average Mean score	3.92	1.247

From the findings, a very large extent was stated there has been increase in market share, the companies have attained consistent profits and the companies have managed to own innovative modern capital equipment having means of 4.07, 4.11 and 4.11 respectively. A large extent was also noted on the companies; enjoying market brand strength on all products, enjoying positive corporate image, enjoying a strong market dominance, having accumulated cash adequate to run the operations, being able to reduce labour costs over the years and being able to acquire working capital with means of 3.87, 3.99, 3.91, 3.99, 3.55 and 3.55 respectively. Overall, based on the average score, it was concluded that many respondents agreed with the statements on the level of sustainable competitive advantage as indicated by an average mean of ($\bar{x}=3.92$). The average standard deviation indicates that the data points in a dataset are relatively close to the mean which is a relatively small amount of spread. This could be explained by the competitive strategies adopted by the organizations as majority of the respondents perceived that the level of sustainable competitive advantage was affected to a large extent by the effectiveness of corporate strategies employed.

4.2 Regression Analysis

Table 3 Model Summary on the relationship between diversification strategy and sustainable competitive advantage

Model	R	R Square	Model Summary ^b		
			Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.929 ^a	.863	.848	.34212	1.491

- a. Predictors: (Constant), Diversification Strategies
- b. Dependent Variable: sustainable competitive advantage

From Table 3, the coefficient of determination (Adjusted R²) implied that that the regression could explain up to 86.3 percent of the variation in the competitive advantage. The remaining percent of the variation could be due to other predictors not in the model. The model test of fitness results is presented in Table 6 indicating the reliability of the model in predicting competitive advantage.

Table 4 ANOVA for the relationship between diversification strategy and sustainable competitive advantage

Model		ANOVA ^a				
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53.852	8	6.731	57.512	.000 ^b
	Residual	8.544	73	.117		
	Total	62.396	81			

- a. Dependent Variable: sustainable competitive advantage
- b. Predictors: (Constant), Diversification Strategies

The model result of fitness indicates an F-statistic of 57.512 and a p-value of $0.000 < 0.05$. This indicates that the model is fit for prediction at 95 percent confidence level. The study of multiple regression model coefficients obtained which could be used for prediction are presented in table 7.

Table 5: Model coefficients for the relationship between diversification strategy and sustainable competitive advantage

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.216	.279		.772	.442
The company has embraced product diversification	.110	.038	.151	2.931	.005
The company has introduced corporate diversification	.056	.038	.078	1.500	.000
The company has been producing better and appealing products	.012	.036	.018	.323	.000
The company has added new features to products	.092	.031	.171	2.937	.004
The company has introduced new products	.120	.046	.166	2.614	.000
The company has diversified marketing skills	.158	.029	.319	5.472	.000
The company has applied unrelated diversification	.052	.043	.069	1.203	.000
The company is constantly evaluation diversification opportunities	.342	.033	.514	10.477	.000

a. *Dependent Variable: sustainable competitive advantage*

b. *Predictors: (Constant), Diversification Strategies*

As shown below, all the variables were found to affect positively sustainable competitive advantage in the cement manufacturing companies. This implies that an increase in these practices will result in improvement of the competitive advantage. In addition, all the variables have a p-value less than 5% ($P < 0.05$) meaning that these variables are significant in explaining the variations in competitive advantage in the cement manufacturing companies.

The descriptive statistics obtained an average mean score of 3.76 which implies a large extent of adoption of the constructs investigated in the cement manufacturing companies. From the

correlation analysis, diversification strategy ($r=0.770^{**}$, $P=0.000$) was established to be positively correlated to sustainable competitive advantage in the cement manufacturing companies. This compares to the regression analysis where the model coefficient results confirmed a positive relationship between diversification strategy and sustainable competitive advantage in the cement manufacturing companies. One recent study that supports the findings of this study is by Sadikoglu and Olcay (2021), who found that diversification strategies positively influenced the competitive advantage of Turkish manufacturing firms.

Another study by Ali and Akram (2021) found that diversification strategies had a positive impact on the performance of Pakistani SMEs. Kago,*et al*, (2018) examined petroleum companies in Kenya and found also found out that incorporation of these strategies positively improved the performance of these companies. However, it is important to note that not all studies have found a positive relationship between diversification strategy and sustainable competitive advantage. For example, a study by Castellanos-Verdugo et al. (2020) found that diversification strategies had a negative impact on the performance of Mexican firms in the food industry.

5.0 Conclusion and Recommendations

5.1 Conclusions

The study concludes that Diversification Strategy affect the competitiveness of the cement manufacturing companies. Therefore, an improvement in these practices influences the competitive advantage of the companies in a positive spectrum. The study also found out that government policies have a minimal but insignificant moderating effect on the relationship between diversification strategies and sustainable competitive advantage. The study therefore concludes that though the nature of policies enacted will not directly affect the diversification strategies implemented, they will also affect the competitiveness of the manufacturing sector

By adopting this strategy, a firm can create a competitive advantage that allows it to outperform its rivals in the market. This competitive advantage can lead to higher profits, market share, and long-term sustainability. The positive relation of the practices is supported by Panyako (2017) showed that performance differences among cement manufacturing companies in Kenya were as a result of strategies adopted by the companies with strategies not aligned to the market. Also Gupta, (2020) established a positive and significant effect brought about by strategies on the competitiveness of companies. This concurs with Ngutu, and Kavindah, (2019) and Kuncoro, (2018) who also established similar positive effects.

5.3 Recommendations

The study found differentiation strategy significantly affected sustainable competitive advantage. The study recommends the management to assess each differentiation practices suitability in light of the company's' structure, culture, and policies, as well as the overall targeted goals, before implementing it. This will guarantee that the tactics implemented are capable of achieving and exceeding their intended goals and objectives. In order to enhance performance and avoid insolvency, the study recommends that the manufacturing companies should explore further opportunities for increasing operational efficiency. Manufacturing firms can improve their diversification strategy by adopting a focused diversification approach. This involves focusing on related diversification, where the firm diversifies into related product or service lines. By doing so,

the firm can leverage its existing capabilities and resources to reduce the risk associated with diversification. Additionally, firms can also adopt a balanced portfolio approach, where they diversify across different product or service lines to spread the risk.

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